

CITY / URBAN MANAGEMENT

ANCHOR INSTITUTE

**ADMINISTRATIVE TRAINING INSTITUTE,
KOLKATA**

ASSOCIATE INSTITUTE

**DR. MCR HUMAN RESOURCE DEVELOPMENT
INSTITUTE OF AP, HYDERABAD**

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Ms. Sujatha Kothari, Project Director, Urban Management Centre selected as the anchorperson for the module preparation worked closely with the associate, Sri K. Nageshwar Rao, Director (Training Coordination), Dr. MCR Institute for Human Resources Development, Hyderabad. This production has received material contributions from consultants/experts in specialized areas. Drafts of the module have been exchanged and comments received incorporated in the revised version.

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TRAINING DESIGN BRIEF

1.0 THE CONTEXT

A Training Needs Analysis was conducted for different state government departments to find out the actual training needs of the state employees, under the UNDP Project “Strengthening of State ATIs in India” in collaboration with Department of Personnel and Training, Govt. of India. On the basis of this report, a list of subjects was prepared requiring designing of training courses. Subsequently, a number of subjects were identified for preparation of training course modules under the Chairmanship of the Joint Secretary, DoPT, GOI. The ATI, Kolkata was selected as the Anchor Institute for design of training on City / Urban Management Module. The ATI’s associate on this module has been the Dr. M.C.R. Institute for Human Resource Development (MCRHRD), Hyderabad.

2.0 THE CLIENT

- ☞ Department of Personnel and Training (DoPT), Government of India

3.0 TRAINING NEED

- ☞ Making cities better managed and livable.

4.0 TARGET GROUP

The target group in the urban sector includes:

- ☞ Policy makers
- ☞ Senior officials
- ☞ Administrators
- ☞ Municipal chairpersons
- ☞ Senior municipal officials

5.0 ENTRY BEHAVIOUR

As the programme designed here, caters to people in the policy-making/decision making levels and those playing a monitoring/facilitating role, it is expected that they already possess working knowledge of municipal affairs.

6.0 CONSTRAINTS

- ☞ Heterogeneity of target group

7.0 COPING WITH CONSTRAINTS

Training can be conducted in batches for the state/national government personnel and separately for the local level representatives/personnel.

8.0 AIM OF TRAINING

The primary aim of preparation of this training module, developed as a basic course material on city/urban management is

- ☞ To provide a guide for those concerned, directly or indirectly, with urban development and management.

9.0 BENEFITS

- ☞ Essentials of urban/city management will be available compiled in a place
- ☞ It will familiarize the participants with the various facets of urban/city management

10.0 LEARNING EVENT

The Learning Event designed is presented below.

THEME I – THE URBAN CHALLENGES (DURATION – 2 HOURS)
LEARNING EVENT –UNIT I- URBANIZATION, ECONOMIC DEVELOPMENT
AND URBAN MANAGEMENT

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Me
<p>After the training, the trainee will be able to: 1. Explain the concepts of urban and urbanization.</p>	<p>After the training, the trainee will be able to: 1. Define the concepts of urban, urbanization. 2. Describe the concepts of urban, urbanization.</p>	<p>1. Definition of cities and urban areas from different sources like census, UN handbook.</p>	<p>Discussion/Lecture</p>	<p>OHP Pow poin slide</p>
<p>2. Illustrate the importance of urbanization in the development process.</p>	<p>1. Relate urbanization with economic development. 2. Establish concepts of livable cities through guided urban management.</p>	<p>1. Overview of urbanization in the world. 2. Impact of urbanization 3. Urbanization in India. 4. Urbanization in the states. 5. Determinants of urbanization in a state.</p>		

3. Establish the urban challenges facing the country.	1. Identify the urban challenges. 2. Explain the urban challenges.	1. Emerging challenges for the City Managers. 1.1 Institutional Capacity. 1.2 Backlog of service provision. 1.3 Urban poverty. 1.4 Challenges for the National Government		
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LEARNING EVENT-UNIT II-URBAN POVERTY MANAGEMENT

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Me
After the training, the trainee will be able to: 1. Develop an understanding of the issues related to urban poverty.	After the training, the trainee will be able to: 1. Identify issues in poverty alleviation at municipal management level. 2. State the municipal response actions	1. Urban Poverty. 2. Poverty and urban management. 3. Steps in poverty reduction. 4. Municipal response actions.	Discussion/Lecture	OHP Pow point slide

<p>2. Develop an understanding of the issues related to urban poverty.</p>	<p>1. Discuss the municipal response actions.</p> <p>2. State the current efforts at national level for poverty alleviation.</p>	<p>1. Municipal Response Actions.</p> <p>1.1 Institutional coordination and monitoring.</p> <p>1.2 Community Participation.</p> <p>1.3 Land Management.</p> <p>1.4 Housing.</p> <p>1.5 Access to Municipal Infrastructure Services.</p> <p>1.6 Support to Micro-Enterprises.</p> <p>1.7 Urban Agriculture.</p> <p>2. Current Programme Interventions.</p>		
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**THEME II – URBAN PLANNING AND DEVELOPMENT (DURATION –
2.30 HOURS)**

LEARNING EVENT- UNIT I- URBAN PLANNING

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
<p>After the training, the trainee will be able to: 1. Explain the concept of urban planning and its role in the economic planning scenario.</p>	<p>After the training, the trainee will be able to: 1. Describe the concept of urban planning. 2. Identify the role of urban planning in the economic planning scenario.</p>	<p>1. Introduction to urban planning concepts. 2. Synthesis of social and physical planning. 3. Urban Planning in India – Five-Year Plans.</p>	Lecture/ Discussion	OHP Power point slide
2. Assess the role and effectiveness of District and Metropolitan Planning Committee (DPC & MPC).	1. Identify the role and effectiveness of DPC & MPC as planning bodies. 2. Study the linkages between DPC and MPC.	1. Constitutional Provisions for Decentralized Planning and Development. 1.1 Significance and implications of 74 th CAA. 1.2 DPC. 1.3 MPC.		
3. Review the role of the Planning System	1. State role and function of urban areas. 2. Describe the planning system 3. Discuss the role of land development and people’s participation in the planning process	1. Role and functions of urban areas. 2. Urban Management Tasks. 3. Levels of Plans. 4. Land Management in Urban Development. 5. People’s Participation in Urban Planning and Development. 6. Planned Intervention for Urban Development.		

LEARNING EVENT-UNIT II-TRANSPORT PLANNING

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
After the training, the trainee will be able to:	After the training, the trainee will be able to:			

1. Decide upon the best approaches or combination of approaches for transport planning and management	<p>1. Examine the need for integrating transport planning with land use planning.</p> <p>2. To itemize issues of relevance in the Indian context.</p> <p>3. To utilize experiences of other countries for improving quality of life</p>	<p>1. The Problem Elements.</p> <p>2. The Policy Response.</p> <p>3. Integrated Land Use and Transport Plan.</p> <p>3.1 Curitiba's Case.</p> <p>4. Managing urban traffic congestion</p>	Lecture/ Discussion	OHP/ Power point slides
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**THEME III – DECENTRALIZATION OF URBAN GOVERNANCE
(DURATION – 5 HOURS)**

**LEARNING EVENT-UNIT I-CONCEPT OF DECENTRALIZATION AND A
HISTORICAL OVERVIEW OF URBAN GOVERNMENT IN INDIA**

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Medi
After the training, the trainee will be able to: 1. Trace the evolution of Urban Governance in India since its inception during the British Rule	After the training, the trainee will be able to: 1. Explain the meaning /concept and forms of decentralization. 2. Discuss the evolution of urban government in India.	1. Concept of Decentralization. 1.1 Evolution of Urban Government in India.	Lecture/ Discussion	OHP/ Power point slides

**LEARNING EVENT-UNIT II-CONCEPT OF DECENTRALIZATION AND A
HISTORICAL OVERVIEW OF URBAN GOVERNMENT IN INDIA**

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Medi
After the training, the trainee will be able to: 1. To explain the provisions and the importance of the 74 th CAA.	After the training, the trainee will be able to: 1. Describe the various provisions in the 74 th CAA. 2. Discuss the 74 th CAA critically	1. Types of ULBs. 1.1 Functions 1.2 Composition 1.3 Municipal Finance 2. Urban Planning	Lecture/ Discussion	OHP/ Power point slides

LEARNING EVENT-UNIT III-URBAN MANAGEMENT: POLITICAL AND INSTITUTIONAL ASPECTS AND CITY-LEVEL DECENTRALIZATION

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
After the training, the trainee will be able to: 1. Explain the decentralized system of administration.	After the training, the trainee will be able to: 1. State the management structure of the municipal bodies. 2. Discuss the functioning of the system for the convenience of the citizens.	1. Municipal Management Structure. 2. Kolkata Model. 3. The Speaker and the Committees. 4. Borough Committees. 5. The Commissioner.	Lecture/ Discussion	OHP/ Power point slides
2. Follow the Management Structure in our cities and towns.	1. Discuss the Kolkata Model. 2. Discuss the role of Ward Committees in the context of Municipal Administration	6. Two-tier Municipal Government in Big Cities. 7. Ward Committees. 8. Inter-institutional relations.		

LEARNING EVENT-UNIT IV-EMERGING URBAN GOVERNANCE ISSUES

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Med
<p>After the training, the trainee will be able to: 1. Relate the concept of Governance to the urban situations in the Indian Context.</p>	<p>After the training, the trainee will be able to: 1. Explain the meaning of "governance". 2. State the Global Campaign for Good Urban Governance. 3. Discuss how urban Government in India has been responding to the Global Campaign for Good Urban Governance</p>	<ol style="list-style-type: none"> 1. Concept of Governance. 2. Global Campaign for GUG. 3. Indian Response. 	<p>Lecture/ Discussion</p>	<p>OHP/ Power point slides</p>

<p>2. Review the contemporary issues centered on citizen – urban governance interface.</p>	<p>1. Identify the special features of urban governance introduced in recent times.</p> <p>2. Discuss the various instrumentalities available for good urban governance.</p>	<p>1. Gender Dimension. 2. People’s Participation. 3. Other Instrumentalities</p>	<p>Group Discussion (On specified topics)</p>	
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THEME IV-FISCAL AND FINANCIAL MANAGEMENT (DURATION – 5 HOURS)

LEARNING EVENT-UNIT I-INTER GOVERNMENTAL FISCAL RELATIONS

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
<p>After the training, the trainee will be able to: 1. Discuss the structure of Fiscal Federalism</p>	<p>After the training, the trainee will be able to: 1. Describe the 11th Finance Commission 2. Describe the state-local fiscal relations</p>	<p>1. Fiscal Federalism in India. 2. State- local fiscal relations</p>	<p>Lecture/ Discussion</p>	<p>OHP/ Power point slides</p>

<p>2. Obtain the role and responsibilities of governments at different levels</p>	<p>1. Describe the provisions/recommendations of State Finance Commission 2. Describe the importance of SFC in light of the 74th CAA</p>	<p>1. State Finance Commission. 2. Recommendations of State Finance Commission</p>		
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LEARNING EVENT-UNIT II-MUNICIPAL FINANCE-NEEDED REFORMS

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
<p>After the training, the trainee will be able to: 1. Appraise the municipal budgeting and accounting practices</p>	<p>After the training, the trainee will be able to: 1. Categorize the financial requirements of ULBs 2. Identify issues in financing municipal services</p>	<p>1. Financial Resource requirements of ULBs. 2. Issues in financing municipal services</p>	<p>Lecture/ Discussion</p>	<p>OHP/ Power point slides</p>
<p>2. Restructure the devolution mechanism to enable urban local bodies to fully exploit the potential revenue from local bases.</p>	<p>1. State recurrent and non-recurrent receipts 2. Discuss the major sources of revenue for ULBs-property tax, user charges</p>	<p>1. Recurrent receipts. 2. Non-recurrent receipts. 3. Municipal property tax. 4. User charges</p>	<p>(Group Discussion to be conducted after Theme V)</p>	
<p>3. Determine an itemized agenda of state-policy for modernizing municipal budgetary practices and accounting system</p>	<p>1. Devise a framework for identification of resources that are appropriate to finance different types of municipal expenditure 2. Decide upon the agenda for reforms based on the above framework</p>	<p>1. Agenda for reforms: financial capacity building of ULBs</p>		

LEARNING EVENT-UNIT III-ARRANGEMENTS TO ENSURE MUNICIPAL
FINANCIAL RESPONSIBILITY

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Med
<p>After the training, the trainee will be able to: 1. Determine alternative mechanisms of fiscal transfer</p>	<p>After the training, the trainee will be able to: 1. Describe the present practice of financing capital works 2. Identify available options for financing of capital works 3. Identify appropriate tools for recovery of user charges 4. Describe state's role in determining regulatory mechanisms</p>	<p>1. Financing municipal capital improvement works: The present practice. 2. New Options -Pooled Financing Structures for Urban Infrastructure -Gujarat Infrastructure Development Act</p>	<p>Lecture/ Discussion</p>	<p>OHP/ Power point slides</p>

