



## **Part B**

# **URBAN GOVERNANCE IN OTHER SOUTH ASIAN COUNTRIES**



## X. URBAN GOVERNANCE IN SRI LANKA AND THE COLOMBO REGION

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Sri Lanka is an island nation consisting of 65,610 square km and a population of about 18 million. About 70 percent of the total population is rural and 30 percent urban. At present, Sri Lanka faces an explosion in its urban population, placing an enormous strain on metropolitan services. Meanwhile, the infrastructure in the countryside remains inadequate. The country is also confronted with an ethnic conflict that swallows much of its physical and human resources. In order to guarantee ethnic harmony and social stability, the Government is endeavoring to bring about peace through devolution of power.

This paper briefly discusses the background of Sri Lanka's local government system; it describes the various issues, problems, and constraints that confront its biggest province — the Colombo Metropolitan Region (CMR) — in urban infrastructure management; and outlines some of the steps undertaken by the Colombo municipal council to address these issues.

## AN OVERVIEW OF LOCAL GOVERNMENT STRUCTURE IN SRI LANKA

After Sri Lankan independence in 1948, various systems of local administration were tried with varying success. In this context, the 13th Amendment to the Constitution in 1987 was a revolutionary measure that devolved much of the power vested with the Central Government. Consequently, Provincial Councils emerged as sub-national authorities with power to undertake devolved functions of the Government as defined by the Constitution. It was a turning point in the process of decentralization of authority because the Provincial Councils enjoy legislative, executive, and judicial powers within the defined limits.

Local government was devolved to the Provincial Councils with the constitutional safeguards provided by the 13th Amendment. People's participation in administration is a main feature in the local government system in Sri Lanka. In this context, the Pradeshiya Sabha Law is considered an innovative piece of legislation. Further strengthening the democratic nature of local rule, recent legislation included 40 percent youth representation (18-35 age group) in local elections.

Although the *Pradeshiya Sabha* Law has provided more opportunities for participation through the committee in the areas of finance and policymaking, housing and community development, technical services, and environment and amenities, experience has shown unsatisfactory implementation.

Today there are eight Provincial Councils functioning throughout the island. In the provinces, there are three types of local authorities: 14 Municipal Councils and 37 Urban Councils for urban areas, and 258 Pradeshiya Sabhas for rural areas.

Box 1 depicts the present administrative structure at the national, provincial, and local levels, while Box 2 shows the administrative links between

**Box 1: Sri Lankan Administrative Structure**

Level	Democratic Institution	Bureaucratic Institutions
National	Executive President Prime Minister Parliament	Presidential Secretariat Line Ministers (answerable to Parliament)
Provincial	Governor (appointed by the President) Chief Ministers of four subject Ministries Provincial Council	Five Sector Ministries (answerable to the Provincial Council)
Local	Municipal Councils Urban Councils Pradeshiya Sabhas (answerable to the rate payers)	Divisional Secretariat (translates national and provincial policy into action) <ul style="list-style-type: none"> <li>● Revenue</li> <li>● Services</li> <li>● Planning</li> <li>● Coordination of development functions</li> </ul>

the local authorities and the government’s administrative machinery at the provincial and national levels.

In addition to these administrative bodies, the Ministry of Housing and Urban Development,

**Box 2: Administrative Links**

National Level	Ministry of Provincial Councils and Local Government <ul style="list-style-type: none"> <li>● National level policy making</li> <li>● Dissolution of local authorities and holding elections</li> <li>● Role of coordinating and facilitating local authorities through Provincial Councils</li> </ul>
Provincial Councils	Subject Ministry of the Provincial Council (Minister, Secretary, Local Government Commissioner) <ul style="list-style-type: none"> <li>● Supervision and monitoring</li> <li>● Administrative and financial support</li> </ul>

through the Urban Development Authority, plays a key role in urban development. Its objective is to promote integrated planning and implementation of economic, social, and physical development in urban areas. According to the Urban Development Authority Law (1978), the Minister can declare any area considered suitable for development as an Urban Development Area. About 95 percent of the urban areas of the country fall within the jurisdiction of the Urban Development Authority. Local authorities therefore need to deal with large numbers of government organizations at both provincial and national levels.

The present Government has taken several important steps to resuscitate the local government sector. One of these measures is the establishment of a separate Ministry for Provincial Councils and Local Government. Another is the appointment of a Local Government Reform Commission to make suitable recommendations to reform local government law. Also significant is the creation of an organizational structure to keep pace with current development needs and to promote human resource development.

### **THE COLOMBO METROPOLITAN REGION**

Sri Lanka is divided administratively into eight provinces. Of these, the Western Province is the most developed and densely populated, with an area of 3,658 square km, or 5.5 percent of Sri Lanka's total land area. CMR, which essentially constitutes the Western Province, comprises the Districts of Colombo, Kalutara, and Gampaha. It is a functional region large enough to make investment decisions for planned development.

Colombo, the commercial hub of the island, is situated on the southwestern coast. During the last few decades, the city has expanded over a large area, swallowing a number of suburbs. Colombo City

dominates the commercial, trade, and financial interests of the metropolitan region, while Sri Jayawardenapura Kotte, the new capital, dominates the administrative functions. The shifting of the administrative functions to Sri Jayawardenapura Kotte and the development of industries has brought about a slight decline in the employment opportunities for the administrative and industrial sectors.

CMR provides services for the rest of the country and the provincial centers located within short distances from Colombo. As the center of economic and commercial functions, Colombo is unrivaled in importance as an urban center. Because the port of Colombo is fast emerging as a hub of regional shipping and commerce, the support facilities it requires dominate urban development in CMR.

Several Investment Promotion Zones are located in CMR, including Katunayake, Biyagama, and Sithawaka. The infrastructure, support settlements, planning, and transportation requirements in the urban development plan must take into account the current and future needs of these new industrial centers.

A major constraint for growth of CMR is the scarcity of available land for regional development. Land prices have risen exponentially. Another visible and disturbing characteristic of CMR is the decline of its infrastructure base. Public infrastructure depreciates as new infrastructure is not developed and existing infrastructure is poorly maintained. The situation with regard to some of the more important municipal services and related infrastructure is discussed below.

### *1. Storm Water and Flood Control*

CMR receives over 2,500 mm of rainfall annually. With the increasing density of development and as more land area is covered with buildings and paved roads, rainwater percolation is reduced and surface runoff is increased. This situation means frequent

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incidence of flooding. CMR comprises low-lying areas with high rainfall, exacerbating the problem.

Urban growth exacerbates the problem as marshy land is filled and developed in an unplanned manner. During periods of heavy rainfall, many parts of the city are flooded. Roads become impassable and are damaged. In addition to the disruption of economic activity, public health is endangered because the runoff is generally contaminated. Generally, the means of separating storm water from wastewater is unavailable.

### 2. *Water Supply*

The existing greater Colombo water system supplies a population of 1.6 million within an area of about 730 square km. Present total capacity is estimated at 600,000 cubic meters per day. The National Water Supply and Drainage Board (NWS&DB), which manages the greater Colombo water supply system, faces constant public demand to improve and expand the existing water supply. NWS&DB has initiated a systematic improvement program to meet this need by obtaining Government grants and donor assistance from sources such as ADB, the World Bank, and the Overseas Economic Cooperation Fund. However, it appears that additional funds will be needed, since as a result of the planned expansion projects, the percentage of served population will only increase from 50 in 1995 to 62 in 2010.

The demand for water in CMR needs special attention. According to a demand forecast, a water shortage is expected after 2002. Also, it is estimated that currently non-revenue water in CMR is more than 50 percent of total production.

### 3. *Sewerage*

In 1992, it was estimated that piped sewers covered about 19 percent of the population in CMR, while

on-site facilities covered 59 percent. The remaining 22 percent had either inadequate sewerage facilities or none at all.

Presently, the Colombo Municipal Council (CMC) system is the only large conventional sewerage system in CMR. The main components of the system are 250 gravity main sewers, 20 force mains, 13 pumping stations, and two sea outfalls. This system extends throughout 80 percent of the CMC area, serving a population of about 550,000. Sewage is collected from a large number of residential, commercial, and industrial properties. This is an old system. Its major parts were built between 1906 and 1916. Some rehabilitation and new construction were undertaken between 1982 and 1987.

From field observations, it has been recorded that approximately 60 percent of the sewers are either full or overflowing. The quantity of silt entering the sewer network is also very large due to the high inflow of stormwater and unauthorized connections. Moreover, a massive quantity of rainwater enters the sewerage system through the overflows and illegal stormwater connections.

Most of the sewers in the CMC system are dilapidated and have deposits of debris and sand. Certain components of the plant and machinery in the system are out of order or malfunctioning due to the persistence of technical problems. This situation is further exacerbated by the nonavailability of necessary equipment and maintenance infrastructure. Although sewer capacity is inadequate for coping with the present flow in some areas, proposals have been made to expand the existing system to serve adjacent areas. Consumers are not directly charged for the pipe sewerage schemes. They do not bear the operation and maintenance costs for effective operation of the system.

On-site systems are self-contained and include various types of pit latrines (dry and water seal types), cesspits, septic tanks, twin pits soak

systems, and an aerobic filter. Overloading and high rainfall cause the on-site systems to malfunction, either through reduction in seepage or structural failure. To avoid sanitation or pollution problems, users desperately seek vacuum trucks or tanker/trailer service to remove their domestic sewerage. They also look for wastewater trucks to empty septic tanks. Others use tanker trailers with pumps using manual emptying methods. CMC has a fleet of vacuum trucks to provide service for needy people.

#### 4. *Solid Waste Management*

The solid waste management practices in the various local authority areas in the CMR differ greatly. A regular solid waste collection system exists in the Dehiwela-Mt. Lavinia, Moratuwa, and Kotte areas. However, in some of the smaller jurisdictions, solid waste collection systems are virtually nonexistent. Solid waste is presently collected at the rate of about 1,100 tons per day. The ratio of waste collected to waste generated ranges from approximately 93 percent in CMC to as little as 5 percent in some of the smaller urban areas.

The municipal solid waste generated within CMR is currently disposed at landfill sites and at a number of small, uncontrolled open dumping sites. Out of 59 disposal sites identified, 38 are open sites and 21 are landfills. Until recently, the majority of the municipal solid waste was deposited at the 12-hectare landfill site at Wellampitiya. The operation of this landfill has been terminated, however, when it reached its saturation point. Considerable difficulty has been experienced in identifying and reaching agreement on the location of a landfill site to satisfy the disposal needs of CMR.

The industrial wastes generated in Katunayake and Biyagama Free Trade Zones are currently disposed at open dumps located within each zone. The Katunayake site is regularly set afire, presenting

a serious health and safety risk. Although Katunayake has two primitive incinerators at the dumpsite, the earth moving vehicles have insufficient capacity to handle all the incoming waste and they are frequently out of operation. Consequently, most of the waste is simply dumped on the site.

Hospital waste is generally combined with municipal waste without employing special precautions or methods for safety. There are no specially designed areas for hospital waste disposal at the dumping sites. Very few hospitals in CMR use incinerators. An incinerator was constructed at the Sri Jayawardenepura General Hospital, but it is neither adequately designed nor effectively operated. This has resulted in incomplete combustion of waste, which generates a continuous plume of black smoke from the incinerator stack.

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### 5. Future Directions

The urban sprawl in CMR is not matched with the provision of adequate infrastructure and social services. Local authorities are unable to mobilize resources to respond to infrastructure requirements. Given the limited pool of financial and human resources, a serious backlog in the development of infrastructure exists. The Ministry of Housing and Urban Development, through Government financing, assists subsectors like water supply, sewerage, flood control and drainage, solid waste management, and public housing. The sectoral approach to the provision of infrastructure means that cash collection is planned and implemented individually with the attendant limitations of a fragmented approach.

## THE COLOMBO MUNICIPAL COUNCIL

CMC is the largest local authority in Sri Lanka and one of the oldest in Southeast Asia. It caters to the

needs of approximately 800,000 residents plus a floating population of approximately 400,000. It has 53 elected members. CMC falls directly under the Western Provincial Council, set up under the 13th Amendment to the Constitution. The Provincial Council has important powers with respect to staffing and human resources management.

The Mayor (as Chief Executive) and the Municipal Commissioner (as Chief Administrator) administer CMC. The Commissioner is responsible to the Mayor for the performance of the Council (Figure 1). The Mayor is in turn responsible to the electorate at large and to the Government for the overall performance of Council services. Council members are elected every four years.

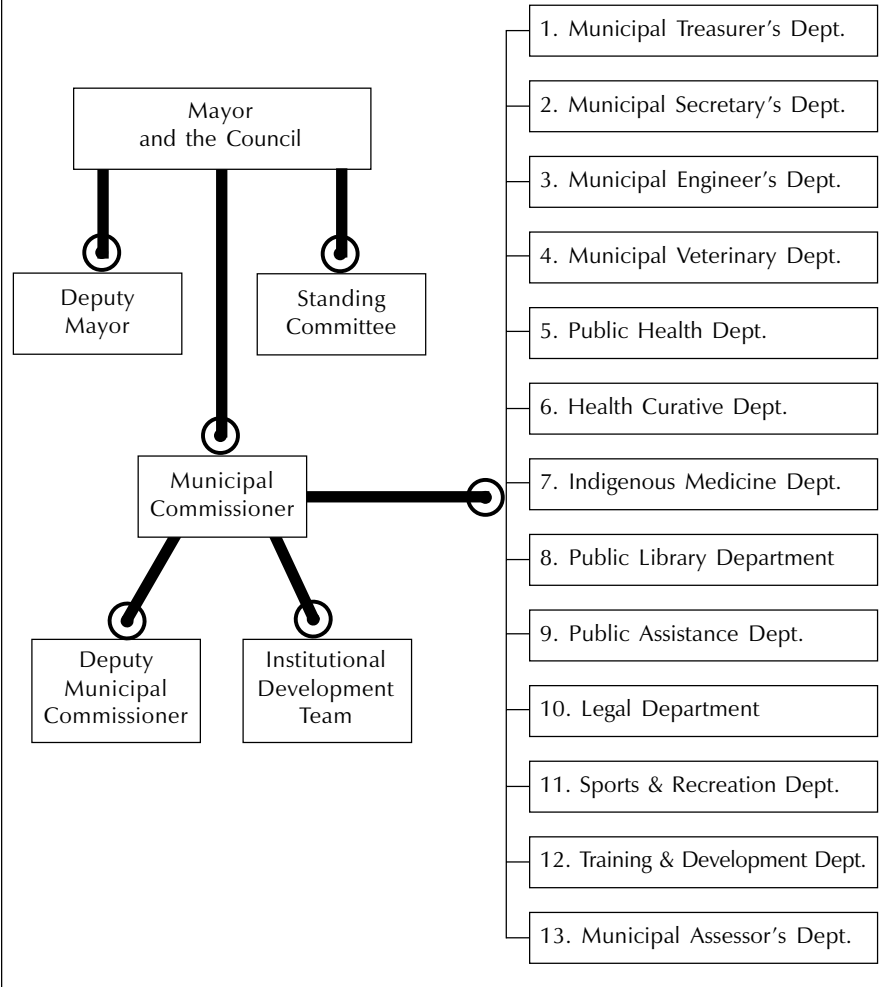
### *1. Administration Mechanism*

CMC, the highest policy and decisionmaking body in the municipality, has produced a list of operating practices. This includes the Municipal Council's ordinance, its regulations and by-laws, and the various acts and ordinances that govern the operations of different departments. These generally involve delegation of powers.

CMC receives reports and recommendations from the standing and special committees, and the rules of procedure are contained in the standing orders. The Chairpersons of these standing committees form the Inner Cabinet. Notably, five of the chairpersons represent opposition parties. This arrangement was introduced to abate wasteful interparty conflict resulting in reduced quality service to the citizens.

The Mayor also appoints special Advisory Committees. Their main role is to advise on long-term improvement of the Council's services and to introduce international developments. The members are citizens noted for their expertise, experience, and reputation.

**Figure 1: Colombo Municipal Council Organization Structure**



The heads of 13 CMC departments report to the Municipal Commissioner concerning their day-to-day activities. The department plan provides services within the resource allocations and priorities laid down by CMC.

### *2. Financial Arrangements*

CMC operates within the framework of the Government's financial regulations, but these have become inadequate. CMC's annual plan is presented in the annual budget. The plan covers costs, corporate strategy, and departmental management plans. The source of regular income includes receipts from taxes, charges, rents, sales, and interest. Other sources include Government reimbursements (mostly for specific purposes such as salaries, pensions, and roads) and overseas assistance.

### *3. People's Participation*

CMC has had extensive experience in working with the community to improve the environment and sanitary facilities of the nearly 40 percent of the population of Colombo who are presently underserved. A significant feature of these programs is the formation of Community Development Councils to enhance community participation and safeguard the amenities provided. Today over 600 councils operate in the city.

### *4. Programs and Problems*

With the election of the new council in April 1997, short-term and long-term programs were initiated. The short-term (100-day) programs were designed to make an impact on the community with emphasis on providing better amenities to low-income people. The programs also included renovation of public buildings. They were designed to involve the private sector in

some CMC activities and to create public awareness to encourage people to join hands with the Council in providing effective service.

During this period, the private sector and NGOs were involved in maintaining many facilities in the city. These included 90 percent of the 26 dispensaries, nearly 100 percent of the 70 roundabouts, large areas of trunk roads, street name boards, billboards, community centers, playgrounds, and a home for the elderly. Another relevant milestone was the support to CMC from the international community through their embassies and from international NGOs in making Colombo a cleaner, healthier city.

The long-term program is faced with several major issues.

- Solid waste disposal and management
- Provision of better housing and amenities to the underserved population
- Improvement of rainwater disposal facilities
- Development of the infrastructure, particularly transport, drainage, and water systems

Finding solutions to these problems is no easy task. CMC does not have sufficient financial resources and is highly dependent on donor agencies. The Japanese Government donated a large number of solid waste collection vehicles and equipment. The World Bank is presently involved in a program to assist the greater Colombo area in solid waste disposal. The World Bank is also associated with the clean settlement program, which provides better housing facilities to the poor. Negotiations with other donor agencies are ongoing regarding assistance in rainwater disposal facilities and development of infrastructure.

CMC has been responsible for providing water facilities to citizens for over 100 years. Recently, under an aid program this responsibility has been

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handed over to a separate agency called the Water and Drainage Board. However, Colombo citizens still look to the Council to solve their day to day needs. This has put CMC and its elected members in an embarrassing position because they are compelled to find solutions to these problems. A better solution must be found.

### **CONCLUSION**

Urbanization is inevitable and irreversible. The challenge is to devise strategies for more efficient and effective management. Enabling approaches for environmental management, urban land management, urban poverty alleviation, and shelter development can provide the basic physical and social services in a cost-effective and sustainable manner. It is only through a meaningful partnership between Government and citizens that urban areas can become more responsive to the needs and rights of all inhabitants. These efforts need political will and new forms of demarcation and participatory governance.

## XI. ISSUES AND PROBLEMS CONFRONTING MANAGERS IN DHAKA CITY

Md. Shahidullah Miah  
*Secretary, Dhaka City Corporation, Bangladesh*

Dhaka, the capital of Bangladesh, has a profound history and a rich culture. The features of the city are characterized by Mughal and Muslim architecture. The District Municipal Improvement Act of 1 August 1864 formally established the Dhaka Municipal Committee. The Act provided that the Chairman, Vice-Chairman, and two thirds of the Commissioners be chosen through popular election. After its establishment, Dhaka Municipality was entrusted with all the public works of civic amenities, including water supply, lighting, conservation, public instruction, as well as construction of roads, drainage, markets, parks, playgrounds, community centers, bus terminals, and burial grounds.

The municipal area and its population have increased remarkably. Town areas increased from 6.15 square km in 1906 to 35.5 square km in 1961, when the population stood at about 580,000. The municipality was awarded the status of a corporation in 1978. Two adjacent municipalities, Mirpur and Gulshan, were merged in 1982. The corporation was statuted in 1983 with the introduction of Dhaka Municipal Corporation Ordinance. Finally, it was renamed the Dhaka City Corporation (DCC) in 1990.

By 1997, DCC's area of responsibility had expanded to 160 square km with a population of about 6 million. DCC's area is divided into 10 administrative zones. Each zone is represented

by a ward commissioner, whose job it is to ensure people's participation in development activities.

With the rapid and haphazard growth of Dhaka City, DCC is faced with a great deal of pressure. This paper presents some of the basic issues and problems besetting the city.

## POPULATION GROWTH

Dhaka has experienced rapid population growth since independence in 1971. The recorded population growth from 1951 to 1997 is shown in Table 1. The high growth rate between 1961 and 1974 was partly the result of the sudden influx of population to the city following Bangladesh's independence in 1971. The high growth rate between 1974 and 1990 may be attributed to the inclusion of new areas in the city and urban migration.

**Table 1: Dhaka Population Growth, 1951-97**

Year	Population (million)	Growth rate (%)
1951	0.36	1.3
1961	0.56	5.2
1974	1.77	9.3
1980	3.45	9.9
1990	7.35	7.1
1997	9.30	6.0

Source: Bangladesh Institute of Planner's Journal, 1994.

In addressing this problem, the present Government is implementing the Secondary Town Infrastructure Development Program, financed by the Asian Development Bank and the World Bank through the Local Government Engineering Department. This program develops rural

infrastructure facilities to stop the people living in small towns from migrating to the cities in search for better services and facilities. The Department is also implementing an Intensive Rural Development Program, which provides job opportunities in small towns through the help of both national and foreign donors.

### **POVERTY**

Dhaka is overwhelmed by its massive population of poor people — at least 5 of the city's 9.3 million people live below the poverty line. It is perhaps the poorest megacity in the world, with a per capita annual income of only \$500 in 1997. However, this is much improved compared to 1980/81 when the figure was only \$100, an indication that economic conditions of most people in Dhaka have improved during recent years.

In the Dhaka metropolitan area, about 50 percent of the population aged 10 years and over are engaged in gainful employment. Of these, 3.3 percent are in agriculture, 4.2 percent in industry, and 5.3 percent in transport and utilities. Others are in service (1.7 percent), business or trade (10.4 percent), and various administrative services and informal activities (23.8 percent). Of the rest, 27.5 percent, mostly women, are engaged in household work. Another 22.1 percent are unemployed.

### **TRANSPORT SYSTEM**

Development of Dhaka's transport infrastructure has not been able to keep pace with the demands of its growing population and area. Only 1,100 buses, the city's only mode of mass transit, ply the city's roads. Consequently, about 60 percent of the citizens travel by foot. It is estimated that about 4,000 buses are needed to meet the traffic demand.

Dhaka's transportation system is served by a road network consisting of 200 km of primary roads, 110 km of secondary roads, 152 km of collector roads, and 2,540 km of narrow roads. Aside from a few primary roads, almost all roads consist of a single lane. These narrow roads are a major headache for traffic management. Due to lack of planning and enforcement of the Building Control Act, the roads cause serious traffic congestion and cannot accommodate both motorized and non-motorized traffic. According to a Dhaka Urban Transport Project study in 1996, about 60 percent of all passenger trips are pedestrian, 20 percent by rickshaw, and 19 percent by bus. This heavy reliance on non-motorized transport is the root of the problem.

The United Nations Development Programme supported the Greater Dhaka Integrated Transport Study in 1994. Based on the recommendations of this study, the Dhaka Urban Transport Project was initiated in 1995 and will be completed in 1998. This study is a coordinating effort of all government and nongovernment agencies involved in city's transportation system. Supported by World Bank financing, it is expected to construct 20 intersections, three flyovers (Sonargao, Jatrabari, and Mahakhali), and several bypass and link roads.

DCC has undertaken and completed two pilot projects with the help of the Government of Bangladesh. Under the First Crash Program, five steel footbridges were constructed in different congested places of Dhaka. Under the Second Crash Program, eight steel footbridges and three underpasses were constructed. The proposed Third Crash Program, to be implemented in 1998, includes one truck terminal and 22 steel footbridges. To ensure safety of pedestrians, footpaths will be improved and grills installed on road medians in key areas of the city.

On 12 January 1997, air-conditioned Premium Bus Services began operating on the Uttara-Motijheel

route with 50 buses. Another 50 buses are plying the Mirpur-Panthapath-Nagar Bhaban route. These services will ultimately restrict the number of cars and mini-taxis and help promote private sector involvement in transportation management.

Almost 80,000 licensed rickshaws presently ply the streets of Dhaka. Various sources estimate that an additional 2 million unlicensed rickshaws exist. In 1996, DCC issued new laminated licenses to all licensed rickshaw owners. This will make it easier for law enforcement agencies to detect unlicensed rickshaws. Additionally, the Government decided to restrict 150-200 km of primary roads to motorized transport.