LEARNING EVENT-UNIT IV-REFORMS IN MUNICIPAL ACCOUNTING SYSTEM

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
<p>After the training, the trainee will be able to: 1. Determine reform measures in the context of existing municipal budgeting and accounting practices</p>	<p>After the training, the trainee will be able to: 1. Identify constraints in the present municipal accounting system 2. Identify issues to state need for improvement in budgeting and accounting practices.</p>	<ol style="list-style-type: none"> 1. Need for reforms. 2. Constraints in the present municipal accounting system 	<p>Lecture/ Discussion</p>	<p>OHP/ Power point slides</p>
<p>2. Build transparency in municipal financial matters</p>	<p>1. Describe Modified Government Financial Accounting (MGFA) system and benefits of adopting the same 2. State manifestations of MGFA 3. Specify steps to be taken for adoption of MGFA</p>	<ol style="list-style-type: none"> 1. Need for improvement: the Modern Governmental Financial Accounting (MGFA) 2. Why MGFA? 3. Manifestations of MGFA 4. Steps to be taken 5. Important Precondition 		

**THEME V – MUNICIPAL PERSONNEL SYSTEM AND MANAGEMENT
(DURATION – 2.30 HOURS)**

LEARNING EVENT-UNIT I-MUNICIPAL PERSONNEL SYSTEM

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
<p>After the training, the trainee will be able to: 1. Compare the three personnel systems</p>	<p>After the training, the trainee will be able to: 1. Describe the three types of municipal personnel system 2. Appraise the advantages and disadvantages of the three systems</p>	<p>1. Importance of municipal personnel management. 2. Personnel Development. 2.1 Recruitment and maintenance of municipal personnel. 2.1.1 Separate personnel system. 2.1.2 Unified personnel system. 2.1.3 Integrated personnel system. 2.2 Rural Urban Relationship Committee Report.</p>	Lecture/ Discussion	OHP/ Power point slides
<p>2. Discuss the essential ingredients of personnel management</p>	<p>1. Identify the several aspects of personnel development. 2. Determine need for framing staffing norms, recruitment rules and plan for manpower training. 3. Establish need for flexible staffing arrangements. 4. List advantages and pre-requisites for private-sector participation</p>	<p>1. Manpower planning, municipal capacity building and training 1.1 Manpower norms 1.2 Work study 1.3 Conduct 1.4 Municipal capacity building 2. Private Sector Participation</p>		
<p>3. Determine reform strategies.</p>	<p>1. State possible goals of personnel management. 2. Describe role of state.</p>	<p>1. Reform strategies of personnel management. 2. Role of state.</p>		

**LEARNING EVENT-UNIT II-PERFORMANCE BASED
MUNICIPAL MANAGEMENT**

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media
After the training, the trainee will be able to: Explain the importance of Performance Appraisal (PA) in the organizational context.	After the training, the trainee will be able to: 1. Describe the importance of PA. 2. Describe the organizational context of PA.	1. Introduction to PA. 2. Importance of PA. 3. Organizational context. 4. Purpose of PA.	Lecture / Discussion	OHP/ Power point slides
Discuss critical issues of PA.	1. Identify crucial issues in Performance Appraisal. 2. Relate PA with job responsibilities. 3. Describe role of state in PA.	1. Critical issues for PA practice. 1.1 Job description. 1.2 Career Management Plan. 1.3 Staffing Structure. 1.4 Politicization.	(Group Discussion after the morning session covering Theme IV and V)	

**THEME VI – URBAN ENVIRONMENTAL SERVICES AND FINANCING
THEREOF (DURATION – 2.30 HOURS)
LEARNING EVENT-UNIT I-URBAN ENVIRONMENTAL SERVICES & THEIR
MANAGEMENT**

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Media

<p>After the training, the trainee will be able to:</p> <ol style="list-style-type: none"> 1. Explain urban environment planning and management 	<p>After the training, the trainee will be able to:</p> <ol style="list-style-type: none"> 1. Define urban environment. 2. Discuss critical issues related to service delivery by management. 	<ol style="list-style-type: none"> 1. Urban Environment. 2. Three components of environmental planning. 3. Urban environmental planning and Management. 4. Management of urban environmental services. 5. Service delivery and management issues. <ol style="list-style-type: none"> 5.1 Water supply. 5.2 Sewerage sanitation and drainage. 5.3 Solid waste management 6. Improving the delivery and management of urban services. <ol style="list-style-type: none"> 6.1 Innovative Financial Mechanisms 6.2 Commercial Orientation for existing infrastructure. 6.3 Appropriate pricing. 6.4 Regulatory Framework. 6.5 Project Development 6.6 Issues of inter-agency coordination 	<p>Lecture/ Discussion</p>	<p>OHP/ Power Point Slides</p>
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<p>2. Establish importance of user participation in management.</p>	<p>1. Describe the participatory process in management of services. 2. State need for management reforms.</p>	<p>1. Participatory Management of Infrastructure. 1.1 Participatory process. 2. Need for reforms.</p>		
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LEARNING EVENT-UNIT II-FINANCING OF URBAN ENVIRONMENTAL SERVICES

Training Objectives (TO)	Enabling Objectives (EO)	Contents in Sequence	Method (s)	Med
<p>After the training, the trainee will be able to:</p> <p>1. Assess the various options available for accessing market borrowing.</p>	<p>After the training, the trainee will be able to:</p> <p>1. Describe the various options available for financing of Urban Services.</p> <p>2. Identify the preconditions necessary for innovative financing/accessing market borrowing.</p>	<p>1. Innovative financing.</p> <p>1.1 Accessing capital markets.</p> <p>1.2 Tax free Municipal Bonds.</p> <p>1.3 Pooled Financing</p> <p>1.4 Borrowing from commercial banks.</p> <p>1.5 Private Sector Partnerships</p> <p>2.0 Preconditions for innovative infrastructure financing</p> <p>2.1 Administrative political leadership and support.</p> <p>2.2 Improved municipal management.</p> <p>2.3 Appropriate pricing.</p> <p>2.4 Rigorous Project Development.</p> <p>2.5 Regulatory Framework.</p> <p>Capacity Building</p>	<p>Lecture/ Discussion</p>	<p>OHP/ Power Point Slides</p>

9.0 TRAINING PROGRAMME SCHEDULE

Fore Noon Session 10.30am-1.30pm	Afternoon Session 2.30pm-5.30pm
<p>Theme I: The Urban Challenges</p> <ul style="list-style-type: none"> • Urbanization Economic, Development and Urban Management • Urban Poverty Management 	<p>Theme II: Urban Planning</p> <ul style="list-style-type: none"> • Urban Planning • Transport Planning
<p>Theme III: Decentralization for Urban Governance</p> <ul style="list-style-type: none"> • Concept of Decentralization and A Historical Overview of Urban Government in India. • Contents of 74th Constitutional Amendment. • Urban Management: Political/Institutional Aspects and City-level Decentralization 	<p>Theme III: Decentralization for Urban Governance</p> <ul style="list-style-type: none"> • Emerging Urban Governance Models • Local Ombudsman • Information; Communication and Public Participation <p>GROUP DISCUSSION</p> <p>GROUP DISCUSSION</p>
<p>Theme IV: Fiscal and Financial Management</p> <ul style="list-style-type: none"> • Inter Governmental Fiscal Relations. • Municipal Finance and Needed Reforms 	<p>Theme IV: Fiscal and Financial Management</p> <ul style="list-style-type: none"> • Arrangements to Ensure Financial Viability • Reforms in Municipal Finance
<p>Theme V: Municipal Personnel System Development and Management</p> <ul style="list-style-type: none"> • Municipal Personnel System • Performance Based Personnel Management 	
<p>Theme VI: Urban Environmental Services and Financing Thereof</p> <ul style="list-style-type: none"> • Urban Environment and its Management • Infrastructure Financing 	<p>Evaluation and Valedictory Session</p>

COURSE GUIDE

1.0 INTRODUCTION TO CITY / URBAN MANAGEMENT MODULE-AN OVERVIEW

1.1 AIM AND AUDIENCE:

With increasing urbanization, the majority of the world's population will soon be living in urban areas. At the same time the majority of the world's poor will also be found in urban areas. Cities will find themselves as the major arena for both the generation of wealth and locus of poverty.

The way cities are managed and administered has a direct bearing on their ability to support economic development and mitigate poverty. The primary aim of this module on city/urban management is to provide a guide for those concerned, directly or indirectly, with urban development and management. Although the particular circumstances of each city are

different, there are a number of areas and issues that have to be addressed by the urban managers of all cities as matters of greater or lesser importance depending on the city concerned. The module is designed and packaged as a basic course to present the essentials of city management with a range of issues and options for discussion and assimilation for policy and action that others have found useful.

All that is urban is not municipal. The focus of this module is limited to Municipal Urban Areas. The issues being covered refer to Municipal Management and is used as

a synonym of City / Urban Management, for the purpose of this module. The target audience therefore includes policy makers, senior officials, and administrators of national and state governments. This module can also serve as a basic course for the municipal elected representatives and municipal officials. An advanced course can be developed to meet the additional training needs of municipal personnel.

Much of this audience is non-technical, and the Module aims to provide them with the background and familiarize them with the innovative approaches in straightforward jargon free language so that they can better engage in dialogue with professionals and technocrats in the task of guiding cities' development.

1.2 THE STRUCTURE OF THE MODULE

Theme I on “Urban Challenges” identifies the tasks and challenges that face those concerned with urban management. This serves as a prologue to the ensuing Themes in the module. It provides an overview of urbanization scenario and portrays the problems of towns and cities in the context of growing urbanization.

Theme II on ‘Urban Planning and Development’ follows this, which is a domain of the city managers in the light of the recent amendments. Poorly planned cities and inadequate infrastructure clearly impose unnecessary costs for citizens and business alike. This theme introduces the notions of ‘social planning’ versus ‘physical planning’ in urban planning, and the various committees and instruments available for guided development. It is being increasingly recognized that many of the problems of traffic, transport and congestion in the city arise because of the lack of coordination and integration between land-use and transport planning. Transport Planning is gaining importance as the cities grow in area and size. It is most relevant for small and medium sized towns, which are still experiencing growth, where land is still available and the number of vehicles, are less. That is why it warrants special treatment in the module-unit.

Theme III deals with the issue of ‘Decentralization of Urban Governance’. Clarifying the concepts of decentralization in all its forms, the Theme goes on to discuss its relevance to local management and provide the reader with insights regarding the various decentralized systems and sub-systems prevalent in India, their associated problems and options. It also discusses some tools available for decentralization of urban governance.

Theme IV highlights, the ‘Fiscal and Financial Management’ for Local Governments. It is considered an important policy intervention area, as local governments are the main deliverers of urban services, and therefore main actors in urban management.

Theme V in ‘Municipal Personnel System and Management’ is an important area as well because efficient and effective management demands judicious and scientific personnel management and is an essential ingredient of good urban governance.

Though not a direct responsibility of the city urban managers outside the local government, the provision of urban environmental services for the efficient operation of cities is a pre-requisite. The **Theme VI** on ‘Urban Environmental Services And Financing Thereof’ examines the obligatory service provision and their financing by local governments.

<i>THEME I</i>	<i>THE URBAN CHALLENGES</i>
<i>THEME II</i>	<i>URBAN PLANNING AND DEVELOPMENT</i>
<i>THEME III</i>	<i>DECENTRALIZATION FOR URBAN GOVERNANCE</i>
<i>THEME IV</i>	<i>FISCAL AND FINANCIAL MANAGEMENT</i>
<i>THEME V</i>	<i>MUNICIPAL PERSONNEL SYSTEM AND MANAGEMENT</i>
<i>THEME VI</i>	<i>URBAN ENVIRONMENTAL SERVICES AND FINANCING THEREOF</i>

2.0 FACILITATORS

The course will be conducted by experts in different subject areas of the training module units, who have also acquired skills of a Direct Trainer, preferably.

3.0 GENERAL INSTRUCTIONS TO THE TRAINER

For each Theme, the function of the Trainer should be to facilitate an interactive session and make learning more meaningful. The trainer can follow some general guidelines with respect to all the Themes.