### **HOUSING, SLUMS, AND SQUATTERS**

Dhaka is experiencing continuous deterioration of its services. At present about 50,000 additional housing units are required annually. Because housing cannot keep pace with the population increase, the problems of shortage of accommodation and growth of squatter and slum settlements are acute. Dhaka's land ownership pattern is highly skewed. About 80 percent of residential land is occupied by 30 percent of the population, whereas the poorer 70 percent have access to only 20 percent of the land.

According to a 1997 ADB study, 30 percent of Dhaka's population lives in over 3,000 slum areas. These slums are located in and around the city, near roadsides, on government and private land, along railway lines, and in urban fringe areas. Average floor space per person is about 1.2-1.5 square meters. In addition, more than 20 percent of city dwellers have no permanent shelter. Slum and squatter settlements mostly consist of densely constructed huts, often containing multiple families. Only 5 percent of Dhaka's urban poor live in permanent housing. These people have minimal access to basic services and many of those services are obtained through

informal channels, resulting in high unit cost and environmental degradation.

### HEALTH CARE SERVICES

The majority of the population of Dhaka suffers from poor health facilities due to population growth. A 1991 study showed a countrywide infant mortality rate of 90 deaths per 1000 live births. The corresponding rate for the urban slums of Dhaka was 142, or 58 percent higher. The higher mortality rates among slum dwellers are caused by the poor performance of public health programs. At present, one general hospital, one child hospital, one maternity center, 21 charitable dispensaries, and 69 immunization centers within DCC provide health care services. Obviously, these are inadequate to serve the actual demands of the city dwellers.

In response to the pressing need of primary health care of the urban poor, the Government of Bangladesh and the Bank have agreed to implement the Urban Primary Health Care Project at a cost of \$63 million. About 90 two-storied community hospitals will be constructed within five years of the project's life. The project aims to:

- ensure that poor people in four large cities (Chittagong, Dhaka, Khulna, and Rajshahi), have easy access to a package of basic health services such as immunization, family planning, maternal care, micronutrient supplementation, health education, and basic curative services;
- test innovative approaches to the organization of primary health care such as contracting out services to NGOs and the private sector; and
- strengthen the capacity of DCC's Health Department to effectively coordinate the population, health, and nutrition activities undertaken by NGOs, the Ministry of Health and Family Welfare, and the corporations themselves.

## **SOLID WASTE MANAGEMENT**

Significant improvements in solid waste management in Dhaka have taken place. The bullock carts previously used for collection and transportation of solid wastes were abolished in 1982 and replaced by open trucks. In 1989, the night collection system was introduced in the old city. And recently, DCC has introduced dumper technology using demountable containers to modernize the transportation of solid wastes. However, DCC's collection capability is still insufficient to meet the requirements of the rapidly growing population.

DCC has acquired about 100 hectares at Matuail (outside the city area) to be used for sanitary land filling. This will be the first time this technique is used in Bangladesh. DCC is also negotiating with other donor agencies for assistance to procure garbage trucks and mechanical equipment for effective solid waste management.

DCC's pilot project on biogas generation from garbage in slum areas is progressing well. The project is expected to encourage recycling of solid waste. DCC is also negotiating with a foreign consultant to introduce a 'Waste to Electricity' project using available solid waste.

## **MOSQUITO CONTROL**

Dhaka has a serious problem with mosquitoes, the severity of which varies according to season. The mosquito season in Dhaka lasts from October to April, with the highest number of mosquitoes during January and February.

The physical conditions of Dhaka are ideal for mosquito breeding. Within the city are vast areas of lowlands characterized by stagnant and polluted water. There are also innumerable ditches, derelict ponds, and unused housing plots scattered all over

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the city. Stagnant drains in the city are also a major source of mosquito breeding.

Mosquito control in Dhaka is a tremendous logistic, technical, and management challenge. DCC has limited resources and inadequate equipment for tackling this immense problem.

## **WATER SUPPLY AND SEWERAGE**

A formal water supply system employing water treatment and a piped distribution system came into operation in 1978. Dhaka Water and Sewerage Authority (DWASA) is responsible for supplying water to meet the needs of the urban areas. In 1990, the water supply and sewerage system of the Narayanganj urban area was added to DWASA's jurisdiction. The service area consists of 344 square km. The city has an extensive piped water distribution network.

At present, DWASA can only supply about 660 million liters of water daily against a daily demand of 1,260 million liters. The city's major water source comes from deep tubewells scattered around the city. At present, 52 of tubewells are located around the urban areas, and 8-10 more are drilled each year. DWASA's new water treatment plant at Saidabad will help solve the water demand problem during 1999.

DWASA took control of the sewerage system from Dhaka Municipality in 1964. The facilities were six sewerage lifts stations, 69 km of pipelines, several sewerage treatment plants, and 3,445 sewer service connections. The installation of piped sewers to new areas is progressing slowly. The number of sewerage connections has increased in recent years. A DWASA analysis shows that sewer connection has been increased by 90 percent since 1984.

## **STREET LIGHTING**

At present, there are about 60,000 fluorescent tubes in DCC areas. To cope with the growing demand,

DCC replaced fluorescent tubes with sodium lights, which are more convenient and acceptable to people. Nevertheless, the existing street light facilities in Dhaka City are inadequate for the growing demand of city dwellers.

## **ENVIRONMENTAL POLLUTION**

Dhaka, particularly its oldest neighborhoods, is polluted by black smoke caused by improper vehicle maintenance and the operation of outdated vehicles. Chemically, the smoke is a combination of carbon monoxide, sulfur, and lead — all of which are hazardous to health.

Other sources of environmental pollution are the haphazard growth of industry adjacent to residential zones, the growing numbers of slums and squatters, a poor drainage system, and the lack of awareness of city dwellers.

## **PLANNING AND COORDINATION**

The first master plan for Dhaka City, prepared in 1959, is now outdated. In 1996, the Dhaka Metropolitan Development Plan was prepared with financial help from UNDP. In 1997, the Government approved the plan, which covers an area of about 1500 square km. The new master plan has three major components: a structure plan, an urban area plan, and a detailed area plan. The structure plan provides a long-term strategy to 2015 for the metropolitan area, identifying the scale of growth and recommending spatial and sectoral policies over the long run. The urban area plan provides a medium-term strategy to 2005 for the development of the existing urban area and the area likely to become urban over the next five years.

DCC has established its own town planning department. Multidisciplinary professionals such as town planners, architects, economists, sociologists,

geographers, computer programmers, and research officers were recruited. The department will also computerize the Taxation, Revenue and Accounts Departments to increase revenue collection.

The present structure of metropolitan governance of Dhaka, which includes 51 agencies, is inefficient because of lack of coordination. These agencies themselves generate many sociophysical problems due to uncontrolled development. It is essential to either reorganize the existing structure or create a new one capable of implementing the new plan.

The Government has established a Coordination Committee headed by the Minister of Local Government and the Mayor of Dhaka City. This committee is responsible for coordinating different line departments/agencies. It is now functioning well with regard to traffic congestion, water supply, drainage, health, and other problems. This is the first step in establishing the proposed metropolitan government in the city.

## **XII. MANAGING A MEGACITY: SOME LESSONS FROM CALCUTTA**

Asim Barman  
*Municipal Commissioner, Calcutta, India*

Calcutta is the primary urban center in eastern India and the main seat of trade, commerce, higher education, health facilities, and employment. Consequently, it has had to absorb massive local immigration, resulting in stress on infrastructure services. The problem was aggravated by the influx of large numbers of displaced persons from Bangladesh in 1971.

Greater Calcutta is the second largest urban agglomeration in India with three municipal corporations, 38 municipalities, a host of urban and rural units, and over 12 million people. It is the world's 10th largest metropolis. Calcutta City proper has an area of 187.33 square km. The city was established more than 300 years ago and its infrastructure is suitable for only 2 million people, but it now has 4.38 million residents, and a floating daily population of 2 million. More than one third of the current population lives in squalid conditions in slums and squatter settlements. Hazardous small industries exist side by side within settlements because insufficient land is available for relocation in the peripheral areas.

Thus, overcrowding, poor drainage, inadequate solid waste management, uncontrolled development, encroachment, economic and industrial recession, water and air pollution, insufficient water supply, and inadequate housing are some of the problems confronting the city.

The basic issues that confronted development authority, municipal corporations, and the state government were not only these enormous problems

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but multidimensional problems as well. These included untimely and inadequate cash flow, nonavailability of serviced land, lack of renovation and maintenance of century-old water supply and sewerage systems, low or no pricing of services, an inadequate database, and insufficient enforcement of regulatory measures.

The government was faced with the problem of managing service delivery, motivating and managing a very large work force, and providing minimum basic services to the slum dwellers with no paying capacity. At the same time, local self-government units were fragmented. Very often they held different political ideologies and were not financially, managerially, or institutionally capable of providing service to the people. In addition, large numbers of development authorities, political organizations, and pressure groups with overlapping jurisdictions and conflicting goals and interests existed at both the city and state levels.

With continued deterioration of civic facilities, Calcutta was declared a dying city and derided internationally as a terminal case of urban degeneration. The outlook appeared gloomy indeed.

*Calcutta was declared a dying city and derided internationally as a terminal case of urban degeneration.*

## **REFORMING THE CITY**

When all appeared to be lost, the citizens and the state government decided to fight back. Political institutions offered active support. Action plans were drawn up. Political will to win over the situation was announced and publicized. It was agreed that the Calcutta Corporation administration should spearhead the war to save the city. Objectives and priorities were clearly defined.

## **STRUCTURAL REFORMS**

According to the Town and Country Planning Act, the Calcutta Metropolitan Development Authority

is the designated planning authority and remains responsible for major developmental work. Calcutta Municipal Corporation (CMC) and other local bodies have the municipal cabinet system of city government. The Mayor-in-Council remains collectively responsible to the Corporation and exercises all executive powers. CMC has 141 wards, each administered by a popularly elected councilor. Contiguous wards are grouped into 15 boroughs, which discharge specific functions of civil services under the general supervision of the Mayor-in-Council. A Commissioner acts as the principal executive officer while the Mayor acts as a chief executive officer.

Several steps have been taken to bring about structural and financial reforms. These include establishing the Central Valuation Board and the Institute of Local Government and Urban Studies, amending municipal acts, enacting the Town and Country Planning Act, and constituting the Municipal Finance Commissions.

## **IMPROVED LAND USE PLANNING**

The land use pattern in the Calcutta metropolis has been greatly influenced by topographical characteristics. The development pattern indicates a compact central core, a less compact surrounding area, and settlements gradually merging with rural areas. Within a short distance from River Hooghly (scarcely more than 3 km at any place) the level falls quickly and poses great difficulty for large-scale urban development. These areas are perennial marshlands and susceptible to annual inundation. The enactment of the Thika Tenancy Act has vested the ownership of all land occupied by slum dwellers with the state government. No legislative constraint can stand in the way of any development work in the slums. The land use plan suggests that lands be apportioned predominantly for residential areas

(45 percent), with another 33 percent for wetlands, agriculture, and other uses. The remaining areas are for industry, commerce, and transport (20 percent), and open spaces (2 percent).

During the last decade, the planning and implementation of land use regulation have been decentralized. A constitutional amendment (the 74th) accelerated the process of organizing, planning, and monitoring committees at the metropolitan and ward levels, increased transparency in the programs and projects, and promoted community support. It ensured proper prioritization, adoption of appropriate technology, and made implementation and maintenance smoother.

The Corporation prepared a suitable database through remote sensing and GIS, land use control, and regulatory plans. These included regulation of the development process, preservation of natural lakes and wetlands, and freezing of development activities to maintain proper balance.

### **COMPUTERIZATION**

A massive computerization program was introduced to obtain a better information management system. Although the employees initially resisted the program because of the fear of retrenchment, continuous dialogue and interaction between management and employees did much to allay their anxieties. The key areas in which computerization led to increased efficiency for the administration are listed in Table 1.

### **RESOURCE MOBILIZATION**

Aside from the financial grants provided by federal governments to CMC, the Corporation itself initiated a number of steps to enhance resource mobilization. It introduced a revised grant structure that resulted in better discipline and better revenue income through the spirit of competition. Steps have been

**Table 1: Key Areas for Computerization**

Sector	Computer Application
Accounts	Integrated finance and accounts
Revenue	Revenue mobilization
Personnel	Better management of human resources
Municipal services	Conservation (solid waste management), water supply, birth/death certificate issuance
Land utilization & control	Smart's map (basic survey) digitization

taken to pursue surplus-generating commercial propositions. Another initiative was to lease out parks and road intersections to businesses for advertising. The Valuation Board revalued property to improve tax collection. Bold steps were taken for imposing rational water rates and user charges for expressways, and there is serious thinking about collection of a sewer cess, particularly from industries.