- Explain concepts used. For example concepts of urban, urbanization and fiscal federalism need some elaboration.**
- The data presented is for an all India audience. Training conducted regionally can emphasize upon local information / data. This will add value to the training imparted and make it more oriented to the participants' own environment.**
- Locally available case studies/ video can be incorporated in the sessions.**
- If there are live examples of good practices in the Training Area, a site visit may be arranged for the participants to enable them to have a first hand knowledge.**

The trainer should review his or her lecture alongside the overhead transparencies prior to the session to make sure these synchronize and are relevant and fully understood. To encourage group learning, participant questions may be referred to the other participants. The trainer, to avoid the group from going off the track should control group discussions/interactive sessions. Non-officials should be handled carefully.

Though the timing is specified the trainer has the freedom to adjust as per the interest of the participants/ importance of the topic. This is possible because the Themes are divided into morning and afternoon sessions giving the desired flexibility in the design brief.

4.0 TRAINERS' GUIDE ON THE MODULE CONTENTS

THEME I: THE URBAN CHALLENGES (Duration: 2 hrs)

The Theme on Urban Challenges identifies the tasks and challenges that face those concerned with urban management. This serves as a prologue to the ensuing Themes in the module. It provides an overview of urbanization scenario and portrays the problems of towns and cities in the context of growing urbanization. It raises issues of concern, which are being dealt with in the subsequent Themes. This Theme is divided into two units, namely,

**UNIT 1: URBANIZATION, ECONOMIC
DEVELOPMENT AND URBAN
MANAGEMENT**

UNIT 2: URBAN POVERTY MANAGEMENT

UNIT 1: URBANIZATION, ECONOMIC DEVELOPMENT AND URBAN MANAGEMENT (Duration: 1 hr)

Training Objectives:

After the training, the trainees will be able to:

- Explain the concepts of urban and urbanization.
- Illustrate the importance of urbanization in the development process.
- Establish the urban challenges facing the country.

Enabling Objectives:

After the session, the participants will be able to

- List the concepts of urban, urbanization
- Describe the concepts of urban, urbanization
- Relate urbanization with economic development
- Establish the concept of livable cities through guided urban management
- Identify the urban challenges facing the city managers
- Explain the urban challenges facing the city managers

INTRODUCTION TO THEME I

5 minutes

Theme I as a prologue to the rest of the module must be emphasized. It raises issues of concern, which are being dealt with in the subsequent Themes.

Urbanization, Economic Development and Urban Management

20 minutes

The trainer will state the unit objectives at the beginning of the session. This unit sets the stage for the UM module. The trainer can now begin with an interactive approach given the understanding that the participants have some acquaintance with the material but no deep familiarity. The

20 minutes

10 minutes

5 minutes

UNIT 2: URBAN POVERTY MANAGEMENT

(Duration: 1 hr)

Training Objectives:

After the training, the participants will be able to:

- Develop an understanding of the issues related to urban poverty
- Develop an understanding of the issues related to its management amongst the city managers.

Enabling Objectives:

After the session, the participants will be able to:

- Identify issues in poverty alleviation at municipal management level
- State the municipal response actions
- Discuss the municipal response actions
- State the current efforts at national level for poverty alleviation.

<p style="text-align: center;"><i>Urban Poverty Management</i></p> <p>The session can be initiated with an introduction of the objectives (that is what will be covered and why).</p> <p>A first step in poverty management is sensitization to the issue of poverty and its magnitude.</p> <p>Urban Poverty Alleviation is an important agenda for all developmental activities. Therefore poverty management has been included as a major challenge of our country facing the country's managers. All actions should aim at poverty reduction.</p> <p>The trainer should begin by understanding the concept of poverty as understood by the trainees before proceeding with the session.</p>	<p>10 minutes</p>
<p>Institutional response and constraints to poverty can be discussed allowing time for the participants to enlist them based on their previous knowledge.</p>	<p>15 minutes</p> <p>20 minutes</p>
<p>Various aspects of poverty may be enumerated focusing on a few and giving examples from cases. The programmes for poverty alleviation can be discussed to acquaint the participants with the various programmes. This can be linked to the participants' previous knowledge of impact of anti-poverty programmes.</p> <p>Discussion</p> <p>Recapitulation</p>	<p>10 minutes</p> <p>5 minutes</p>

THEME II: URBAN PLANNING AND DEVELOPMENT (Duration-2.30 hrs)

The Theme on Urban Planning and Development has been prepared to provide an overview on Urban Planning related concepts, developments and tools which will give the reader an idea about its place in the development and management scenario. This theme is being dealt with in two parts:

UNIT 1: URBAN PLANNING

UNIT 2: TRANSPORT PLANNING

UNIT 1: URBAN PLANNING (Duration: 1.15 hrs)

Training Objectives:

After the training, the participants will be able to:

- Explain the concept of Urban Planning and its role in the economic planning scenario
- Assess the of District and Metropolitan Planning Committee as planning bodies
- Review the Planning System.

Enabling Objectives:

After the session, the participants will be able to:

- Describe the concept of Urban Planning
- Identify role of urban planning in the economic planning scenario
- Identify the role and effectiveness of District and Metropolitan Planning Committee as planning bodies.
- Study the linkages between District and Metropolitan Planning Committee as planning bodies
- State role and functions of urban areas
- Describe the Planning System
- Discuss role of land development and people's participation in the planning process.

INTRODUCTION TO THEME II

10 minutes

The trainer should explain the objectives of the two units and also explain why transport planning is being dealt with in the theme over other planning areas (infrastructure planning is covered in Theme VI)

Urban Planning

The trainer should deal with the first unit of the Theme in three parts to discuss:

45 minutes

**a) Concepts of urban planning-
physical and social planning.**

**The trainer should discuss the
changing scenario from a
physical orientation of the
planning process to an
integrated approach**

**incorporating social planning
ingredients. The place of**

**urban planning in the national
economic plans (5-year plans)**

15 minutes

**is important to understand the
emphasis in the development**

5 minutes

**process and the evolutionary
trend taking place in India.**

UNIT 2: TRANSPORT PLANNING (Duration: 1.15 hrs)

Training Objectives:

After the training the trainees will be able to:

- Decide upon the best approaches or combination of approaches for transport planning and management

Enabling Objectives:

After the training the trainees will be able to

- Examine the need for integrating transport planning with land use planning
- To itemize issues of relevance in the Indian context
- To utilize experiences of other countries for improving quality of life.

<i>Transport Planning</i>	
The trainer has already introduced the topic and its objectives and he can go on to discussing the importance of Transport Planning for small and medium sized towns.	5 min
The trainer should dwell upon the integrated land-use planning concept as a strategy giving the illustrations from Curitiba's case.	20 min
The problems of urban transportation can be given emphasis in relation to specific problems of the city where the training is being conducted.	30 min
Discussion.	
Recapitulation	15 min
	5 min

THEME III: DECENTRALIZATION OF URBAN GOVERNANCE

(Duration: 5 hrs)

The units identified for the course start with an elucidation of the concept of 'decentralization' followed by a brief historical account of how urban government has evolved in India over time.

The salient features of the 74th Constitutional Amendment have been presented to depict the present status and functions of urban government as delineated in the recent constitutional amendment.

The management structure of urban government has been discussed subsequently, which includes both institutional and professional aspects of urban management. A brief reference has been made to the city – level decentralization being practiced in many large cities in the country.

The last section deals with the major emerging issues in decentralized urban governance with special emphasis on citizen's charter, local ombudsman, need for transparency and citizen's right to information and community participation in civic management. This Theme is divided into four interconnected units:

- UNIT 1: CONCEPT OF DECENTRALIZATION AND A HISTORICAL OVERVIEW OF URBAN GOVERNMENT IN INDIA.
- UNIT 2: CONTENTS OF 74TH CONSTITUTIONAL AMENDMENT.
- UNIT 3: URBAN MANAGEMENT: POLITICAL AND INSTITUTIONAL ASPECTS AND CITY-LEVEL DECENTRALIZATION.
- UNIT 4: EMERGING URBAN GOVERNANCE ISSUES: CITIZEN'S CHARTER; LOCAL OMBUDSMAN; TRANSPARENCY AND RIGHT TO INFORMATION; COMMUNITY PARTICIPATION.

**UNIT 1: CONCEPT OF DECENTRALIZATION AND A HISTORICAL
OVERVIEW OF URBAN GOVERNMENT IN INDIA.
(Duration: 30 mins)**

Training Objectives:

**After the training the participants
will be able to:**

- Trace the evolution of urban governance in India since its inception during the British Rule

Enabling Objectives:

At the end of the session, the participants will be able to:

- Explain the meaning/concept and forms of decentralization
- Discuss the evolution of urban government in India

➤ **Explain the provisions and the importance of the 74th CAA**

Enabling Objectives:

After the session the participants will be able to

➤ **Describe the various provisions in the 74th CAA**

➤ **Discuss the 74th CAA critically**

<i>Contents of 74th Constitutional Amendment Act</i>	
Opening comments on the objectives of the Theme.	45 minutes
The 74 th CAA as a landmark amendment needs to be discussed.	
The provisions and their relative importance / impact on local government will be dealt by the Trainer	
Discussion	10 minutes
Recapitulation	5 minutes

UNIT 3: URBAN MANAGEMENT: POLITICAL AND INSTITUTIONAL ASPECTS AND CITY-LEVEL DECENTRALIZATION.

(Duration: 1 hr)

Training Objectives:

At the end of the training, the participants will be able to:

- Explain the decentralized system of administration
- Follow the urban management structures in our cities and towns

Enabling Objectives:

At the end of the session the participants will be able to:

- **State the management structure of the municipal bodies-both corporations and the municipalities**
- **Discuss the functioning of the system for the convenience of the citizens**

- Discuss the Kolkata model
- Discuss the role of Ward Committees in the context of Municipal Administration

<p><i>Urban Management: Political and Institutional Aspects and City-level Decentralization.</i></p>	
<p>Based on their previous knowledge, the participants can enumerate the various agencies responsible for urban management and discuss their frameworks of governance.</p>	45 minutes
<p>The trainer can highlight the different systems prevailing in the country giving a comparative account of their functioning and relevance to governance.</p>	
<p>Discussion.</p>	10 minutes
<p>Recapitulation</p>	5 minutes

UNIT 4: EMERGING URBAN GOVERNANCE ISSUES: CITIZEN'S CHARTER; LOCAL OMBUDSMAN; TRANSPARENCY AND RIGHT TO INFORMATION; COMMUNITY PARTICIPATION.

(Duration: 1.15 hrs)

Training Objectives:

After the training, the participants will be able to:

- Relate the concept of “governance” to the urban situation in the Indian context
- Review the contemporary issues centered on citizen – urban governance interface that are currently under discussion to make our urban government much more open, transparent and citizen-friendly.

Enabling Objectives:

**After the session the participants
will be able to:**

- **Explain the meaning of
“governance”**
- **State the Global Campaign for
Good Urban Governance**
- **Discuss how urban government in
India has been responding to the
Global Campaign for Good Urban
Governance**
- Identify the special features of urban governance introduced in recent times through the landmark Constitutional Amendment of 1992 (Constitution (seventy fourth) Amendment Act 1992)
- Discuss the various instrumentalities available for good urban governance

<i>Emerging Urban Governance Issues: Citizen's Charter; Local Ombudsman; Transparency and Right to Information; Community Participation.</i>	
Introduction to the topic The trainer can emphasize the launch of Good Urban Governance Campaign in India. Concept of Inclusive city must be discussed and elaborated. The Trainer must focus on issues, which should be considered for good governance. The Citizen's Charter as a tool for good urban governance can be discussed in detail.	40 minutes
Discussion.	10 minutes
Recapitulation (for the Theme)	10 minutes

Group Discussion covering Theme III

1.15 hrs

(See Guide on Group Discussion)

THEME: IV FISCAL AND FINANCIAL

MANAGEMENT (Duration: 5 hrs)

Fiscal and Financial Management is an important policy intervention area. As local governments are the main deliverers of urban services with the bulk of main actors in urban management, municipal finance and its administration is of prime importance. Traditionally the objectives of Municipal Finance and administration have been to get more financial resources for the local government. However, it is important to manage municipal resources and its allocation to increase effectiveness of local government expenditures. The present Theme deals with fiscal and financial management under four units:

UNIT 1: INTERGOVERNMENTAL FISCAL RELATIONS

UNIT 2: MUNICIPAL FINANCE-NEEDED REFORMS

UNIT 3: ARRANGEMENTS TO ENSURE MUNICIPAL FINANCIAL
RESPONSIBILITY

UNIT 4: REFORMS IN MUNICIPAL ACCOUNTING SYSTEM

UNIT 1: INTERGOVERNMENTAL FISCAL RELATIONS

(Duration: 1.15 hrs)

Training Objectives:

After this training, the participants will be able to:

- Discuss the structure of fiscal federalism
- Obtain the role and responsibilities of governments at different levels.