## **INFRASTRUCTURE DEVELOPMENT**

The Corporation recognized that for industrial development to keep pace with economic growth, many factors would have to be taken into consideration. These factors included improved water and sanitation services, better traffic circulation, accommodation for workers, better power generation, development of skilled human resources, and above all a congenial policy environment. A judicious mix of surplus-generating and self-sustaining services schemes was selected to strengthen the existing infrastructure, services, and facilities to effectively support the existing population and activities in the urban center. Additional infrastructure and facilities were also provided for future growth, and to disperse activities from the metro core, thus reducing people's dependence on the inner city.

About 34 percent of Calcutta's metropolitan population live below the poverty line. Poor people are increasingly concentrated in city centers where they have little choice but to overexploit the already fragile conditions, depleting the resource base still further.

Calcutta slums have a peculiar three-tier tenure system that includes the landlord, the leaseholder (a middleman), and tenants. In view of the legal complications and huge costs involved, slum relocation has not been attempted on a large scale. Instead, the Calcutta planning model has focused on environmental improvement with on-site and off-site sanitation to bring about a change in the quality of life. The idea was to provide adequate and safe drinking water, drainage and sanitation, appropriate lighting, and paved roads. In addition, dry latrines were to be replaced by septic tanks or connected to sewers.

A number of steps have also been taken to prevent pollution of water sources, such as diversion of sludge from water sources, proper treatment and better waste management, and planning for conservation of urban water bodies. Major industries from within city centers have been relocated and a statutory provision for regular emission tests for public and private transport has become policy.

Providing preventive and curative health services and nutritional support to expectant and lactating mothers, establishing primary schools and community centers and providing loans through nationalized banks to small-scale entrepreneurs also reinforced the program. All these initiatives have resulted in an appreciable reduction in child mortality and morbidity rates. Above all, a sense of belonging has been nurtured among slum people.

In Calcutta, coexistence of both fast- and slow-moving vehicles within limited road space aggravates traffic congestion. It is difficult to do away with slow-moving vehicles like rickshaws, vans, and carts. They

are effective for short distance movement in the narrow winding lanes of the old city, and they also provide important means of employment. Better traffic management and enforcement of traffic rules have done much to alleviate the problem. Other important factors are the newly constructed metro railway, circular railway, flyovers, bridges, and expressways. The end result is that the traffic problem is far less critical than just few years ago.

The removal of hawkers from 21 major corridors was another important reason behind the smoother flow of traffic. This was possible due to support from the media and citizens as well as the state government. Although the judiciary pronounced the authorities under no legal obligation to rehabilitate persons illegally occupying public areas, the government decided to relocate as many evicted hawkers as possible in market complexes now under construction on a cost-recovery basis. In return, hawker unions are actively cooperating with the government. This exemplary operation shows that, given the political will and support of the people, much can be achieved.

## **PRIVATE SECTOR AND NGO PARTICIPATION**

A number of public-private participation programs have started, particularly on solid waste management and the restoration of heritage sites, parks, cremation grounds, and markets. Private entrepreneurs have been leased lands for producing compost and power from garbage against royalties. Private transport has been employed along with the corporation fleets to minimize pressure on garages and workshops as well as to encourage a sense of competition among Corporation employees. Businesses and chambers of commerce have been involved in maintaining and renovating heritage buildings, crematories, parks, and traffic signals.

*A number of public-private participation programs have started on solid waste management and the restoration of heritage sites, parks, cremation grounds, and markets.*

With joint ventures, markets are now being redeveloped. Parks and green areas have been constructed in places that previously were nothing but hillocks of dumped garbage.

Substantial support has been mobilized from NGOs in the urban areas. One of the very sensitive areas in which NGO support has been particularly successful is the vexing issue of stray dogs. Killing of stray dogs by municipal authorities invariably generates an emotional outcry by animal lovers and by the public at large. NGOs were authorized to issue licenses for pet dogs and to undertake sterilization of street dogs. Over time, the population of stray dogs was reduced and incidence of canine attack dropped significantly. NGOs have also been supportive of solid waste management operations and in the removal of unsightly billboards and banners.

### **EXTERNAL SUPPORT FROM DONORS**

During the last two decades, a number of development programs in various fields have been implemented with World Bank assistance. Most of those programs ended by 1992. Presently, with World Bank support, the Indian Population Programme VIII is being implemented among 3.5 million economically and socially deprived groups for better mother and child health care, population control, and social awareness. With assistance from the UK's Department for International Development, selected slums of Calcutta and its suburbs are being improved. The improvement program places special emphasis on community participation, non-formal primary education, and health education. Interaction with ADB for renovating Calcutta's antiquated sewerage and drainage systems is ongoing. Japan's Overseas Economic Cooperation Fund is also being tapped for large-scale water treatment plants for replacing ground water as source for drinking water.

## **MORE CHALLENGES AHEAD**

In the years ahead, Calcutta's population will increase, as will its industries and wastes. But with the current trend toward balanced growth with ecofriendly and low waste-producing programs, the city will continue to stave off the seemingly inevitable doomsday.



# XIII. FINANCIAL INNOVATIONS AND MUNICIPAL MANAGEMENT IN AHMEDABAD

B. K. Sinha  
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Urban India reflects the developing world's urbanization processes in that it is a mix of economic reform, liberalization, and globalization. It is also characterized by the problems of growing population, high density, shortage of civic amenities, traffic congestion, environmental degradation, and slums.

The urban population of India is presently about 262 million, 27.3 percent of the estimated total of 962 million. It is likely to increase to 549 million, a percentage of 41 percent, by 2021. Urban India's contribution to gross domestic product rose from 29 percent in 1950/51 to 47 percent in 1980/81, and is expected to be over 60 percent by 2001. The spread of 3,697 urban agglomerations, according to the 1991 census, is shown in Table 1.

**Table 1: Population Spread**

Size	Number	% of total
> 1 million	23	32.5
100,000-1 million	277	32.4
50,000-100,000	345	10.9
< 50,000	3,052	24.2

Historically, in Gujarat the state government has been the source of legislation and control over all municipal activities. Built-in provisions empower the state to watch, guide, direct, and control activities. With the enactment of the 74th Amendment to the Constitution of India, the state government is in the process of changing its role from that of a centralized controller to a facilitator leading the way to formation of effective institutions of local self-government. This amendment also lays down a financial framework of effective devolution of resources from the state to urban local bodies (ULBs) and a background for participatory planning.

Municipal authorities are required to provide a range of infrastructure services. These are typically addressed as obligatory and discretionary functions. Although funding may not be sufficient at present, it is imperative for municipal administration to anticipate the need of infrastructure and service provision. Because of the constraints of a legal framework with weak institutional capacity and lack of proper fiscal management systems, the provision of infrastructure services has not kept pace with urbanization and economic growth. Exacerbating the problem, the lack of ULB credibility in the market makes it almost impossible to generate capital either from constituents or from other financial sources.

Traditional ways of financing capital costs and recovering current costs are not adequate to meet infrastructure needs. To keep pace with economic growth and upgrade or augment infrastructure, it is necessary for ULBs to enhance not only their revenues but their institutional capacities. In order to enhance revenue, the possibilities of enlarging and diversifying the resource base must be explored.

Because the government is faced with a growing disenchantment with public monopoly and fiscal constraints, a case exists for commercialization, including mobilizing a larger volume of funds and

non-guaranteed finance from the market. This in turn requires providing an attractive investment climate within the ULBs through lower costs and better quality of infrastructure services.

Ahmedabad, with a population of 3.3 million, is the largest city in Gujarat and the seventh largest in India. It has an area of about 190 square km, more than some larger cities such as Calcutta. The Ahmedabad Municipal Corporation (AMC) is responsible for water supply, sewerage and drainage, roads, street lighting, primary education, medical services, solid waste management and conservation, fire services, public transport, and parks and gardens.

### REVENUE COLLECTION

Like most other local bodies, until recently AMC was in dire financial straits. In the absence of an elected body, the Administrator took certain measures to improve Corporation finances. Very serious and concerted efforts were made to plug leakage and evasion of octroi duty. Recovery of property tax was also stepped up through enforcement measures, which changed the financial health of the Corporation dramatically. The steps taken to improve revenue collection included the following measures.

*For octroi:*

- Development of a market research cell in the Octroi Department for preparation of valuation books on the basis of prevailing market rate to stop underinvoicing by importers.
- Creation and updating of valuation with the help of chartered accountants and cost accountants.
- With the help of the Police Department, many antisocial elements permitting octroi evasion were arrested, thereby boosting the morale of Corporation employees and officials.
- Introduction of a system of random checking of

trucks to ensure that bogus or underinvoiced bills were not produced.

- Introduction of additional round-the-clock vigilance squads to intercept vehicles entering the city.
- Induction of cost accountants and chartered accountants into the Corporation for correct calculation of goods entering in the city from major octroi posts.
- All octroi checkpoints were equipped with wireless systems for rapid communication.

*For property tax and other charges:*

- A series of cohesive measures were taken against tax defaulters.
- The Supreme Court settled litigation in favor of AMC.
- Water supply and drainage services of defaulting properties were disconnected.
- Warrants were issued for confiscation of movable properties and attachment of immovable properties.
- Properties were put on auction for tax recovery.

Only one week of effort in this direction changed the scenario and octroi income began flowing in. Sustained efforts resulted in steady income from the octroi duty. The recovery of property tax also increased substantially. As a result, between November 1994 and March 1995, AMC wiped out its accumulated cash loss of over Rs350 million and a bank overdraft of over Rs220 million and became financially sound.

## **FINANCIAL MANAGEMENT**

Despite the surplus generated, AMC appreciated that Corporation's income alone would not be sufficient to finance the infrastructure development of the city.

It realized that a large volume of funds from private sources could be mobilized for infrastructure projects by structuring them to meet the requirement of the private investors. Further, private financing could be accompanied by private management, which could probably deliver better service performance in terms of speed and innovation. It also realized that access to domestic and international capital markets is the crucial missing link for infrastructure financing.

In short, traditional ways of financing would have to be supplemented through development of public-private partnerships, enhancing user charges and property taxes, creating other internal sources of revenue, and enabling access of local governments to financial institutions and markets. The participation from non-AMC sources in financial management was also sought.

Participatory financial management had to be linked to areas of infrastructure provision and development such as roads, bridges, water supply, waste water treatment plants, urban transport, solid waste management, and slum upgrading. A new methodology in the form of joint ventures, build-own-operate and build-own-operate-transfer concepts, and privatization needed to be adopted.

### **CORPORATE PLANNING**

With the improvement in the financial status of AMC, improvement of the city infrastructure became a reality. AMC prepared a comprehensive Corporate Plan to rapidly upgrade the level and coverage of services in the city. Simultaneously, a strategy to finance this infrastructure plan was developed. Realizing the need for additional resources, AMC examined the possibility of accessing the capital market.

To establish credibility in the market and with the financial institutions, AMC appointed a leading credit rating agency to assess the inherent strength

of the institution and its financial position. AMC obtained an 'A+' credit rating in 1995/96, which subsequently improved to an 'AA'. This rating signifies reliability for timely payment of interest and principal for raising resources from the capital market.

In preparation for the future infrastructure requirements of the city, major projects are being developed such as water supply, installation of distribution lines, construction of underground tanks, and laying of sewers. The Sabarmati River is being cleaned up under the National River Conservation Project with the help of Government of India. Construction and improvement of roads, bridges, and flyovers, as well as the modernization of solid waste management practices, are also under way. A major slum networking project is being implemented for improving the quality of life of urban poor with the participation of the community, industry, and NGOs.

## ORGANIZATIONAL CHANGES

Since 1994, not only has AMC achieved a substantive financial turnaround, but it has also embarked on systematic professionalization of both its human resources and the entire development process. It took stern measures to discipline the recalcitrant unions, increase productivity, and build corporate perspectives. It reviewed personnel policies and adopted a new merit-based system of recruitment. The qualifications required for recruitment at almost all stages/levels of municipal bureaucracy have been changed to suit the present needs of the Corporation. Further provisions have been made for induction of direct recruits at almost all levels, with the ratio of direct recruits to that of promotion ranging from 40:60 to 60:40. For the first time a professional managerial cadre has been created by inducting MBAs and chartered accountants at middle levels (designated as Assistant Managers to the AMC). Staff

*The Corporation reviewed personnel policies and adopted a new merit-based system of recruitment.*

at this level are being groomed to assume senior positions.

The organizational structure of the Corporation has undergone a series of decentralization processes. Five zones have been created, and to add strength to zones, ward-level responsibilities have been chalked out. Ward officers have been designated and assigned the twofold duties of supervising the day-to-day administration of their wards and taking charge of the redress of public grievances.

AMC has considered creating a special project cell to monitor and supervise the timely completion and quality control of various capital projects. The plan calls for appointing program managers to plan, design, monitor, supervise, execute, and commission its various projects with the help of experienced consultancy agencies. This would help not only in building in-house capacities within the Corporation, but also ensure the prevention of cost overruns by good management.

### **FORGING URBAN PARTNERSHIPS**

AMC is forging partnerships with private sector companies, institutions, and NGOs in strategic areas of urban development. Instead of remaining the sole provider, AMC took the option of becoming a key player and facilitator in improving the quality of life in the city through these partnerships. To create an environment for making this possible, AMC increased its financial and management credibility by diligently enforcing the rule of law, and by rejuvenating the revenue recovery systems. Induction of more professionals from various disciplines has strengthened the administration. These measures enabled the AMC to develop effective linkages with its partners. Some of the notable projects undertaken through this strategy are listed below.

### 1. *Streets*

AMC has initiated public-private partnerships aimed at improving the streets of Ahmedabad to make them efficient and safe. Under this project, streets are designed and constructed to ensure smooth flow of traffic while ensuring pedestrian safety, reducing pollution, and beautifying the city landscape. C.G. Road, the prime business and commercial artery of Ahmedabad, has been redeveloped as a pilot project. This has been taken up by AMC in partnership with Arvind Mills Limited, which contributed Rs35 million. The company will recover this contribution from advertising and parking revenues. Following recovery of capital investment, revenues will flow to AMC. A committee composed of representatives of the Corporation and private agencies coordinates the project, which was designed and managed by private firms. Similar partnership projects are now being proposed on Drive-in Road, Satellite Road, and other major roads.

### 2. *Urban Forestry*

Through this project, AMC seeks to undertake urban forestry in its vacant plots in partnership with community-based organizations (CBOs) in a mutually beneficial manner. AMC provides the land and water supply and pays for fencing, tree plantation, and tending. The administrative and management expenses are borne by the CBOs (or, in cases where the CBO does not have the requisite experience, a supporting NGO). The community is allowed to undertake agroforestry as well as other remunerative activities at the site. Twenty-seven plots have been assigned to 13 CBOs/NGOs. The process was facilitated by United States Agency for International Development.

### 3. *Slums*

AMC forged partnerships with the slum communities, NGOs, and private agencies to transform the quality of life in slums. This is achieved primarily through improving the physical and social infrastructure of the slum. Though the major emphasis is on physical infrastructure, it also focuses on environmental upgradation, sanitation, housing, health, education, and income generation. The project will cover 300,000 families over seven years at an estimated cost of Rs3.25 billion. A pilot project of the Slum Improvement Partnership has been successfully implemented at Sanjaynagar in Potalia ward. The lessons learned from this experience will be used to scale up the project to city level.

### 4. *Solid Waste Management*

AMC embarked on a multi-pronged effort to tackle the problem of solid waste management to improve civic health and hygiene. It spruced up its own system by acquiring the latest equipment and improving the logistics of collection and disposal. It also pioneered a participatory approach involving the community, NGOs, and private companies to improve hygiene and sanitation by reorganizing the solid waste collection and disposal system. This project has two components — neighborhood level collection and disposal.

A pilot project of the first component has been implemented at Ambawadi area in partnership with SEWA (an NGO), Clean Green Abhiyan (an initiative supported by the Parathana Group of Industries), the State Bank of India, and the Centre for Environment Education. The latter organization conducted awareness programs with residents of the area to promote segregation of wet and dry garbage at the household level. SEWA organized women ragpickers, a decidedly disadvantaged group, to collect the

segregated garbage. Through the NGOs, the household pays them a monthly salary. In addition, they earn by selling the recyclable dry waste. The Abhiyan supported the whole process.

In the second component, disposal of garbage through landfill is being replaced by recycling it into fertilizer. AMC, in collaboration with a private company, set up a plant in the outskirts of the city. This will eventually save the AMC 2,500 cubic meters/day of landfill space.

### 5. *City Planning*

AMC collaborates with planning institutions, nonprofit companies, international lending agencies, and other independent planning firms to enhance professionalism in its city planning activities. This will help build the capacities of both AMC and local resources.

AMC has had a long association with the Centre for Environmental Planning and Technology. Notable efforts produced by this partnership include:

- comparative health risk assessment,
- redevelopment of Kankaria Lake,
- development of Ashram Road, and
- river front development.

AMC is exploring avenues for establishing Ahmedabad as a prominent finance and trade center in the country with the Vastu Shilpa Foundation, a local research organization. The outcome is a feasibility study for an International Finance and Trade Centre at Pirana.

## **THE MUNICIPAL BOND**

AMC was the first municipal entity in India to plan to access the local debt capital market with a municipal bond issue (Box 1). This current debt-

raising exercise aims to create a sound basis for sustained fundraising by the Corporation on commercial basis. This initiative will facilitate further borrowings by the AMC for the implementation of specific projects. It also seeks to structure suitable financial instruments for mobilization of up to Rs1 billion from the debt markets. In the process of raising commercial resources, AMC also intends to more clearly map the raising of resources with its deployment and repayment obligations.

**Box 1: The AMC Bond Issue**

➤ Credit rating	–	AA
➤ External guarantees	–	None
➤ Issue amount	–	Rs1 billion (\$27.8 million)
➤ Cost of Funds	–	15.5%
➤ Maturity	–	7 years

The proposal of issuing an AMC bond on the basis of a Credit Rating Information Service of India Limited (CRISIL) rating, is a unique exercise. So far, no other Indian municipality has undertaken a rating exercise or positioned itself for raising commercial resources. Similarly, few Indian commercial institutions have any depth of understanding of municipalities. This lack of awareness is singularly responsible for the perception that municipalities are noncommercial counterparts. While the CRISIL rating would facilitate the overcoming of such concerns to some extent, it would nevertheless be necessary to provide potential institutional investors with a

*The proposal of issuing a municipal bond on the basis of a professional rating service was a unique exercise.*

greater degree of comfort than would typically be necessary for more conventional transactions.

Indian investors and investment institutions are unfamiliar with the concept of municipal bonds and do not have policies and norms in place for such investments. The placement process would therefore necessarily involve close interaction with all major investors to develop an acceptable structure for municipal bonds. It would also establish a precedent for municipal borrowing on a stand-alone basis. It has been necessary to devise suitable security structures in the context of the AMC being a local government agency (as opposed to a corporate entity). The legal implications of security and debt servicing also require careful examination.

### CONCLUSION

The opening of the economy has opened up new vistas in the delivery of civic services. The ability of municipalities to take advantage of these opportunities depends on their ability to gear themselves up operationally with respect to both revenue and cost.

The creation of a municipal bond market, networking, and forging of urban partnerships could become the catalyst for forging a new framework for delivery of civic services. But on a stand-alone basis, financial innovations cannot succeed without efficient municipal governance. Institutional strengthening efforts must go hand in hand with financial management, discipline, and innovations to enable sustainable development of urban governance.

# XIV. DECENTRALIZATION REFORMS AND INNOVATIONS IN MUNICIPAL MANAGEMENT IN INDIA

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Several developing countries have embarked on various forms of transfer of political power to their local government units. Dillinger (1994) reports that decentralization programs are under way in 63 of the 75 developing and transitional economies, with an aggregate population of over 5 million. These programs include:

- rationalization of the distribution of responsibilities and resource-raising powers between various tiers of government,
- transfer of decisionmaking from central ministries to regional and local offices,
- enhanced revenue sharing and other forms of intergovernmental transfers to local authorities,
- commercialization and privatization initiatives,
- greater cooperation with voluntary agencies and community-based organizations, and
- empowerment of democratic self-government institutions.

Intercountry experiences reveal that the surge of decentralization in the developing countries is not necessarily driven by a concern to improve the delivery of local public services. In many cases, its origin can be traced to political factors specific to the countries concerned. Sometimes the efforts to decentralize are a reflection of the failure of bankrupt central governments to continue financing local services at accustomed levels.

In some countries, decentralization appears to be linked to a series of concessions by central governments attempting to maintain political stability. Decentralization initiatives in developing countries are often characterized as political strategies by ruling elites to retain most of their power by relinquishing some of it.

Regardless of the form and rationale of decentralization in a given country, the process has enjoyed a great deal of popular support. This is primarily due to dissatisfaction with centralized planning and concern for more dispersed and equitable development. The countries that have embarked on decentralization are realizing the importance of participatory approaches to planning, management, and provision of services. A high degree of fluidity has been generated in the structure of intergovernmental relations. This has provided scope for fundamental reform in the institutional framework for local public service delivery. The centralized state, which encouraged politicians to act as independent brokers of information, patronage, and services between the electors and government, failed to ensure the effective delivery of public services to communities.

### **BENEFITS OF DECENTRALIZATION**

*Local governments are more likely to be sensitive to people's problems than state or national governments.*

Empirical evidence suggests that the public values its role in electing local officials and in participating in the decisionmaking process. Decentralized regimes improve the level and quality of community participation, paving the way for enhanced efficiency in the provision of public services. Local governments are more likely to be sensitive to people's problems than state or national governments.

Decentralization, if pursued properly, is likely to yield various benefits, including:

- reduction in the burden on central government

- finances and freeing of central resources for macroeconomic concerns such as stabilization, structural adjustment, and poverty alleviation;
- cost-effective collection of information and its use for planning and priority-setting;
  - better exploitation of local resources with intensive knowledge of the tax base, impact and incidence of taxes, and more rational expenditures;
  - location of the decisionmaking process close to where the action is, thus ensuring greater community participation in the financing and implementation of programs;
  - expeditious decisionmaking with regard to resource allocation and provision of services;
  - improved service delivery through greater participation of beneficiaries in the design of programs and a better matching of expenditures and local preferences;
  - promotion of greater accountability in service delivery through a clearer and closer linking of benefits and costs of local public services;
  - promotion of responsiveness on part of the service providers and vigilance on the part of the society due to the proximity of government to taxpayers;
  - strong commitment from local officials in the use of local resources;
  - practical application based on knowledge of problems faced by local staff in different regions and localities;
  - strengthened public service management and delivery through targeted capacity-building programs at the local level; and
  - grass roots democracy and popular consent to government.

## KEY SUCCESS FACTORS IN DECENTRALIZATION EFFORTS

Empirical evidence indicates the following directions for successful decentralization and municipal government reforms.

- A clear consensus should exist between the higher levels of government that intend to decentralize and the receiving level of that decentralization. Joint ownership of reform is critically important.
- Although the promotion of decentralization needs a holistic approach and a long-term strategic overview of intergovernmental relations, proper sequencing of reforms and a phased approach are desirable to allow adequate time for building local capacities.
- To avoid overlapping, the functional responsibilities of various levels of government should be clearly defined with respect to policymaking, planning, financing, implementation, regulation, and monitoring.
- Economic/financial resources commensurate with the requirement for efficient discharge of the decentralized functions should be effectively transferred from central to local authorities
- The receiving level should have proper access to necessary data and information so as to be able to perform the assigned functions properly.
- Service providers and other stakeholders should have the requisite expertise and an appropriate system of incentives should be in place to ensure their responsiveness and accountability.
- The active participation of the people should be fostered to establish a close relationship between the service providers and the clients. The people should perceive decentralization as beneficial and also as an entitlement.
- Vested social or economic power groups must be prevented from capturing the receiving level of

government, thereby excluding the legitimate beneficiaries of the decentralization process.

- The central and state governments should play a positive and catalytic role in municipal decentralization, fostering civic values and promoting participation of the people, the ultimate custodians of all political power in a democracy.

### ASSIGNMENT OF FUNCTIONS

The first major step for municipal government reform is the clear assignment of functional responsibilities between various tiers of government, including the municipalities. International patterns on the assignment of functions to urban local bodies point to some broad regularities explained in terms of the theory of fiscal federalism. This theory advocates the 'subsidiary principle', which suggests that each public service should be provided by the jurisdiction with control over the minimum geographic area that could internalize benefits and costs of public services and the efficient allocation of public resources. Bird lists the following necessary conditions for decentralization to improve the level and quality of municipal services.<sup>1</sup>

- Everyone affected by public action gets an equal opportunity to influence the decision.
- The benefits of decisions do not spill over jurisdictional boundaries to any significant extent.
- The costs of decisions are fully borne by the residents. This means there are no tax-exporting or soft budget constraints in the form of negotiated transfers from the higher levels of government.