Enabling Objectives:

After this session, the participants will be able to:

- Describe the 11th Finance Commission

- Describe the state-local fiscal relations
- State the provisions/recommendations of State Finance Commission (SFC)
- Describe the importance of SFC in light of the 74th CAA

INTRODUCTION TO THEME IV	
The trainer must introduce the Theme and state the objectives.	10 minutes
<i>Intergovernmental Fiscal Relations</i>	
The trainer must introduce the topics stating the objectives.	50 minutes
Discuss the provision relating to the distribution of taxes and non-tax revenues. Relate fiscal transfer to provision of basic services for balanced development. State Finance Commissions (SFCs) are an obligatory responsibility of states.	
Discussions.	
Recapitulation	10 minutes
	5 minutes

UNIT 2: MUNICIPAL FINANCE-NEEDED REFORMS (Duration: 1.15 hrs)

Training Objectives:

After the training, the participant will be able to:

- Appraise the municipal budgeting and accounting practices
- Restructure the devolution mechanism to enable urban local bodies to fully exploit the potential revenue from local bases.
- Determine an itemized agenda of state-policy for modernizing municipal budgetary practices and accounting system.

Enabling Objectives:

After the session the participants will be able to:

- Categorize the financial requirements of ULBs
- Identify issues in financing municipal services
- State recurrent and non-recurrent receipts
- Discuss the major sources of revenue for ULBs-property tax, user charges
- Devise a framework for identification of resources that are appropriate to finance different types of municipal expenditure
- Decide upon the agenda for reforms based on the above framework

<i>Municipal Finance-Needed Reforms</i>	
The next topic, has already been introduced in the beginning. State the objectives. Discuss the need for municipal finance reforms elaborately.	25 minutes
Discuss issues in financing services. An agenda for reform will emerge from the discussion which can be elicited from the participants and then enlisting all.	35 minutes
Discussion	10 minutes
Recapitulation.	5 minutes

**UNIT 3: ARRANGEMENTS TO ENSURE MUNICIPAL FINANCIAL
RESPONSIBILITY (Duration: 1.15 hrs)**

Training Objectives:

After the training, the participants will be able:

- Determine alternative mechanisms of fiscal transfer

Enabling Objectives:

**After the session, the participants
will be able:**

- Describe the present practice of financing capital works
- Identify available options for financing of capital works
- Identify appropriate tools for recovery of user charges
- Describe state's role in determining regulatory mechanisms

<p><i>Arrangements to Ensure Municipal Financial Responsibility</i></p> <p>The trainer will introduce the objectives of these two Units.</p> <p>The trainer will highlight the apathy of local bodies in fully exploiting their revenue bases and the need for local financial autonomy.</p> <p>Issues regarding raising resources from debt market or private sector involvement will be discussed.</p> <p>Discussions</p> <p>Recapitulation</p>	<p>40 min</p> <p>20 min.</p> <p>10 min</p> <p>5 min</p>
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UNIT 4: REFORMS IN MUNICIPAL ACCOUNTING SYSTEM

(Duration: 1.15 hrs)

Training Objectives:

After the session, the participants will be able to:

- Determine reform measures in the context of existing municipal budgeting and accounting practices
- Build transparency in municipal financial matters

Enabling Objectives:

After the session, the participants will be able to:

- Identify constraints in the present municipal accounting system
- Identify issues to state need for improvement in budgeting and accounting practices.
 - **Describe Modified Government Financial Accounting (MGFA) system and benefits of adopting the same**
- State manifestations of MGFA
- Specify steps to be taken for adoption of MGFA

<i>Reforms in Municipal Accounting System</i>	
Problems existing in present municipal accounting practices will be discussed.	25 minutes
Importance of preparing budgets, transparency in financial accounting	35 minutes
practices will bring to the	10 minutes
	5 minutes

<p>trainee the urgency of such reforms.</p> <p>Discussion</p> <p>Recapitulation</p>	
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Group Discussion covering Theme IV will be conducted at the end of Theme V.

The Theme on Municipal Personnel System and Management illustrates the various personnel systems and the important staffing norms, recruitment agency and policy and manpower development. It further emphasizes the need for job description while appraising personnel performance. The Theme covers

UNIT I: MUNICIPAL PERSONNEL SYSTEM

UNIT 2: PERFORMANCE BASED PERSONNEL MANAGEMENT

UNIT 1. MUNICIPAL PERSONNEL SYSTEM (Duration: 1.15 hrs)

Training Objectives:

After the Training, the trainee will be able to:

- Compare the three Personnel systems identifying their strengths and weaknesses.
- Discuss the essential ingredients of personnel management
- Determine reform strategies

Enabling Objectives:

At the end of the session, the participants will be able to:

- Describe the three types of municipal personnel system.

- Appraise the advantages and disadvantages of separate, unified, integrated and mixed municipal personnel system.
- Identify the several aspects of personnel development
- Determine need for framing staffing norms, recruitment rules and plan for manpower training.
- Establish need for flexible staffing arrangements.
- List advantages and pre-requisites for private sector participation
- State goals of personnel management
- Describe role of state

<p style="text-align: center;">INTRODUCTION TO THEME V</p> <p style="text-align: center;"><i>Municipal Personnel System</i></p>	<p>5 minutes</p>
<p>The trainer must introduce the Theme and the topic stating the objectives.</p> <p>Importance of personnel management should be discussed leading on to the need for personnel development. Here the essential ingredients of personnel management system of administration can be emphasized.</p> <ul style="list-style-type: none"> • Recruitment and Maintenance of Municipal Personnel-The three systems of municipal personnel management can be discussed stating their advantages and disadvantages. • Manpower Planning, Municipal Capacity Building and Training • Flexibility in Staffing Arrangement-Emphasize • Reform Strategies for Municipal Personnel <p>Discussions.</p>	<p>55 minutes</p>
<p>Recapitulation</p>	<p>10 minutes</p> <p>5 minutes</p>

UNIT 2. PERFORMANCE-BASED PERSONNEL MANAGEMENT

(Duration: 1.15 hrs)

Training Objectives:

After the Training, the trainee will be able to:

- Explain the importance of Performance Appraisal in the organizational context
- Discuss critical issues of Performance Appraisal.

Enabling Objectives:

At the end of the session, the participants will be able to

- Describe the importance of Performance Appraisal.
- Describe the organizational context of Performance Appraisal
- Identify crucial issues in Performance Appraisal
- Relate performance appraisal with job responsibilities
- Describe the role of state in Performance Appraisal

<i>Performance-Based Personnel Management</i>	
The trainer will state the objective of this unit and introduce the topic emphasizing its relevance in an organization's development.	10 minutes
The discussion should focus on various aspects of Performance Appraisal: <ul style="list-style-type: none"> • Organizational Context • Purpose of Performance Appraisal • Critical Issues for PA Practice • Job Description • Career Management Plan • Staffing Structure • Politicization 	50 min
Performance Appraisal and its importance in personnel management will be elaborated upon.	
Discussion	10 minutes
Recapitulation	5 minutes

THEME VI: URBAN ENVIRONMENTAL SERVICES AND FINANCING
THEREOF (Duration: 2.30 hrs)

The ambit of Urban Environmental Services is very large and it would be too ambitious for this course. Therefore, a selective emphasis on some critical services is being considered which have an immediate impact on the quality of life of the citizens. Such urban environmental services are local level municipal management concerns. However, these are being discussed in this module in order to present the critical issues of planning, delivery, financing and management, to the urban managers at large with respect to those

**services. This consists of two
units namely:**

**UNIT 1: URBAN ENVIRONMENTAL
SERVICES AND MANAGEMENT**

**UNIT 2: FINANCING OF URBAN
ENVIRONMENTAL SERVICES**

UNIT 1 URBAN ENVIRONMENTAL
SERVICES AND MANAGEMENT
(duration: 1.15 hrs)

Training Objectives:

After the training the participants will be able to

- Explain urban environmental planning and management
- Establish the importance of user participation in management

Enabling Objectives:

After the session the participants will be able to:

- Define the urban environment.
- Discuss the critical issues related to service delivery and management.
- Describe the participatory process in management of services
- State need for management reforms

<p>INTRODUCTION TO THEME VI</p> <p>Introduce the objectives of the overall Theme and initiate the topic stating the objectives.</p>	<p>5 minutes</p>
<p><i>Urban Environmental Services and Management</i></p>	<p>10 minutes</p>
<p>The trainees can be asked to define environment in its various dimensions. The need for Environmental Planning and Management as crucial to urban management can be brought home to the participants.</p>	<p>30 minutes</p>
<p>The service delivery and management issues which form a part of the immediate environment impacting quality of life can be discussed in detail, raising issues which need consideration by the State/ National level officials.</p>	<p>15 minutes</p>
<p>Participants can discuss ways to improve the delivery and management of the services with the Trainer.</p>	<p>10 minutes</p>
<p>Discussion.</p>	<p>5 minutes</p>
<p>Recapitulation</p>	

UNIT 2 FINANCING OF URBAN ENVIRONMENTAL SERVICES
(Duration: 1.15 hrs)

Training Objectives:

After the training, the participants will be able to

- Assess the various options available for accessing market borrowing

Enabling Objectives:

After the session the participants will be able to:

- Describe the various options available for financing of urban services
- Identify the preconditions necessary for innovative financing/accessing market borrowing

<i>Financing of Urban Environmental Services</i>	5 min
Introduce the topic and state the objectives.	10 min
Public financing concepts should be explained which is well understood by the financial community and should become broadly familiar to the local government sector. It should be emphasized that ULBs are unable to undertake financing of urban infrastructure development through their own revenues and therefore accessing capital market is of prime importance.	
The trainer should find out from the trainees the various	45 min

options they might have heard of and then discuss each option in detail through illustrations from cases.	
Discussion.	
Recapitulation	10 min 5 min

5.0 DURATION OF THE COURSE

The course is designed for 5 days. If the Trainer feels that all the topics may not be relevant for the target audience, he may reduce the number of days and choose only the topics, which may be of importance. The sessions are divided into morning and afternoon sessions to give the trainer the flexibility of time between topics.

For instance, participants from an agency which only plays a supervisory role in assessing financial and personnel management, (like Directorate of Local Bodies, West Bengal), the Themes II and VI may not be of any relevance. Here a 3-day course will be sufficient to cover only the relevant topics. If there is any live project/example it can be incorporated into the training with an additional day.

6.0 TRAINER'S GUIDE ON GROUP DISCUSSION

Objectives of Group Work:

The objectives of the group work is to enable participants to:

- **Discuss and work in a group.**
- **Assimilate and apply the information / knowledge gathered in a classroom situation.**
- **Bring up issues of concern for consideration.**
- **Thrash out issues in the context of good urban governance / management.**

Discussion Topic I

A Critical Overview of 74th Constitutional Amendment Act

Discussion Brief -

The 74th CAA is an important event as it will have wide ranging impact on the institutional / organizational design for urban governance. The discussion should focus on:

- i. Salient Features of CAA.
- ii. Ways in which CAA brings into being a new urban government regime.
- iii. Prospect of micro-level planning.

Time allotment - 1.15 mins (75 mins)

Introduction to the topic and its discussion	-	45 min
Presentation and Discussion	-	30 min
		<u>75 min</u>

Discussion Topic II

Making Urban Governance Citizen Friendly

Discussion Brief -

The discussion should be focused upon -

- i. Enhancing 'access' of citizens to governance.
- ii. Citizens as direct participants in urban governance.

Time allotment - 1.15 mins (75 mins)

Introduction to the topic and its discussion	-	45 min
Presentation and Discussion	-	<u>30 min</u>
		<u>75 min</u>

Discussion Topic III

Increasing Municipal Revenue / Resources

Discussion Brief -

The issues that need to be addressed should focus upon:

(a) Internal revenue generation

- Cost recovery by taxes.
- Levy of user charges.
- Grants and subsidies.
- Combinations of above.

(b) External Sources

- Raising resources from debt market.
- Private sector investment in public service provision.

Time allotment - 1.15 mins (75 mins)

Introduction to the topic and its discussion	-	45 min
Presentation and Discussion	-	<u>30 min</u>
		<u>75 min</u>

Discussion Topic IV

Personnel Management in ULBs

Discussion Brief -

The issues that need to be addressed should focus upon:

1. Present practices in personnel management in ULBs
2. Problems in the present approach
3. Practical measures to improve personnel management in
ULBs

Time allotment - 1.15 mins (75 mins)

Introduction to the topic and its discussion	- 45 min
Presentation and Discussion	- <u>30 min</u>
	<u>75 min</u>

THEME I

THE URBAN CHALLENGES

UNIT 1: URBANIZATION, ECONOMIC DEVELOPMENT AND URBAN MANAGEMENT

UNIT 2: URBAN POVERTY MANAGEMENT

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Theme I: The Urban Challenge

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- 2.0 Enabling Objective
- 3.0 An Overview of Urbanization in The World
- 3.0.1 Impact of Urbanization
- 3.1 An Overview of Urbanization in India
- 3.1.1 Urbanization in States
- 3.1.2 Urbanization, Urban Management and Economic Growth
- 4.0 The Emerging Challenges for the City Managers
- 4.1 Institutional capacity to deal with urban/urban management issues
- 4.2 Backlog of Service Provision
- 4.3 Urban Poverty
- 5.0 The Challenge for the National Government - Role in the Development Process
- 6.0 Summing Up

Unit 2: Urban Poverty Management

- 1.0 Training Objectives
- 2.0 Enabling Objective
- 3.0 Urban Poverty
- 3.1 Poverty and Urban Management
- 3.2 Steps in Poverty Reduction Action at Municipal Level.
- 4.0 Municipal Response Actions
- 4.1 Institutional Coordination & Monitoring
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- 4.4 Housing
- 4.5 Access to Municipal infrastructure Services
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- 4.6 Support to Micro-Enterprise (MEs)
- 4.7 Urban Agriculture
- 5.0 Current Programme Interventions for Poverty Alleviation in the Country at the Municipal Level

6.0 Summing Up

Theme I: THE URBAN CHALLENGES

Unit 1: Urbanization, Economic
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**Table 2: Slums & Settlements as
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**Table 3: Importance of Rural-Urban
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Selected Developing Countries.**

**Table 4: Urbanization Level of
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Box 3: Urban Living Conditions' Indicators

Unit 2: Urban Poverty Management

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Table 1: Strengthen Small and Micro Enterprise

List of Boxes

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**Box 5: Access to Municipal
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**Box 6: SJSRY - A Major Poverty
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List of Annexures.

Annexure 2: **Different Aspects of
Poverty Reduction / alleviation**

HANDOUTS

THEME I: THE URBAN CHALLENGES

The Theme on Urban Challenges identifies the tasks and challenges that face those concerned with urban management. This serves as a prologue to the ensuing Themes in the module. It provides an overview of urbanization scenario and portrays the problems of towns and cities in the context of growing urbanization. This Theme is divided into two units, namely,

UNIT 1 Urbanization, Economic
Development and Urban
Management

UNIT 2 Urban Poverty
Management

UNIT 1: URBANIZATION, ECONOMIC DEVELOPMENT AND URBAN MANAGEMENT

The Unit explains the concepts of urban and urbanization to illustrate the importance of Urbanization in the development process. It identifies the challenges facing the country today.

1.0 Training Objective

After the training, the trainees will be able to:

- Explain the concepts of urban and urbanization.
- Illustrate the importance of urbanization in the development process.
- Establish the urban challenges facing the country.

2.0 Enabling Objective

After the session, the participants will be able to

- Define the concepts of urban, urbanization
- Describe the concepts of urban, urbanization
- Relate urbanization with economic development
- Establish the concept of livable cities through guided urban management
- Identify the urban challenges facing the city managers
- Explain the urban challenges facing the city managers

3.0 An Overview of Urbanization in the World

One of the most significant of all postwar demographic phenomena and the one that promises to loom even larger in the future is the rapid growth of cities in developing countries. World over, the process of urbanisation has been associated with economic growth and development. In developing countries too, the process of urbanisation has been transforming them from countries of villages to countries of cities and towns. The urban population today is growing between two to three times faster than the rural population and the greater part of it happens to be in the developing world. At approximately 4 percent per year, the most explosive urban growth is underway in Africa and Asia. By 2025, both Asia and Africa are expected to be 54-56 percent urban. (See Table 1)

Table 1: Percent Of Population Residing In Urban Areas

AREAS	1970	1995	2025
Africa	23	34	54
Asia	24	35	56
Europe	64	73	82
Latin America	58	74	85
North America	73	77	84

*Source: World Resources Institute et al, 1996 as reproduced in
Financing and Pricing of Urban Infrastructure, 1999.*

The world has 21 megacities, having population greater than 10 million, out of which 17 will be in developing countries. Increased

economic growth, development and productivity of the nations have accompanied this rapid urban growth.

Box 1: Cities and Urban Areas: some definitions

The terms, cities and urban areas are used interchangeably. The formal definition of urban areas describes them as concentrations of nonagricultural workers and nonagricultural production sectors. Most countries call settlements with 2,500-25,000 people urban areas. The definition varies from country to country. And has changed over time. A city has a certain legal status (granted by national or provincial government) that is generally associated with specific administrative or local government structures. In most countries large urban areas are referred to as metropolitan areas because they encompass a geographic area of human settlement (that may include legally defined cities) within which residents share employment opportunities and sets of economic relations.

Source: Mills 1998; UNCHS 1996, as quoted in the World Development Report 1999/2000.

Megacities are cities with populations over 5 million. Large cities are cities with populations between 1million and 5 million. Medium sized cities are cities with populations between 0.5 million and 1 million. Small cities are cities with populations less than 0.5 million.

Source: UNDIESA, World Urbanisation Prospects, 1998 as quoted in the World Development Report 1999/2000

Along with the rapid spread of urbanization and the **urban bias** in development strategies, has come the prolific growth of huge slums and shantytowns. From the *favelas* of Rio de Janeiro and the *pueblos jovenes* of Lima to the *bustees* of Kolkata, such makeshift communities have been doubling in size every 5 to 10 years. Today slum settlements represent one third of the urban population in all developing countries; in many cases they account for more than 60percent of the urban total (see table 2). During the late 1980s, 72 out of every 100 new households established in urban areas of developing countries were located in shanties and slums. In Africa, the number was 92 out of every 100. Most

of the settlements are without clean water, sewage systems, or electricity. For example, metropolitan Cairo is attempting to cope with a population of 10 million people with a water and sanitation system built to serve 2 million.

Table: 2 Slums And Settlements As Percentage Of Urban Population

City	Slums as Percentage of City Population
Latin America	
Bogotá, Colombia	60
Mexico City, Mexico	46
Caracas, Venezuela	54
Rio de Janeiro, Brazil	20
Middle East and Africa	
Addis Ababa, Ethiopia	79
Casablanca, Morocco	70
Ankara, Turkey	60
Cairo, Egypt	60
Dar es Salaam, Tanzania	53
Asia	
Calcutta, India	67
Karachi, Pakistan	44
Manila, Philippines	35
Jakarta, Indonesia	26

Sources: Population Crisis Committee, World Population Growth and Global Security, Report No. 13 (Washington DC: Population Crisis Committee, 1983), p.2; Daniel Litvin, "Dirt poor: A survey of development and the environment," Economist, March 21, 1998, p.8 (As reproduced in Todaro, 2000)

Although population growth and accelerated rural-to-urban migration are chiefly responsible for the explosion in urban shantytowns, part of the blame rests with the LDC governments. The misguided policies regarding urban planning and outmoded building

codes often mean that 80 percent to 90 percent of new urban housing is "illegal". For example, colonial-era building codes in Nairobi, Kenya, make it impossible to build an "official" house for less than \$3,500. The law also requires every dwelling to be accessible by car.

As a result, two-thirds of Nairobi's land is occupied by 10 percent of the population, while 10,000 slum dwellings cannot legally buy or rent an officially "legal house". Statistics show that rural migrants constitute anywhere from 35 percent to 60 percent of recorded urban population growth (See Table 3). Accordingly, 90 out of 116 developing countries

responding to the UN survey indicated that they had integrated policies to slow down or reverse their accelerating trends in rural-urban migration.

TABLE: 3 Importance of Rural-Urban Migration as a Source of Urban Population Growth in Selected Developing Countries

Country	Annual Urban Growth (%)	Share of Growth Due to Migration (%)
Argentina	2.0	35
Brazil	4.5	36
Colombia	4.9	43
India	3.8	45
Indonesia	4.7	49
Nigeria	7.0	64
Philippines	4.8	42
Sri Lanka	4.3	61
Tanzania	7.5	64
Thailand	5.3	45

As quoted in Todaro, 2000

3.0.1 Impact of Urbanization

Urbanization is imperative and appreciating the problems of urbanization is inescapable. With rapidly growing urban populations, there have emerged cities of

unprecedented size. Providing for the infrastructure needs of these cities is one of the biggest challenges facing countries today, the problem being particularly acute in developing countries.

Urban populations are growing faster than the economic absorptive capacity and fiscal means of cities in most developing countries. Governments at the national level are financially constrained – the resources to confront escalating problems of urban infrastructure provisions are increasingly scarce. Moreover, most countries have resorted to public spending cutbacks. The case of governments at the local levels is hardly any different. Despite move towards devolution of power to local governments in keeping with the global trend, governments at the local level are still dependent politically as well as fiscally, on central and state governments. Their sources of revenue are limited by what is permitted by higher levels of government by way of taxation sharing and budgetary transfers.

Throughout the cities of the developing world, as much as 30 to 60 percent of a city's population live in substandard housing, despite significant strides made by

the International Drinking Water Supply and Sanitation Decade.

According to United Nations statistics, in 1994, 220 million people still lacked a source of potable water near their homes. The portion of urban population covered by sanitation is even smaller with just about 580 million residents covered. It is estimated that more than 90 per cent of sewage is discharged directly into rivers without any treatment whatsoever. In the developing world 20-50 percent of the solid waste generated remains uncollected (World Bank, 1994). In most cities of Africa, Asia and Latin America, the growth in the supply of public

transport by the formal sector is much slower than population growth.

Most cities and municipal authorities face a challenging task of improving what is currently inadequate and rapidly deteriorating transport facilities. In a large number of cities in the South, a greater proportion of public transport trips are provided by the informal sector.

3.1 An Overview of Urbanization in India

In India, growth of urban population during the past decade has been reflected in higher growth in metro cities. The world population projections indicate that India's total population will be doubled over the next 40 years

and is expected to overtake China to become the most populous country of the world. Since the process of economic reforms began a decade back, economic growth has accelerated from its earlier level of 3-4 per cent to between 7 to 8 per cent. With economic liberalization and expected higher economic growth, rate of urbanization in India in coming decades is likely to increase. The National Report for Habitat II projects the urban population in 2021 at 618 million. The UN projects a higher figure of 658 million suggesting that by 2025 more than 50 percent of the

country's population would live in urban areas.

India has crossed the billion-mark in May 2000. The National Census puts India's population in March 2001 at 1027.02 million. The urban population of India has increased to 285.3 million in 2001 from 217.6 million in 1991, showing an increase of 67.8 million in absolute terms. The percentage decadal growth of urban population during 1991-2001 is 27.0 percent as against 30.9 percent during 1981-1991. This implies a slowdown in decadal increase though not in absolute terms. The percentage of urban population to total population of the country in 2001

is 27.8 whereas in the 1991 census it was 25.7 percent. Thus there has been an increase of 2.1 percent.

While the proportion of urban population may appear low, as compared to many other developed and developing countries, what is significant is the addition every year, which signifies a gigantic effort required to accommodate them in urban areas with adequate housing and services.

Whatever efforts are made for controlling the population growth, the next three decades are the most crucial for planning and development of human settlements and provision of infrastructure. Whatever be the projections, a hard

reality will be that in the next 20 years, urban population would be two times of what it has been over the course of a century. The past experience clearly indicates that economic growth and urban development go hand in hand, therefore, the rate of urbanization in India in coming decades is likely to increase. This will put an unprecedented demand for growth of urban areas.

In India and most of the developing countries, urban development is mostly uncontrolled. The development planning and control mechanisms in our cities are either absent or so ad hoc that the unplanned urban extensions are being added to each city without any infrastructure. Services infrastructure try to keep pace with the development resulting into a vicious circle, which leads to perpetual scarcity and shortage.