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<sup>1</sup> Bird, R.M. 1994. *Decentralizing Infrastructure: For Good or Ill?* Washington, DC: World Bank.

In terms of the theory of fiscal federalism, the higher levels of government must participate in functions such as regional planning, provision of infrastructure, and poverty alleviation.

### ASSIGNMENT OF REVENUES

Once clarity in the distribution of functional responsibilities between various levels of government is achieved, the municipalities must be endowed with resources commensurate with their assigned functions. The following broad principles of tax assignment between the tiers of government in a federal structure have been suggested.<sup>1</sup>

- Taxes suitable for economic stabilization should be central.
- Progressive redistributive taxes should be assigned to central governments.
- Tax bases distributed unequally between jurisdictions should be centralized.
- Taxes on mobile factors of production are best handled centrally.
- Residence-based taxes such as sales of consumption goods to consumers or excises are suited to state jurisdiction.
- Taxes on completely immobile factors of production are best suited for local levels.
- Taxes of lower levels of government should be cyclically stable.
- Benefit taxes and user charges should be used appropriately at all levels.
- Resource taxes and value-added taxes are appropriate for sharing between governments.

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<sup>1</sup> Musgrave, R.A. and P.B. Musgrave. 1984. *Public Finance in Theory and Practice*, 4th ed. New York: McGraw Hill.

The congruence principle suggests that the less mobile a tax base and the stronger the spatial concentration of the tax base and ownership, the lower the level of governments to which those taxes should be assigned.

### **DECENTRALIZATION IN INDIA: THE CONSTITUTION (74TH AMENDMENT) ACT**

The 73rd and 74th Amendment Acts signified two of the most fundamental initiatives of the Indian Parliament since independence. The amendments aimed at conferring a constitutional status to the local bodies — panchayats in rural areas and municipalities in urban areas — as the third tier of government. Under the Constitution, India is a union of states and the municipalities are constituted under state laws. The 74th Amendment takes note of this while prescribing measures for municipal decentralization.

Prior to the enactment of the 74th Amendment, there was no specific mention regarding municipalities in the Constitution. The subject of local self-government was simply assigned to the states. Due to elaborate constitutional provisions, the Parliament and the state legislatures have flourished as democratic institutions. However, this has not been the case with the urban local bodies, even though some of them came into existence prior to the formation of states. Elected municipalities were frequently suspended and superseded by the state governments due to the lack of constitutional protection. These suspensions and supersessions stretched to periods exceeding a decade in some cases, which quickly eroded the very basis of local self-government. Over the years, there was a steady encroachment on the traditional functions of urban local bodies by state government agencies. The municipalities became weak and were unable to meet the aspirations of the people.

*The amendments aimed at conferring a constitutional status to the local bodies as the third tier of government.*

The Act introduces certain uniformity in the structure and mandate of the urban local bodies in the country. It emphasizes the participation of directly elected representatives of people in planning, management, and delivery of civic services. It is built upon the premise that all power in a democracy rightfully belongs to the people. It prescribes that the municipality serves a term of five years from the date appointed for its meeting. However, if the state government dissolves a municipality, election to the same must be held within six months. The Act also makes it mandatory for the state governments to constitute District and Metropolitan Planning Committees with representation given to the elected members of the urban and rural local bodies. It also allows for the reservation of seats for women, scheduled castes, and tribes to give them a voice in municipal affairs.

The Act envisaged a systemic change in the pattern of municipal government in the country. It prescribed an institutional framework for the efficient delivery of urban public services. This framework consists of a number of statutory institutions listed by the Constitution of India. The state governments are responsible for the creation of the legal framework for establishing these institutions, seven of which are described below.

### *1. The State Election Commission*

The Commission is mandated to supervise, direct, and control the preparation of electoral rolls, and to conduct all elections to both rural and urban local bodies. A State Election Commissioner, appointed by the Governor, administers the Commission.

2. *Municipalities: Municipal Corporations, Municipal Councils, and Nagar Panchayats*

Municipalities are endowed with such powers and authority as may be necessary to enable them to function as institutions of self government. They prepare plans for economic development and social justice, perform functions, and implement schemes entrusted to them by the state government, including those relating to the Twelfth Schedule (Box 1).

**Box 1: The Twelfth Schedule**

The 74th Amendment Act adds the Twelfth Schedule to Part IX of the Constitution of India. This Schedule lists the following functions of the municipalities.

- Urban planning (including town planning)
- Regulation of land use and construction of buildings
- Planning for economic and social development
- Roads and bridges
- Water supply for domestic, industrial, and commercial purposes
- Public health, sanitation, conservation, and solid waste management
- Fire Services
- Urban forestry, protection of the environment, and promotion of ecology
- Protection of the interests of weaker sections of society, including the handicapped and mentally retarded
- Slum improvement
- Urban poverty alleviation
- Provision of urban amenities and facilities such as parks, gardens, and playgrounds
- Promotion of cultural, educational, and aesthetic programs
- Burials and burial grounds, cremations, cremation grounds, and electric crematoria
- Cattle pounds, prevention of cruelty to animals
- Vital statistics, including registration of births and deaths
- Public amenities, including street lighting, parking lots, bus stops, and public conveniences
- Regulation of slaughterhouses and tanneries

### 3. *Ward Committees and Other Special Committees*

Ward Committees are constituted to take municipal government closer to the people and undertake the responsibilities conferred on them, including those relating to the Twelfth Schedule.

### 4. *The State Finance Commission*

This institution's function is to review the financial position of rural and urban local bodies, and to make recommendations concerning the principles of devolution of resources from the state to the local bodies and the measures needed to improve their finances and functioning. Prior to the Act, municipal finances were entirely at the discretion of the State legislatures (Box 2).

#### ***Box 2: Municipal Finance***

Article 343 of the Constitution stipulates that a state legislature may:

- authorize a municipality to levy, collect, and appropriate such taxes, duties, tolls, and fees in accordance with such procedure and subject to such limits;
- assign to a municipality such taxes, duties, tolls, and fees levied and collected by the state government for such purposes and subject to such conditions and limits;
- provide for making such grants-in-aid to the municipalities from the consolidated fund of the state; and
- provide for the constitution of such funds for crediting all moneys received, respectively, by or on behalf of the municipalities and also for the withdrawal of such monies therefrom.

5. *District Planning Committee*

This Committee is established to consolidate the plans prepared by the panchayats and municipalities in the district, and to prepare a draft development plan for the district as a whole. In formulating the draft District Development Plan, the committee takes into account matters of common interest between the panchayats and the municipalities, including spatial planning, sharing of water and other natural resources, integrated development of infrastructure, environmental conservation, and the extent and type of available resources, financial or otherwise.

6. *The Metropolitan Planning Committee*

This institution is set up to prepare a draft development plan for the metropolitan area as a whole. The Constitution provides that this committee takes the following considerations into account:

- the plans prepared by the municipalities and panchayats in the metropolitan area;
- matters of common interest between the panchayats and the municipalities, including coordinated spatial planning of the area, sharing of water and other natural resources, the integrated development of infrastructure, and environmental conservation;
- the overall objectives and priorities set by the Government of India and the state government; and
- the extent and nature of investments likely to be made in the metropolitan area by the agencies of the Central and state government, and other available resources.

It is mandatory that not less than two thirds of the members of a Metropolitan Planning Committee are elected by members of the municipalities and

chairpersons of the panchayats in the metropolitan area, in proportion to the ratio of the population of municipalities in that area.

The 74th Amendment provides for consultation with institutions and organizations specified by the Governor. The prescribed compositions of the District and Metropolitan Planning Committees also provide scope for induction of professional experts as committee members. The Constitution Act stipulates that the chairpersons of the district and metropolitan committees forward draft development plans for their respective areas to the state government for approval, thus emphasizing the need for integration of bottom-up and top-down planning processes. The District and Metropolitan Development Plans embody the concepts of participatory and integrated development planning. These are expected to integrate urban and rural development plans with due regard for the usage of regional environmental resources, including water. They are also required to integrate spatial and economic development plans with emphasis on infrastructure and recognition of the constraints to plan implementation.

The Constitution Act provides a safeguard regarding the implementation of the recommendations of the State Finance Commissions. It amended Article 280 of the Constitution, under which a Central Finance Commission is appointed once every five years to assess the financial needs of the state governments and to recommend a package of financial transfers from the Central Government. It is now mandatory on the part of the Central Finance Commission to recommend the measures needed to augment the consolidated fund of a state to supplement the resources of the municipalities. This provision is designed to establish a proper linkage between the finances of the local bodies, the state governments, and the Central Government.

## **PROGRESS IN MUNICIPAL GOVERNMENT REFORMS**

The Constitution Act provides a blueprint for municipal government reform in India. It aims at strong grass roots democracy through effective functioning of various key institutions. A study of the implementation of the 74th Amendment by the state government indicated the following progress as of September 1997.

- All the state governments, where the 74th Amendment Act is applicable, had amended their municipal laws to bring them in conformity with the Constitutional provisions.
- State election commissions had been constituted by the state and union territory governments.
- Municipal elections had been conducted in all but two states and union territories. Approximately 60,000 representatives, one third of them women, had been elected.
- State Finance Commissions had been constituted and 13 had submitted their final reports. Some state governments had begun acting on the recommendations.
- For the first time in the history of India, the 10th (Central) Finance Commission recommended a devolution of Rs10 billion from the Central Government to the states as capital grants for urban local bodies in four annual installments from 1996/97. The Government of India accepted this recommendation.
- District and Metropolitan Planning Committees had been constituted in some states. The Central Government is in the midst of preparation of guidelines for the implementation of the Constitutional provisions regarding district and metropolitan planning.

While considerable progress has been achieved in the implementation of the Constitution Act, a comprehensive program of municipal reforms is needed to attain the goals of decentralization and municipal autonomy, including the modernization of municipal and town planning. In recognition of this need, the Central and state governments are in the process of developing an agenda for urban sector reform. In the background of the economic reforms and the 74th Amendment, several efforts have been initiated at various levels to strengthen the delivery of public services. These include intensive mobilization of tax resources, intergovernmental and public-private partnerships, leveraging of market funds, strengthening of management capabilities, and adoption of targeted programs.

### ENHANCED TAX EFFORT

*Several municipalities have initiated measures for intensive exploitation of internal resources, including reforms in the property tax.*

Several municipalities have initiated measures for intensive exploitation of internal resources, including reforms in the property tax. The municipal corporations of Patna (in the state of Bihar) and Rajkot (in Gujarat), and most municipalities in the state of Andhra Pradesh have adopted a simple area-linked property tax system. Under this system, a city or town is divided into zones; buildings into types and nature of construction; and uses into categories such as residential, commercial, or industrial. Taxes are levied for different types of buildings and located in different zones.

Through the intensification of tax effort and plugging of tax leakages, the Municipal Corporation of Ahmedabad has been able to raise its property tax collection by about 40 percent and octroi collection by about 20 percent over the period 1992-97. In some parts of the country, the privatization of octroi collection has more than doubled tax receipts.

## **EMPHASIS ON USER CHARGES**

Because the growth needs of urban infrastructure are colossal, cost recovery to make the urban schemes sustainable is strongly emphasized. In some states, the municipalities and water supply/sewerage boards are now recovering the entire operation and maintenance costs, as well as a part of the capital costs, of water supply projects through user charges. Mumbai, for example, levies water and sewer benefit taxes to generate resources for the repayment of borrowed capital. The recovery of sewerage and drainage costs is increasingly sought by linking the charges with water supply bills. Traditionally, the property tax has included the components of taxes on water, drainage, lighting, scavenging, and firefighting. Other ideas under serious consideration are decomposition of the property tax into service taxes and linkage of specific services to direct user charges.

## **DEDICATED TAXES AND LEVIES**

Recently, a major traffic and transportation improvement project was initiated in Calcutta by levying a motor vehicle tax. Hyderabad introduced charges for conversion of land use and has steeply enhanced the compounding fees for violations of the city master plan. Resources so mobilized are funding an ambitious project of erecting several flyovers. Bangalore has imposed a special cess on city taxes to generate resources for a mass transit project. The city also levies a cess for new water supply and slum development projects. The Haryana Urban Development Authority levies external development charges on land development to meet the costs of off-site infrastructure such as new water source, transmission lines, and freeways. In connection with the financing of Delhi Mass Rapid Transit Project, the following dedicated levies and

taxes (both direct and indirect) on user and non-user beneficiaries were suggested by an expert committee.