3.1.1 Urbanisation In States

Among the States and Union Territories, the National Capital Territory of Delhi is the most urbanized with 93.0 per cent urban population followed by the Union Territories of Chandigarh (89.8 per cent) and Pondicherry

(66.6 per cent). Among the major States, Tamil Nadu is the most urbanized state with 43.9 per cent of the population living in urban areas followed by Maharashtra (42.4 per cent) and Gujarat (37.4 per cent). The proportion of urban population is the lowest in Bihar with 10.5 per cent, followed by Assam (12.7 per cent) and Orissa (15.0 per cent). Understandably, the hill State of Himachal Pradesh is the least urbanized state (9.8 per cent) among all the States and Union Territories as per Census 2001. (See Table 4)

Table 4: Urbanisation Level of States in India

States	Urbanisation Level 2001
Highly Urbanized	Percentage
Delhi	93.0
More Urbanized	
Andhra Pradesh	27.1
Goa	49.8
Gujarat	37.4
Haryana	29.0
Karnataka	34.0
Maharashtra	42.4
Mizoram	49.5
Punjab	34.0
Tamil Nadu	43.9
West Bengal	28.0
Less Urbanized	
Nagaland	17.7
Orissa	15.0
Sikkim	11.1
Tripura	17.1
Assam	12.7
Bihar	10.5
Himachal Pradesh	9.8
All India	27.8

Source: The State of the Indian Cities 2001, HUDCO/UNCHS

India is one of the largest urban systems in the world. The 1991 census registered the urban population growth rate of 3.09 percent during the decade 1981-91 as against 3.83 percent in 1971-81. Even when the urban population has slowed, the absolute increase in population is substantially large placing tremendous pressure on inadequate urban infrastructure. While the present urbanization trends have been modest, the concern has been the growth of large cities. An important feature of India's urbanization is the phenomenal concentration of population in Class I cities as depicted by the increase in the number of million plus cities from 5 in 1951 to 23 in 1991 to 35 in 2001. These 35 metropolitan cities together contain a total population of 107.9 million, which accounts for 37.8 percent urban population. Similarly, the proportion of urban population living in these cities increased from 19 percent in 1951

to 33 percent in 1991 and 37.8 in 2001. There are also, 300 large towns and 3,396 medium and small towns. (HUDCO, 2001)

Table 5: UAs/Cities having million (+) Population in 2001

Rank	Urban Agglomeration / City	Population in Million
1.	Greater Mumbai	16.37
2.	Kolkata	13.22
3.	Delhi	12.79
4.	Chennai	6.42
5.	Bangalore	5.69
6.	Hyderabad	5.53
7.	Ahmedabad	4.52
8.	Pune	3.75
9.	Surat	2.81
10.	Kanpur	2.69
11.	Jaipur	2.32
12.	Lucknow	2.27
13.	Nagpur	2.12
14.	Patna	1.71
15.	Indore	1.64
16.	Vadodara	1.49
17.	Bhopal	1.45
18.	Coimbatore	1.45
19.	Ludhiana	1.40
20.	Kochi	1.35
21.	Visakhapatnam	1.33
22.	Agra	1.32
23.	Varanasi	1.21
24.	Madurai	1.19
25.	Meerut	1.17
26.	Nashik	1.15
27.	Jabalpur	1.12
28.	Jamshedpur	1.10
29.	Asansol	1.09
30.	Dhanbad	1.06
31.	Faridabad	1.05
32.	Allahabad	1.05
33.	Amritsar	1.01
34.	Vijayvada	1.01
35.	Rajkot	1.00
	Total	107.88

Source: The State of the Indian Cities 2001, HUDCO/UNCHS

Presently there are six mega cities in the country but by the year 2021, it is expected that India will have the greatest concentration of mega cities in the Asian region. India's metropolises grew rapidly during the 1990s, with Surat registering the fastest growth (85%) followed by Faridabad (71%), Nasik (59%), Patna (55%), Jaipur (53%), Delhi (52%), Pune (51%) and Indore (48%). Greater Mumbai is India's biggest city with a population of 16.4 million or 5.7 percent of total urban population in the country. (See Table 5). Mumbai and Kolkata also rank among the world's top 10 cities. The rapid expansion of India's cities appears to be in line with the worldwide trend as well.

Among metros, Bangalore and Delhi have grown faster. A few cities which have achieved 'million city' status in 2001 census, have had faster rates of population growth like Rajkot (53 per cent), Amritsar (43 per cent), Asansol (43 per cent).

Most industrial metros have exhibited substantial economic dynamism during the nineties: Surat, Faridabad, Ludhiana and Nashik illustrate this pattern rather strikingly. Some of the metros that form part of geographically contiguous areas, in view of the linkage advantages, have shown substantial vibrancy in their growth trends. The Ahmedabad - Mumbai and the Delhi - Faridabad corridors constitute such areas. The Ahmedabad-Mumbai corridor has in fact gained substantial concentration of industrial activity during the last decade. Investments including foreign direct investments have been concentrated in this geographically contiguous area, with substantial spill over growth, in Nashik and Pune too. Similarly, a booming economy and influx of migrants have seen Ahmedabad's growth rise to 36 per cent in the nineties, as compared to 30 per cent in the eighties. Surat's dynamic pace was more torrid than the 66 per cent growth of the 1980s.

Delhi has grown much more rapidly in the recent past as compared to the eighties. Faridabad indeed exemplifies the closer integration of its

industrial activity with the nation's Capital City. The spill over from this zone could also be observed in the adjacent parts of Haryana and Uttar Pradesh. Population growth of Ludhiana in Punjab, another industrial centre, has also been noteworthy.

3.1.2 Urbanization, Urban Management and Economic Growth

Urbanization in India too has been a catalyst for economic growth. In 1950-51, urban India contributed to 29 percent of India's GDP, which had reached 47 percent in 1980-81, 55 percent in 1990-91 and presently at 60 percent. The impact of this growth on space, environmental infrastructure and quality of life is tremendous. Despite the economic performance of cities, urbanization has not remedied the problems of the city dweller, specially the urban poor. The urban areas suffer largely from various deficits in the supply of infrastructure services including transport, power, telecom, water supply, sanitation and safe disposal of wastes. The deficits in infrastructure services adversely affect the quality of life and productivity. Conversely improving infrastructure services enhances welfare and fosters economic growth.

The extreme spatial concentration of population results in serious consequences on the availability and delivery of infrastructure services. The pressure on municipal agencies to provide infrastructures such as drinking water, sewerage, drainage, sanitation, solid waste disposal, transportation, power, communication, health and education in the large cities keeps on mounting. These ever-growing demands, it seems, are getting far beyond the planning, management and resource capabilities of the government.

The urban area contributes more to the total GDP (more than 60%) than its share to the total population (26%). Urbanization is the vehicle of economic growth of a nation that is fueled by manufacturing sector. More than 72 percent of registered industrial units were located in urban areas in 1990. Productivity of industrial workers in urban areas is higher

than its counterpart in rural areas. In the light of the above, investment by both public and private sectors becomes important in enhancing productivity and employment, which ultimately leads to increase in the income level of the urban residents. Certain infrastructures like roads and mass transportation have a far-reaching impact on urban development and will lead to better environment. In turn, improved environmental condition makes the city more competent to attracting global investments.

If cities are to exploit the benefits of agglomeration, they must provide an efficient and attractive place to do business.

Cities need to invest in infrastructure if they are to provide the basic services necessary for economic growth. (See Box 2)

Box 2: Determinants of Investment in a State

A Bangalore based market research agency, Gallup-MBA designed and conducted a survey, among manufacturing and service companies in the country to ascertain the best states for investment as determined by corporate India. The survey identified 19 crucial parameters belonging to one of the four broad genres- infrastructure, government, labour and social. Physical infrastructure, state government support and the cost and availability of power are three fundamental and most important parameters of choice for investment. Following the triad above, playing an enabling role in shaping the success of investment directed towards a particular state is the importance of law and order, the quality of local administration and the work culture. These factors demonstrate the growing linkages between efficient ways of doing business and the external environment. Ranked between 7th and 9th in the hierarchy of importance in aiding decision-making, some parameters enhance business with their

presence- even if their absence isn't critical to success. Once considered virtually indispensable, availability of labour has become less important because of the technological developments. Consistency in the economic philosophy of the state and the quality of life that the corporate sector can offer to attract best talent are issues for determining whether a state is worth investing in or not. The degree of urbanization as a parameter has lost its relevance or is yet to claim its stake as an important factor.

Even though it is difficult to establish a cause and effect relationship between economic growth and urbanization, one cannot underscore the social and economic importance of infrastructure, its links to growth, poverty reduction and environmental sustainability. The vast sizes of urban populations and the rapidity with which cities are growing in most developing countries have serious economic and social repercussions. Mega cities have emerged, bringing with them not just benefits but also problems that have manifest themselves in

high levels of infrastructure and housing, deficient social services and environmental degradation.

Although nearly all developing countries have national development in national planning, it has either been unconscious, partial, uncoordinated or negative. With few exceptions, services and facilities in urban areas, particularly those in the developing world continue to deteriorate.

The entire thrust of modern industrial and commercial activity has been urban. The economic power yielded by industry is sufficient to draw as a powerful magnet the resources from the rural areas.

Much of the recent development in the rural areas has centred on agriculture. It follows that only those regions where the potential for

agriculture would be exploited for quick profits such as fertile irrigated areas have become prosperous and even this prosperity by and large gets transferred to the urban areas. The consumer needs of the villages are being increasingly met with by the products of industry, and such needs can be made to multiply indefinitely by advertisements.

The policy of locating industries in rural areas has done little to change the situation because it does not even begin to address itself to the basic factors underlying the phenomenon of rural poverty and migration. For most part, it only aids in the depletion of rural resources and hastens the flight of economic strength from the villages.

Despite the challenges it presents, urbanization should be a positive trend. In industrial countries, economic growth and structural transformation accompanied urbanization. As agricultural sectors modernized, mechanized and became more efficient, the number of agricultural jobs declined. The workers went looking for jobs in the nonagricultural sectors. It may be mentioned here that urbanization and economic growth in

industrialized countries took place at a much slower pace and involved much smaller numbers of people than is being experienced by the developing countries today. The conditions are dramatically different. The Korean experience suggests that it can be repeated.

Korea took just 40 years to transform itself from a society that was 80 percent rural to one that is 80 percent urban. As it did, the share of agriculture in GDP fell from a high of 37 percent in 1965 to 6 percent in 1996. But elsewhere the link between urbanization and growth has been less obvious. Famines, civil wars, ethnic conflicts, stagnant

agriculture, the absence of agriculture, or simply the removal of constraints in mobility can push people to urban areas, which may lack the resources to absorb them productively.

Urban centers are expected to offer better access than rural areas to such essentials as water and sewerage and to health care and educational facilities. The quality of urban living has traditionally been reflected in reduced morbidity and infant mortality rates and increased life expectancies.

If governments do not establish the policies and institutions to manage urbanization and provide requisite infrastructure, urban areas could

experience slow economic growth. Mismanaged cities with inadequate resources and ineffective political processes are unattractive to new industries. They cannot raise the quality of life, do not build human capital or attract fresh talent. In addition, governments should provide a positive role so that the medium and small sized cities can compete effectively with their larger urban counterparts for manufacturing activity.

4.0 The Emerging Challenges for the City Manager

The ongoing discussion brings to light some of the immediate challenges of the urbanizing world,

which threaten to offset any effort towards sustained development. These emerging challenges fraught with complexities of the modern world, face the urban managers of today. The challenges are grouped under three categories for ease of analysis:

4.1 *Institutional capacity to deal with urban/urban management issues*

4.2 *Backlog of Service Provision*

4.3 *Urban Poverty*

4.1 *Institutional capacity of city management to deal with urban issues*

➤ Urbanization is integral to development and healthy, dynamic cities are an integral part of sustained economic growth. The way cities manage development goes far in determining the rate of economic growth. Urban governments can foster economic development, or they can slow it down. Examining the urbanization process is a useful way of identifying what role governments should play if cities have to function as engines of growth. The institutional capacity of urban governments to plan for and manage such massive population changes remains inadequate.

Growing urbanisation calls for new institutional responses in redefining the roles and responsibilities of different levels of government, and in capacity building at the local level to more effectively deal with urban management. This is being dealt with in more detail in this module under modules III and V

4.2 *Backlog of Service Provision*

➤ Since the 1950s, the common model of urban management in developing countries has charged the public sector with planning and delivering basic services. The public sector has enjoyed a

broad mandate when it comes to urban areas. However, the provision of service facilities has not kept up with the demand for those services and the backlog has continually been widening.

- In many cities the public sector owns most of the land. It is often the monopoly provider of many services, especially those based on physical networks: water supply, sewerage, electricity, gas and telecommunications. In these cases its franchise is exclusive and private provision is illegal.

➤ In other areas, such as housing, the public sector establishes standards and regulations. When the public sector falls short, private companies and individuals begin offering water, transportation, accommodation and other services on an ad hoc basis, outside the reach of formal rules - a situation that creates many dilemmas and inefficiencies. For many services, such as housing and water supply, the private sector is more than ready to respond to demand, since providing these services can be profitable. When confronted with a public provider that is

unresponsive to demand but holds a franchise shutting out private providers, households and business often resort to providing basic services like water and electricity themselves. This "self provision" is a very inefficient form of privatization. But physical networks remain necessary in areas like water, sewerage and electricity. In other situations when the private sector does not respond to demand for essential services, communities have often organized themselves as providers.

➤ The responses to inadequate public sector services suggest a new partnership - based model for service provision that incorporates the dynamism of the private sector and community groups into public planning.