- Additional excise duty/sales tax on petrol/diesel
- Surcharge on motor vehicles tax
- Entry fees on motor vehicles in defined areas
- Passenger terminal taxes
- Time-bound surcharge on property taxes in the city
- Levy of 1-2 percent of annual wage bills of large industrial and commercial establishments located in the metropolitan area or within a notified distance from the city boundaries
- Surcharge on other Central/state/municipal taxes levied and collected within the city

### **INTER-AGENCY PARTNERSHIPS**

Public-private and intergovernmental partnerships are becoming increasingly common. Several municipalities in the country are experimenting with contracting of municipal services to the private sector. The centrally sponsored scheme of infrastructure development in megacities is based on a partnership approach in which the Central and state governments each contribute 25 percent of the project cost. The remaining 50 percent is tapped from financial institutions. This scheme was initiated in 1993/94 and is in operation in the megacities of Mumbai, Calcutta, Chennai, Hyderabad, and Bangalore. The Governments of India and New Delhi are implementing the Delhi Mass Transit Project through joint contribution to the equity of a company called the Delhi Metro Rail Corporation. Under the Urban Basic Services for the Poor Program, a partnership is envisaged between the municipality and neighborhood committees of women and community development societies. This partnership is being strengthened under the new urban poverty

alleviation program launched this year to promote wage-employment and self-employment in cities and towns.

### **ACCESSING MARKET FUNDS**

Several municipalities in the country receive credit ratings from professional credit rating agencies in the private sector. The Ahmedabad Municipal Corporation has planned for a Rs1 billion municipal bond issue. The Government of India is contemplating the provision of income tax relief and other fiscal incentives to facilitate the emergence of a market for municipal bonds. Such instruments would include water supply, transport, and other bond categories. A 10-year tax holiday has been extended to attract private investment on a build-operate-transfer basis in areas such as highways, bridges, airports, ports, rail systems, water supply, sanitation and sewerage, mass rapid transit system, light rail transit system, intra-urban/peri-urban roads, urban bypasses, flyovers, bus and truck terminals, and subways. Additional fiscal incentives are under examination by the Government of India.

### **FINANCIAL INTERMEDIATION**

The State of Tamil Nadu constituted a Municipal Urban Development Fund with the help of the World Bank under which a loan of more than Rs2.5 billion was extended to the municipalities based on their financial and operating plans. The rate of loan recovery has been more than 90 percent. Recently, the fund has been restructured into a Trust Fund and an Asset Management Company has been set up to manage the fund's loan portfolio. The company has been constituted with a minority share of the Government of Tamil Nadu and a majority share of three private sector partners. Asset is facilitating the development of projects on a stand-alone basis and

designing of cost recovery instruments. Municipalities and private sector entities providing urban infrastructure are eligible for borrowing, subject to the financial viability of projects. A fund similar to that of Tamil Nadu is proposed in Mumbai.

## XV. VISION 2021: URBAN GOVERNANCE IN INDIA

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Urbanization is a determinant as well as a consequence of economic development. Over the past decades, many countries in Asia have experienced rapid economic growth. This has led to a rapid rise in urban population. It is estimated that by the turn of this century, nearly half of Asia's population will reside in urban areas. However, in spite of a significant increase in national wealth and personal income, the quality of life of an average urban resident is quite poor. Urban centers in Asia are characterized by squalor, slums, traffic congestion, and shortages of water and power. While the national governments pursue the goals of economic development, it is generally left to the local governments to manage rapidly growing urban areas, and to provide their residents with basic services.

Because the capacity of a nation to pursue its economic goals is contingent on its ability to govern its cities, urban governance assumes increasing importance. This is largely due to the significant contribution that urban centers make to the national income. Cities are after all the engines of growth of most national economies.

Economic liberalization and decentralization of government have been common features of developmental policies of most countries during the past decade. The emergence of these trends has a profound implication on urban management. In the general discussion of macroeconomic policies, the

*Because the capacity of a nation is contingent on its ability to govern its cities, urban governance assumes increasing importance.*

role of urban economies is not well recognized. Macro policies often have an anti-urban bias and national governments frequently pursue programs restricting the growth of large cities, reducing urban migration, and achieving a balanced urban pattern. Only recently has the role of city economies in national development become understood. In the global economy, increasing competition exists among cities to attract cross-border investments. The ability of a city to attract investment largely determines the extent of investment in the nation as a whole. While national governments are involved in macro policy formulation, it is left to the local government to provide for the necessary infrastructure and services to attract investment.

Since 1991, the Indian Government has pursued a major reform of its economic policies. The various measures include trade and tariff reform, reforms in the financial sector, deregulation of industries, and disinvestment of state-owned enterprises. These policies have ushered in greater investment by domestic and international entrepreneurs and financial institutions. The high economic growth observed in the past four years is largely due to these policies. Nevertheless, this high growth is likely to be severely constrained due to inadequacies of cities to absorb the new investments. Many local governments in India do not have the requisite technical, financial, or managerial capacity to cope with rising demands for basic urban services. These city governments are alienated from the civil society and are perceived as unresponsive, inefficient, and corrupt organizations. This antipathy of society and the severe limitations on the capacity of local government suggest that managing urban areas is an arduous task.

Given the perspective of rapid economic change, increasing urbanization, and declining capacities of national and local governments to manage cities, what do we need today to provide a better urban India for the next generation? What is

our vision of India in 2021 and what place does urban India have in this vision? What should be our strategy to ensure that the vision does not remain a mirage but becomes a reality?

Developing a vision for urban India in 2021 has to be undertaken through a collective process. The vision in Box 1 is the author's perception of what urban India should be. This paper attempts to highlight some crucial aspects of the vision of urban India in 2021 and provides an action agenda for urban management to realize this vision.

**Box 1: Vision 2021**

Our vision of urban India in 2021 is that in which:

- every urban settlement is a safe, healthy, productive, and sustainable place;
- every family has adequate shelter and basic services; and
- every individual has a desirable quality of life, with adequate employment and income.

*The strategy to achieve this vision will be based on principles of enablement and participation. The national and local governments will establish institutional, legislative, and financial instruments to enable society to participate in achieving this vision in an open, transparent, and efficient manner.*

## URBAN INDIA IN 2021

The process of globalization of economy and developments in information technology will bring about a much smaller world in 2021. The current economic policies of economic liberalization, promotion of global trade, and increased competitiveness will help sustain a high rate of economic growth. The emerging role of the state in this high economic growth regime will have to be

redefined. The democratization and decentralization processes initiated since 1992 through the 73rd and 74th Indian Constitutional amendments will have to be vigorously pursued to build strong local governments. The emerging state-society relationship will be a partnership between government and civil society. While a strong state will have a regulatory and supervisory role, it will have to promote both the domestic and international private sector to ensure greater effectiveness and competitiveness in the provision of basic infrastructure and services.

The 2021 vision of an India free of poverty and unemployment requires major reform in government, public institutions, and civil society. More importantly, there will be a fundamental shift in the roles of institutions and their interactions with citizens. Open, responsive, transparent, participatory, and efficient governance are essential for the enhancement of economic productivity and the improvement of quality of life.

The interrelationship between economic growth and urbanization can be depicted as a curve. In the initial phase of economic development, both the level and pace of urbanization is low. During the middle phase of a more mature economy, its urban population is likely to grow more rapidly. This is because much of the growth in the economy will come from the nonagricultural activities located in and around urban centers. The share of urban areas in national income is expected to rise from its present level of about 45 percent to nearly 75 percent in 2021. Urban population in India is expected to rise from 217 million in 1991 to 659 million in 2021 (Table 1). However, if the economy does not sustain its high rate of growth of 6 to 7 percent per annum, then the urban population growth will be much lower.

The spatial patterns of urbanization will also be altered. Larger urban centers with better infrastructure will attract most of the investments in

**Table 1: Urban Population, 2001-21**

Year	Population (million)		Urban (% of total)
	Total	Urban	
1981	683	159	23.34
1991	844	217	25.72
2001	1,006	365	36.30
		(307) <sup>a</sup>	(30.5)
2011	1,164	530	45.5
		(426)	(36.5)
2021	1,290	689	53.3
		(591)	(45.7)

<sup>a</sup> Figures in parentheses are alternate estimates of urban populations based on past trends and lower economic growth notes.

Source: Information until 2011: Pathak, P, and D. Metha. 1995. Recent Trends in Urbanization and Rural-Urban Migration in India: Some Explanations and Projections. *Urban India* 15(2). The projections for 2021 are the author's estimates.

the economy. As both domestic and international investors seek the highest returns on their capital, urban centers with economic potential, established transport, and sophisticated information technology will become the preferred locations for investments. While a few new urban centers may emerge, most of the urban growth will take place in and around the existing urban centers. The likely pattern of size distribution of urban centers is shown in Table 2.

The envisaged urban pattern in 2021, with 70 cities having a population of over 1 million and 500 with over 100,000, presents a daunting scenario. The pattern of growth in these cities will also be quite different from the present pattern. Increased personal vehicle ownership, improved mass transportation systems, and improved communication facilities will lead to a greater sprawl of urban areas. Rapid technological advances in information technology and its widespread use will alter urban travel patterns significantly. As the work/

**Table 2: Size Distribution of Urban Centers – 2021**

Size	Number of urban centers in		
	1981	1991	2021
> 1 million	12	23	70
> 100,000	204	273	500
50-100,000	270	341	700
20-50,000	738	927	1,200
10-20,000	1,053	1,135	1,500
5-10,000	739	725	630
< 5,000	229	185	400
<b>Total</b>	<b>3,245</b>	<b>3,609</b>	<b>5,000</b>

Source: For 1981 and 1991, Census of India, Provisional Population Totals, Paper 2, Rural-Urban Distribution.

home relationship changes, suburbanization will begin to take place. Cities will be more spread out than before. This will pose a particularly difficult challenge for urban management, as new institutional structures will have to be evolved at regional scale to plan and provide for metropolitan level infrastructure and services.

The policy implications of the envisaged urban growth and pattern in 2021 are profound. Restricting the growth of large cities, reducing migration to urban centers, and achieving a balanced urban pattern have been the preferred urban policy goals in the past. In reality, cities have continued their growth unabated as market forces have shaped the pattern and level of urban growth. Public policies have, at best, caused distortions in the market and led to misallocation of resources.

The new urban policy to fulfill our vision 2021 will have to recognize the inherent economic advantages of urban centers and promote growth of cities instead of restricting their development. A change in the mind-set of policymakers is required to accept the reality that the present ills of urban

centers are not necessarily related to the size of the settlement. Urban problems are more a manifestation of poor urban management at the local level and restrictive policies at the state and national level. In the new urban policy framework, cities should be expected to play a more productive role through local innovations and initiatives. An enabling environment will have to be created in which cities, like nations, begin to compete with each other for increasing their attractiveness for economic investments.

*The present ills of urban centers are not necessarily related to the size of the city, but rather a manifestation of poor urban management.*

## **URBAN GOVERNANCE IN INDIA**

The term governance has now begun to mean more than government or its management. It refers to the relationship not only between governments and state agencies, but between governments, communities, and social groups. Within this perspective, municipal governance subsumes the operations of local governments and their relationships with the societies within which they operate.

Municipal governments have been in existence in India since 1687 when the Madras Municipal Corporation was established. The municipal corporations of Calcutta and Bombay were established in 1726. In the early nineteenth century, municipal governments were established in other towns as well. The members of these municipal governments were nominated by the provincial governments. The foundation of democratic forms of municipal government in British India was laid in 1882 with Lord Rippon's resolution on local self government. In 1919, the Government of India Act incorporated the essence of this resolution and the powers of democratically elected governments were laid down. Under the Government of India Act in 1935, the local governments were brought within the purview of the state or provincial governments and specific taxation powers were defined.

The urban local governments continued to derive their functional and fiscal powers from state legislation even in the post-independence period because until recently the Constitution of India did not make any specific provisions for urban local governments. The state governments reduced the functional domain of the municipal governments by establishing parastatal agencies. These agencies, whether for water supply and sewerage or for planning, were deemed necessary. The municipal governments were perceived to lack the necessary capacity to carry out these tasks in a rapidly growing city and its periphery. The state governments eroded the financial base of local governments by abolishing many buoyant sources of revenue such as the octroi tax, the professional tax, and the entertainment tax. Over and above these actions, the state governments often superseded local governments and did not hold elections for many years.