4.3 *Urban Poverty*

➤ India being a postcolonial country, urban areas had inherited a modicum of infrastructure from its earlier rulers. This has acted as a pull factor for the rural migrant who heads for the city in search of a better living. The continuous inflow of such migrants who settled down in substandard habitat locations has given rise to prolific slums and its concomitant poverty. This has increased the housing stock but not housing per se putting pressure on existing services.

The problem of informal settlers/sector has been treated

as a local level problem and not received enough attention to integrate with the city's development. This is a major challenge facing the urban managers who have to orchestrate multi pronged actions for effectiveness.

5.0 *The Challenge for the National Government-Role in the Development Process*

Government of India's vision is "to promote sustainable, efficient, well-managed and regionally balanced urban development in the country. A rural-urban continuum should replace the existing rural-urban dichotomy and facilitate

emergence of an articulated human settlement system that integrates and strengthens the urban centers and surrounding rural areas".

Given the Government of India's Vision, and the widespread concern and dissatisfaction with rapid urban growth in developing countries, the critical challenges for the national government relate to determining appropriate policies and measures to enable the city managers to face the crisis confronting our cities through an informed and guided urban development process.

- Formulating development policies that can have a definite impact on trends in urban growth.

- Determining the growth and development of the informal sector for labor absorption and economic progress
- An appropriate blend of policies and institutions to improve urban living conditions at various levels of economic development. (See Annexure 1)
- With the locus of poverty shifting to urban areas, the poor suffer most from urban environmental problems. As cities provide the residents with chances for upward mobility that are often absent in rural areas, urban areas act as magnets for rural migrants. The living conditions for many

remain abysmal. Creating an urban agenda for improved livability beginning with reduction in poverty and inequality; creating a healthful urban environment, providing urban security and making services more accessible.

6.0 Summing Up

After the session, the participants will be able to describe what is urban, urbanization and relate it to economic development. They will be able to identify challenges facing the urban managers, viz-institutional capacity, backlog of service provision and urban poverty. In this backdrop, the subsequent Themes will throw light on various aspects of municipal/urban functioning, the knowledge of which, it is expected, will enhance municipal performance.

RECOMMENDED READINGS

- 1) *Economic Development*, Seventh Edition, Michael Todaro, Addison-Wesley, Pearson Education 2000.
- 2) *Elements of Urban Management*, Kenneth Davey, Urban Management Programme, World Bank, 1993.
- 3) *Entering the 21st Century, World Development Report, 1999/2000*, World Bank, Oxford University Press.
- 4) *Financing of Urban Infrastructure*, Seminar Proceedings, Human Settlements and Management Institute, Housing Urban Development Corporation, New Delhi and Institute for Housing Studies, Rotterdam
- 5) *Guiding Cities*, Babur Mumtaz and Emiel Wegelin, UNDP/World Bank, June 2001
- 6) *Habitat Debate, December 2001, Vol.7 #4, UN -Habitat Newsletter*.
- 7) *Metropolitan City Governance in India*, Marina R. Pinto, Sage Publications, 2000.
- 8) *The State of the Indian Cities 2001*, Housing and Urban Development Corporation, New Delhi and United Nations Centre for Human Settlements, Nairobi, Kenya.

Urban Living Conditions

Urban Living Conditions' Indicators developed by the Urban Indicators Programme of the UNCHS determine the following 11 indicators to arrive at the living conditions for the cities of different economies. The data available is for the year 1993, which makes comparison futile as no inferences can be drawn about conditions improving or worsening. Thus only the indicators are being exhibited.

Box 3: Urban Living Conditions' Indicators

- Urban Area.
- Urban Population.
- Average Household Income.
- Income Differential.
- House Price-Income Ratio.
- Crowding.
- Work Trips by Public Transportation.
- Travel Time To Work.
- Households with Sewerage Connection, Regular Waste Collection, Access to Potable Water

Source: World Development Report, 1999/2000

UNIT 2: URBAN POVERTY MANAGEMENT

This is a major challenge facing the country today and is being dealt with in the beginning. It is felt that all actions/ inactions of management will have an impact on poverty.

1.0 Training Objective

After the training, the participants will be able to:

- Develop an understanding of the issues related to urban poverty
- Develop an understanding of the issues related to its management amongst the city managers.

2.0 Enabling Objectives

After the session, the participants will be able

- Identify issues in poverty alleviation at municipal management level
- State the municipal response actions
- Discuss the municipal response actions
- State the current efforts at national level for poverty alleviation.

3.0 Urban Poverty

Along with the relative shift in balance between the rural and urban populations of the world, there has been an equally dramatic shift in the location of poverty. Whereas until recently the world's population was rural, and the majority of the world's poor were also in rural areas, this is no longer the case. The majority of the world's poor and the worst poverty are both to be increasingly found in urban areas.

It is not the purpose of this training to go into definitional and measurement aspects of poverty; but by way of providing information for the benefit of the reader some standard definitions from UNDP Poverty Report have been reproduced here. (See Box 1).

Box 1: Some Basic Poverty Definitions

HUMAN POVERTY	The lack of essential human capabilities, such as being literate or adequately nourished.
INCOME POVERTY	The lack of minimally adequate income or expenditures
EXTREME POVERTY	Indigence or destitution usually specified as the inability to satisfy even minimum food needs.
OVERALL POVERTY	A less severe level of poverty; usually designed to compare the extent of poverty across different countries. Often this term is used loosely to denote extreme poverty.
RELATIVE POVERTY	Poverty defined by standards that can change across countries or over time. An example is a poverty line set at one-half of mean per capita income. Another example is a poverty line whose real value stays the same over time so as to determine changes in poverty in one country. Often this term is used loosely to mean overall poverty.
ABSOLUTE POVERTY	Poverty defined by a fixed standard. An example is the international one-dollar-a-day poverty line – which is defined as the inability to satisfy essential nonfood as well as food needs. The definition of essential nonfood needs can vary significantly across countries

UNDP Poverty Report 1998

Here, it may be sufficient to state that poverty is more than merely a state of not having enough for survival or as much as other people may have. Poverty is perceived as lack of access to and exclusion from various social and physical services as well as an obstacle to participating in and contributing to urban living.

In the context of poverty in India, years of experience in identifying the poor have led to development of a Poverty Index. This index consisting of nine factors acts as a filter and helps in locating the most deprived of the urban poor population. Based on the non-economic parameters with 9 risk factors, the index reflects poverty situation of families. The communities in the neighbourhood verified these factors. If a family faces 4 or more risk factors such a family is deemed to be poor or Below Poverty Line (BPL). (See Box 2)

Box 2 : NINE FACTORS OF POVERTY INDEX

1. Thatched or substandard house/hut
2. Having no latrine
3. There is only one employed person in the family
4. There is only one uneducated or illiterate person in the family
5. There is at least one child in the age group 0-5
6. Unavailability of drinking water within a radius of 500ft. or 150m.
7. At least one person is in the habit of taking intoxicating substances
8. Family belonging to schedule caste/ schedule tribe
9. Family consuming two or less meals a day

Source: Government of India Programmes

3.1 Poverty and Urban Management

Poverty alleviation and elimination have to be integral concerns of urban management. It negatively impacts urban resources. The existence of a large number of poor reduce the number and proportion of households that are able and willing to pay for urban goods and services. On the other hand, provision of services to the poorer households at no cost or subsidized rate puts a strain on the budgetary capabilities of local governments.

Although the causes of poverty and its extent may be dependent largely on actions and events outside its jurisdiction and control, the actions of urban management can and do have a direct impact on poverty. The extent and impact of poverty on urban populations as well as on urban and national economies would be much greater and far more severe were it not for the presence and operations of the informal sector. Largely characterized by self - employed, small-scale activities, with little investment and ease of entry, the informal sector often generates employment for 60 per cent of the urban population exhibiting buoyancy and elasticity in absorbing increasing urban labour force. It may serve an equally high proportion of citizens through the provision of goods and services.

The issue for urban management is to understand the relationship and consequences of urban management and poverty to work towards

lessening the negative impact while creating opportunities for poverty alleviation and elimination.

Poverty alleviation programmes have tended to operate, and to be applied at two levels. One at the macro level which involves policy and programme interventions defined and implemented by central government and includes investment, subsidy, pricing and credit. Two, at the micro level, which involves working directly with community groups. Traditionally, the first has been more targeted by the international funding agencies working with the national governments, while the second has been promoted and supported more by NGOs, CBOs. More recently, a third, intermediate level, that of the municipalities, has been in operation, which translates national policies and programmes into local action. Local government also is better placed to act locally and systematically on poverty reduction measures.

However local government action may be made difficult or constrained by:

- Financial and or political dependence on Central Government or
- A lack of clarity of functions and responsibilities or
- Absence of coherent policy for addressing urban poverty.
- Failure to include other key actors in the process, such as NGOs and CBOs.

3.2 Steps in Poverty Reduction Action at Municipal Management Level

Certain integrated steps need to be taken if Municipal Management is to be made more responsive for Poverty Reduction.

- Institutional responsibilities need to be properly defined. At the national level, the division of powers and allocation of resources in the major areas of land management, housing and housing finance, infrastructure services, micro enterprises, finance, urban agriculture, should be resolved as also at the local level.

- Major capacity building efforts at municipal level is required to equip the ULBs to discharge their duties in line with their responsibilities. Effective use can be made of public private partnerships in the discharge of municipal functions.
- Resource mobilization should be enhanced. This would include augmentation of municipalities' own resources, enhancing the effectiveness of intergovernmental transfer of resources to municipalities and rationalizing local government borrowing. Local Government expenditure should be streamlined.
- Efficient delivery of urban services is of critical importance. Internal institutional arrangements in municipal organizations as well as intergovernmental institutional arrangements and procedures should be rendered more efficient to ensure delivery of urban services.

4.0 Municipal Response Actions

A number of aspects are considered essential for improving management of urban poverty (See Annexure 2). However, only some of them are being discussed in the following sections.

4.1 Institutional Coordination and Monitoring

It is crucial to recognize the need to better coordinate the different levels of actions and to monitor the implementation of specific programmes.

For municipalities to efficiently monitor and coordinate development there is a need for them to have both adequate political power and resources. This applies to the effective discharge of Urban Management functions generally, but is particularly pertinent in the context of municipal efforts at poverty reduction, as municipal government is the tier of government closest to the urban poor communities.

Municipalities often do not have adequate management information systems to enable them to adequately monitor and understand the

impact of various municipal programmes on the urban poor. Often no horizontal coordination mechanisms exist which will enable municipal policy makers (mayors/ chairpersons/ municipal officials) to ensure integration or complementarity of various sectoral programme inputs. Similarly, external coordination mechanisms with other entities (like Metropolitan Development Authorities, District Development Authorities) operating at municipal level are also inadequate rather absent for this purpose. This is true of vertical coordination with higher levels of government

4.2 Community Participation

Many projects have recognized the key importance of participation in terms of encouraging communities to be involved in the decision-making process and influencing how resources are utilized. All government policies and programmes should be attuned to the needs and demand of the local communities. Municipalities, very often, are unable to play the intermediary role of adopting such policies to specific local conditions.

Local communities and organizations have a definite advantage in community mobilization and playing a vital role in a variety of key programmes and projects.

Box3: CDS System of Kerala

The system of Community Development Society (CDS) was evolved during the convergence of centrally assisted poverty alleviation programmes of the eighties, Community Based Nutrition Programmes (CBNP) of UNICEF and the Self Help Group Programme promoted by NABARD during the nineties. It was operationalised in February 1993.

The system is based on **participatory bottom up planning approach**, adopted through a three-tier process. Firstly, the Neighbourhood Committee prepares the micro plan based on the felt needs of the community. Secondly, these plans are consolidated into a 'mini plan' at ward level by Area Development Society. Finally, several mini plans are integrated into town level plan of action by the CDS with assistance from the Municipal officials.

The specific problem that this programme addresses is how to reach the benefits of anti-poverty programmes to the target groups, without any intermediary resource leak. The whole process focuses on improving the quality of life of women and children.

Urban Basic Services (UBS) Schemes, was operational in the State since 1987-88. In 1992-93, community based impact study of Alappuzha town (in Allepy district of Kerala), which was one of the best performed UBS towns in India, revealed that the community participation was not effective and the benefits were not reaching the poorest of the poor. The women and children did not receive proper attention as stipulated in the goal.

The Alappuzha CDS model jointly developed by UNICEF and State Government in cooperation with Alappuzha Municipality paved the way

In most cases, poverty reduction has been perceived in terms of providing access to basic services for Below Poverty Line Groups and not as part of mainstream policy making.

4.3 Land Management

Access to land poses a major bottleneck in allowing the poor to participate in the urban economy.

Governments are the major custodians of land. Such land, under governments' occupation remains poorly utilized. Even where privately owned land is predominant, market transactions are constrained by Government rules and regulations, which guide access to land and related infrastructure.