Because of these actions, the functional and financial powers of urban local governments were severely eroded. Without sufficient financial capacity to provide basic services, they became unable to respond to the needs of the citizens. They were therefore forced to depend on financial transfers from the state government. The ad hoc manner by which finances were transferred from the state to the local government was not sufficient to build an adequate resource base for local governments. Consequently, citizens' apathy toward local government increased.

The enactment of the Constitutional (74th) Amendment Act in 1992 ushered in a new era of local self government in India by providing the structure that recognized the urban local governments as a third tier of government.

Despite the laudable objectives of the constitutional amendment, the actions of the state governments to devolve power to the local governments have not been very encouraging. Most

states have only conformed to the letter of the amendment and not to its spirit. Amendments to municipal legislation in various states have frequently only dealt with electoral reform. While elections have taken place in accordance with the provisions of the Constitution, little effort was made to enlarge the functional and financial domain of the municipalities. Many of the state finance commissions submitted their reports to the state governments, but the states were largely reluctant to accept the recommendations. Further, many states reduced the financial powers of municipalities after the state finance commission reports were submitted. Very few states made provisions in their legislation for ward committees, district planning committees, or metropolitan planning committees.

## **STRATEGY FOR URBAN GOVERNANCE**

From the present until 2021, the scale and pace of urban growth will overwhelm the planners and the policymakers. Promoting and managing this urban growth requires a new mode of urban governance. This new mode of governance will have to be based on four strategic objectives.

- Increase the efficiency of urban areas through enabling regulations and procedures that promote development.
- Increase participation of the private sector and civil society in the provision, delivery, and maintenance of urban infrastructure and services.
- Establish innovative mechanisms for financing urban development.
- Strengthen the capacity of local governments.

Let us examine each of these objectives.

### *1. Strategy of Enablement*

While supportive and enabling national and state level policies will be required for urban development, the major responsibilities will remain with the local government. The present set of rules and regulations related to municipal management require major modifications to provide an environment in which urban efficiency can be increased.

### *2. Strategy of Participation*

The participatory development process requires that the present alienation of civil society from urban local government be eliminated. Corruption and inefficiency in local government have led to a loss of faith in the system. The government is seen as pursuing its own interests rather than those of society. The partnership mode of governance requires that each stakeholder in the city has an adequate voice and that the partnership is built on the strengths and interests of each stakeholder — the local government, the private sector, and the community. The present experience of such partnerships is limited but has provided many important lessons.

### *3. Financing Strategy*

Innovative models of financing urban development are being attempted in India. Through these models, it has become apparent that the government can no longer continue to subsidize urban services. The emerging financial market suggests that traditional financing based on directed credits, subsidized prices, and budgetary support will soon become obsolete due to inefficiency and lack of competitiveness. Financing of urban development will have to be integrated within a larger financial

market. This implies that all activities related to land development and all urban infrastructure and services will be financed through market-based borrowing from financial institutions. Market discipline will require that services be appropriately priced to recover the full cost of capital and operations.

#### 4. Capacity-building Strategy

Capacity building of local governments has traditionally been viewed as human resources development activity. However, efforts to train better urban managers are insufficient without appropriate changes in the institutional environment. Capacity building is referred to as improving the ability of institutions — government, private, and community-based groups — and individuals within these institutions to perform appropriate tasks and fulfill their roles effectively, efficiently, and sustainably. The dimensions of such a capacity-building exercise are human resource development, organizational development, and institutional and legal framework.

## INNOVATIVE URBAN MANAGEMENT EXPERIENCES

Some observers of the Indian urbanization process have argued that urban conditions in the country are bad and will become worse even if the general economic situation in the country improves. These observers base their predictions on the poor capacity of local governments to manage the present conditions. However, given the size of the urban population, the apathy of the Central and state governments, and the limited capacities of the local governments, Indian cities have coped remarkably well. In recent years, several cities have demonstrated that they are able to manage their problems on their own, given a supportive state government.

*In recent years, several cities have demonstrated their ability to manage their problems on their own, given a supportive state government.*

The list of cities in Table 3 indicates the gradual transformation of urban management in India. Many other cities pursue similar innovative management practices. The list will grow as other cities begin to emulate these experiences.

Among the characteristics of innovative practices in each of the city experiences, these four occur with frequency.

- *Internal motivation.* Each innovative urban management experience was motivated from within the local government system. Notably, no external support agency was thus motivated.
- *Local leadership.* In each case, it is possible to identify an individual who played a keynote in initiating the changes. Such leadership was provided by the municipal commissioners in Ahmedabad, Surat, Pune, and Calcutta and by the mayors of Jalgaon and Anand. Only in Tirupur was the project initiated by individuals who were not a part of the local government.
- *Institutional and legal context.* Another common feature was that no major changes were made in the institutional and legal frameworks. Instead, efforts were directed toward improving the efficiency of the existing administration. This approach to making the system work — rather than tearing it down — is a first but crucial step for improving urban management.
- *Improved credibility of local government.* A major impact of these practices was the tremendous boost to the credibility of the municipal government in the eyes of residents. The change in people's perception of a corrupt and inefficient municipal government to one that 'means business' has had several spillover benefits. Because they know they have earned the respect

**Table 3: Innovative Urban Management Experience in India**

City	Population (million)	Nature of innovations
1. Ahmedabad	3.5	<ul style="list-style-type: none"> <li>• Financial revival through strict administrative measures</li> <li>• Improvements in civic information</li> <li>• Public-private partnership for road improvement project</li> <li>• Slum networking through public, private, and community partnership</li> <li>• Accessing capital market through municipal bonds</li> </ul>
2. Tirupur	0.35	<ul style="list-style-type: none"> <li>• Infrastructure improvement through private sector initiative</li> <li>• Partnership of state government, local government, private industry, and a financial institution</li> </ul>
3. Surat	1.7	<ul style="list-style-type: none"> <li>• Declared as the second cleanest city in 1996 only two years after plague outbreak</li> <li>• Administrative decentralization and daily monitoring of routine municipal functions</li> <li>• Major investments in infrastructure through internal revenue surplus</li> <li>• Responsive to citizen complaints</li> </ul>
4. Calcutta	12.0	<ul style="list-style-type: none"> <li>• Removal of encroachment</li> <li>• Improved solid waste management</li> <li>• Responsive civic administration</li> <li>• Improvement in civic facilities</li> </ul>
5. Pune	1.7	<ul style="list-style-type: none"> <li>• Consistently good financial performance and sufficient revenue surpluses to self finance most capital investments</li> </ul>
6. Jalgaon	0.25	<ul style="list-style-type: none"> <li>• Revenue generation from real estate development for most of city's capital needs</li> <li>• Improved civic infrastructure</li> <li>• Vision to become a major urban center in the country</li> </ul>
7. Anand	0.13	<ul style="list-style-type: none"> <li>• Efficient municipal administration for over two decades</li> <li>• Resource generation from land</li> </ul>

of local residents, municipal staff morale is high. With increased compliance in payment of local taxes and charges, municipal finances have improved. This is also partly due to the feeling of the local residents that the municipal resources are being used for their welfare. Access to capital market is also facilitated, as the credit rating of these cities for potential municipal bond issues has been quite favorable.

### **LESSONS FOR IMPROVED URBAN MANAGEMENT**

The recent experiences of a few Indian cities provide eight key lessons for improved urban governance. These lessons are summarized below.

- *Credibility.* Local governments must build up their credibility with the local residents. This can be done in a variety of ways. It may be done by improving finances of the city and by eliminating corrupt practices, recovering dues, or adopting popular schemes. All these efforts need to be undertaken without raising taxes or user charges in the initial stage. It is also possible to build up credibility by ensuring that the city is kept clean and that the roads are without potholes. Such effective administration is required to ensure that all municipal employees perform the duties assigned them. Obtaining citizen support and participation of the private sector enterprise will be possible only when the local government perceives itself as an effective organization.
- *Positive impact on daily life.* Local governments should make an extra effort in some critical areas that affect the daily lives of its residents. Efficient garbage removal, improved streetlights, resurfacing of major roads, and removal of unauthorized and illegal constructions are some

activities that can send a positive signal to the residents. This also results in tremendous support to municipal governments by the public and private sector, and has helped overpower many vested interests arising from the inefficiencies of the local government.

- *Change from within the system.* In the initial phase, the changes have to come from within the system. In the past, many donor agencies had attempted to bring about improvements in city management through various conditions attached to their assistance package along with training programs for municipal staff. These efforts did not lead to any perceptible change in city management. Efforts of national governments and international agencies for general improvement in urban management are also unlikely to succeed unless they are directed to those municipalities that have demonstrated some explicit internal capacity and willingness to change.
- *Demonstration and dissemination.* The 'demonstration effect' is crucial to success. After the high credit rating achieved by Ahmedabad, 20 other Indian cities sought credit rating by private agencies. The Surat experience on solid waste management draws officials from other cities to learn about what they have done and to replicate or adapt this to their own cities. There is thus an urgent need to disseminate these experiences.
- *Diminished role for state and national government.* In most cases, the state's role in the cities has been mixed. Under existing municipal laws, the municipalities are heavily regulated by the state government. This leads to much conflict. Jalgaon, for example, had to seek judicial intervention to counter the state government's

refusal to grant permission for many of its activities. While the municipal corporations are relatively more independent, they also experience hindrances from the paternal attitudes of the state governments. In most cases, state government support has come only after the initial efforts of the local governments have proved successful. Through these initial efforts, enough public support is engendered so that it becomes politically difficult for the state government to intervene. The lesson for the state and national government is to intervene as little as possible and to support cities that demonstrate their capacity to move ahead.

- *Politics.* Understanding the relationship between the administrative and legislative wings of the local and state governments is very important. At the local level, the elected members must support and work in unison with the administration. However, one should expect some resistance and conflict in the initial stages of change. It is only through the persistent (often viewed as rebellious) efforts of the change leadership that will bring about results. The political fallout will of course affect elected officials. At the state level, conflict is inevitable if the political leadership represents an opposition party. Nevertheless, everybody likes a winner. As long as there is evidence of improvement and good local support, the political and administrative wings at the local and state levels will work together for urban improvement.
- *Responsiveness to grievances.* Formal and informal response mechanisms for citizens were established in each case cited in this paper. Surat provides postcards to the citizens for complaints. The complaints are classified for attention and rectification within 24 or 48 hours. A

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decentralized administrative system has been established to deal with the complaints. Such a response mechanism has many advantages. At one level, the credibility of local government among citizens has increased. Even if the complaint is not notified within a specified time, the fact that a citizen is heard and that some action has begun is important for people. Such a system is also a morale booster for staff because they gain the respect of the citizen when they respond to the complaint. The elected members also feel involved and gain importance in the eyes of the people. This mutual reinforcement of faith of people in local politicians and bureaucracy provides a basis for partnerships.

- *Leadership.* Most successful changes can be attributed to a particular individual. These individuals have made attempts to institutionalize through delegation of decisionmaking powers and by introducing citizen response or grievance redress systems. However, greater efforts will be needed to ensure that when these individuals are no longer at the helm, their efforts will be sustained.



## ABBREVIATIONS

ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
AMC	Ahmedabad Municipal Corporation
CBO	community-based organization
CCO	Chief Corporation Officer
CMC	Colombo Municipal Council
CMR	Colombo Metropolitan Region
CRISIL	Credit Rating Information Service of India Limited
DCC	Dhaka City Corporation
DWASA	Dhaka Water and Sewerage Authority
GIS	geographic information system
LCCHS	Lahore Cantonment Cooperative Housing Authority
LDA	Lahore Development Authority
LCS	Local Council Service
LGED	Local Government Engineering Department
MCL	Metropolitan Corporation of Lahore
MTS	Model Town Society
MUDF	Municipal Urban Development Fund
NESPAK	National Engineering Services of Pakistan
NGO	non-government organization
NWS & DB	National Water Supply and Drainage Board
OECD	Overseas Economic Cooperation Fund
TEPA	Traffic Engineering and Transport Planning Agency
WASA	Water and Sanitation Agency

TVE	Township-village enterprise
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VAT	Value-added tax
VER	Voluntary export restraint
WEFA	Wharton Economic Forecast Association
WPI	Wholesale price index
WTO	World Trade Organization

*Notes:* References to Taipei,China are to the island of Taiwan.  
“\$” as a currency notation refers to United States dollars unless otherwise specified.  
The symbol - in tables indicates that the amount is negligible.  
The symbol ... in tables indicates that data are not available or not applicable.