4.4 Housing

Housing provides a socio economic stability to the poor. The problems faced by the poor vis-à-vis housing relate to infrastructure, outdated building and planning regulations, poor access to housing finance and finance institutions.

Box 4: Housing Market in Ahmedabad

In Ahmedabad, the most dominant sub-market is the formal private sector followed by the informal sector. The share of the public sector in terms of provision is only 10% of total supply; the formal private contributes almost 60% and even outpaced the informal sector. Formal housing efforts have catered only to the middle classes and above; hence the only recourse left for the lower income groups has been to live in "hutments" (slum housing). In the informal sector, slum landlordism and quasi-legal developments are increasingly becoming commonplace.

Source: Vanderschuren, Wegelin and Wekete, 1996

4.5 Access to Municipal Infrastructure Services

The poor face the problem of limited access to basic municipal services like paved pathways, electricity, water supply, sewerage/sanitation, drainage or municipal solid waste collection. To increase the access of the poor to these services, planning and programming of these services must be undertaken. Budgeting capabilities of local bodies must be enhanced. Being excluded from the formal delivery systems, often-effective community level organizations cater to needs of the poor of service provision and management. However, these community initiatives are often neither recognized nor effectively linked into municipal delivery networks, reducing overall effectiveness of the entire service-provision system. Communities and NGOs/CBOs must be perceived by municipalities as potential partners in the search for innovative solutions.

To improve productivity and quality of life, basic services (as mentioned above) are considered a pre-requisite. The National Housing and Habitat Policy 1998 aims to achieve the objective of providing basic infrastructure facilities with a focus on covering poor households. The prevailing conditions are highlighted here.

Box 5: Access to Municipal Services.

- 53 percent slums have access to roads.
- 65 percent slum population has access to protected water supply.
- 43 percent slum population has access to shared toilet facilities.

Linkages With City Level Services In Ahmedabad

The slums so far were being treated, as a separate entity and therefore citywide network of basic amenities were not extended to the slums. Parivartan Programme provides for extending mainstream amenities of the city to the slums. It was agreed that the Ahmedabad Municipal Corporation (AMC) would bear the entire cost of taking these to the slum site. The onsite costs are borne on an equitable cost-sharing basis between the AMC and the private sector and the slum dwellers. (This covers six facilities of sewerage, water supply, paved roads, streetlights, storm water drainage and solid waste disposal.)

Programme Of Improving Access Of Poor To Infrastructure Services in
Andhra Pradesh :

The Andhra Pradesh Govt. has successfully integrated national level urban poverty alleviation programmes like Swarna Jayanti Shahri Rozgar Yojana (SJSRY), Integrated Low Cost Sanitation Programme (ILCS), and National Slum Development Scheme (NSDP) etc. with various schemes to improve access of poor to services like community Solid Waste Management, Low Cost Sanitation, Own Your Tap Scheme etc. The management is through innovative initiatives involving different layers of government, civil society and Bank.

The component of creating employment opportunities for urban poor women was initiated by forming self-help groups. The programme of Development of Women and Children in Urban Areas (DWCUA) has been successfully employed in Solid Waste Management (SWM). The project development process started with forging partnership involving the community. Through a series of meeting and discussions, the residents' needs, expectations and preferences were ascertained. The DWCUA group was provided with loan arranged by local body through Bank for transporting solid waste. The local body agreed to pay hire charges for the vehicle but kept a major portion of the hire charges for monthly repayment of loan installment. The project fund was arranged partly from Bank Loan, partly SJSRY fund and partly (5%) from the women's group. The project

4.5.1. Municipal Action Plan for Poverty Reduction

Significant gaps and deficiencies exist in urban management in terms of provision and delivery of services. Municipal Action Plan for Poverty Reduction (MAPP) seeks to address this gap with the participation of various stakeholders. The MAPP aims at enabling the municipalities to plan and implement sustainable infrastructure improvement in slums. It also provides a framework for implementing government policies with respect to decentralisation, improved governance and poverty alleviation. It is a new planning tool, an innovative good governance initiative which encompasses characteristics such as participation, transparency, responsiveness, consensus orientation, equity, efficiency, accountability and strategic vision.

4.6 Support To Micro-Enterprises (MEs)

As discussed earlier the informal sector plays a dominant role in the developing economy. It is an important component of economic development in the urban areas as it absorbs a major proportion of urban labour force. In view of the substantial proportion of employment in the informal sector, any effort to promote productivity has to focus on small and micro enterprises. City level data on informal sector and unemployment indicates positive shift towards higher productivity. (See Table 1). Specific programmes have been implemented for supporting development of MEs.

Table 1 Strengthen Small and Micro Enterprise

Share of informal sector employment and workforce in selected cities- 1993 and 1998 figures (Percentage)						
City	Men employed		Women employed		Total employed	
	1993	1998	1993	1998	1993	1998
Bangalore	22.5	25.0	80.0	75.0	32.2	34.2
Chennai	-	-	-	-	-	-
Guwahati	50.0	55.0	60.0	65.0	53.0	58.0
Indore	60.4	69.1	74.0	86.9	63.7	72.7
Jaipur	-	-	-	-	-	-
Ludhiana	56.6	58.3	62.5	55.9	59.0	58.0
Mumbai	68.3	70.8	61.2	67.1	67.5	70.3
Mysore	-	-	-	-	31.1	34.0
Patna	-	-	-	-	-	-
Vijaywada	60.0	64.6	82.0	75.8	65.2	66.0

Source: India: Report on Urban Indicators., Government of India; Ministry of Urban Development and poverty Alleviation

The Government of India is promoting micro-enterprise development for the low income households through the Swarna Jayanti Shahari Rozgar Yojana (SJSRY), a centrally sponsored scheme. It has micro-enterprise development as an important component besides wage earning employment. (See Box 6, 7).

4.7 Urban Agriculture

Urban agriculture is an important survival strategy for the urban poor. It is gaining in importance as an intervention area for poverty alleviation as cities grow and add on areas which have agriculture as a mainstay of livelihood. Municipalities with large agriculture areas within their jurisdictions and Nagar Panchayats in the process of transformation can capitalise through taking responsibility of intensive agricultural produce within their boundaries. This possesses a great potential for economic and social contribution of urban farmers. Some of the issues of concern in promoting urban agriculture relate to land use and land tenure problems, water for irrigation, lack of technical assistance and marketing for small scale producers. For example, a municipality which has a large annual produce of tomatoes should contemplate setting up agro based small scale industry for processing and canning to help its urban farmers.

5.0 Current Programme Interventions for Poverty Alleviation in the Country at the Municipal Level

Over the years, the Government of India has launched a number of poverty alleviation programmes. Of them, the three major ones are listed below:

- i. **Nehru Rozgar Yojana (NRY):** This programme was launched in 1985, with the objective of providing economic opportunities to the urban poor, through wage employment for creating socially – and economically – useful public

assets. Loans were provided to the beneficiaries for setting up micro-enterprises and construction/upgradation of shelter.

- ii. **Urban Basic Services for the Poor (UBSP):** This programme was launched in 1990 with the objective of community empowerment and participation in delivery of services by creating community structures.
- iii. **Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP):** This programme was launched in 1995. The objective of this programme was focused on convergence of schemes pertaining to social, economic, and infrastructure development of the poor towards improving the quality of life.

With the experience from the above programmes, evolved a major poverty alleviation programme, **Swarna Jayanti Shahari Rozgar Yojana (SJSRY)**, which was launched nationwide. The programme is being detailed out below.

Box 6: SJSRY – A Major Poverty Alleviation Programme

Salient Features of Swarna Jayanti Shahari Rozgar Yojana (SJSRY):
 This programme was initiated on 1st December 1997 subsuming the programmes mentioned above, to address the wider implications of poverty. The foundation of SJSRY is on community empowerment. It prescribes a baseline survey of the towns. In this survey, the requirements of the town are identified and an attempt is made to match these requirements with the skills of the urban poor.
SJSRY has three components:

- 1. Community Structures:** The major thrust of SJSRY is on community empowerment and, therefore, community structures are created in all towns of the country for programme implementation. These structures start with the informal association of (preferably) women representing 10 – 40 poor slum families; one of them is elected as Resident Community Volunteer (RCV). The RCVs work under the aegis of Neighbourhood Committees (NHC) and Community Development Societies (CDS). These are expected to guide the urban local bodies in the planning, selection, implementation and monitoring of poverty alleviation programmes.
- 2. The Urban Self-Employment Programme (USEP):** This component gives assistance to individuals / urban poor women groups for setting up micro enterprises. It also focuses on the skill upgradation amongst the prospective beneficiaries. The Programme for the Development Of Women and Children in Urban Areas (DWCUA), which is exclusively for women, is a part of USEP.
- 3. The Urban Wage Employment Programme (UWEP):** This programme seeks to provide wage employment to the migratory and unskilled workforce, living below the poverty line, within the jurisdiction of urban local bodies by utilizing their labour force for construction of socially and economically useful public assets.

Box 7: SJSRY Progress at a Glance:

	(Number)
Total No. of towns/urban areas	: 3,642
Towns where BPL survey completed	: 3,400
Beneficiaries identified	: 290.71 lakhs
Community Development Societies formed	: 5,775
Beneficiaries assigned under Urban Self-Employment Programme (USEP)	: 330,613
Persons trained for skill development	: 306,998
DWCA Groups (group of 20 women) formed	: 17,341
Mandays generated under Urban Wage Employment Programme (UWEP)	: 379.33 lakhs

6.0 Summing Up

After the session, the participants will be able to define poverty in the Indian context and discuss the issues involved in poverty reduction efforts. They will be able to discuss the magnitude of the problem and the response to poverty management.

RECOMMENDED READINGS

1. *'Guiding Cities'* by Babur Mumtaz and Emiel Wegelin, Urban Management Programme Series No. 26
2. *'Good Urban Governance Campaign India Launch Papers'*, 2001 published by HUDCO/UNCHS.
3. *'Policy Programme Options for Urban Poverty Reduction - A Framework for Action at the Municipal Level'* by Franz Vanderschueren, Emiel Wegelin, Kadmiel Wekwete, Urban Management Programme Discussion Paper series No. 20, World Bank, 1996.
4. *'The State of the Indian Cities 2001'*, UNCHS/ HUDCO

ANNEXURE - 2

DIFFERENT ASPECTS OF POVERTY REDUCTION / ALLEVIATION

INCREASING INCOME AND/OR ASSETS	
<p>A job through employment creation.</p> <p>Credit for small scale or informal enterprise</p>	<p style="text-align: center;">Where successful, these bring new jobs and/or enhanced incomes, although external support must understand local constraints and odds stacked against small enterprises being successful. Often considerable potential for linking employment creation for low-income group with public works to improve water supply, provision for sanitation and drainage, improved roads.</p> <p>Credit for small scale enterprises must respond to women's priorities, as well as men's</p>
<p>Education, literacy and vocational training</p>	<p>In general, these should increase income-capacity as well as providing other advantages. Vocational training must teach useful skills. Literacy is very useful for anyone running a small business. In many countries, biases against women in education and vocational training must be addressed. The barriers to education in low income households caused by the introduction of school fees or their increase in other education costs (for instance of school uniforms or examination fees) have to be addressed.</p>
<p>Providing squatters with legal tenure</p>	<p>Increased security of tenure for "owner-occupiers" in illegal settlements reduces the risk of eviction, increases the value of their main asset and increases the possibility obtaining credit.</p>

Emergency credit	The ready availability of emergency credit can greatly reduce the vulnerability of low-income groups to economic shocks; often possible to do within community-group schemes.
LEGAL REPRESENTATION	
Access to justice with the judicial system	This includes legal systems that inform citizens of tenants' rights, public programmes to reduce crime/violence within low-income settlements & community programmes to halt the abuse of women and children within families. Important also is the facilitation of access to land for cultivation and halting the harassment of women hawkers.
IMPROVING HOUSING AND BASIC SERVICES	
Tenure of housing	As well as the advantage noted above in terms of value of asset, secure tenure generally promotes household investment in improving the house and more capacity to negotiate with local authorities for improved services
Improved water, sanitation, drainage and garbage collection.	If adequately provided, this removes a tremendous health burden and also considerably reduces the time needs for domestic tasks. This gives particular advantages to person in the household responsible for collecting water and managing household wastes – usually women. Often major direct economic benefits as income earners are seriously ill or injured less frequently, as health care and medicine costs are reduced and as less time is needed nursing sick children. Also important to reduce the vulnerability of many low-income settlement to floods.
Basic health care	If readily available, this greatly reduces the economic and health costs of illness and injury. There are particular advantages for the person in the household who takes care of those who are sick or injured (usually women).
Day-care	This increases the time for other tasks for those who look after young children and also means young children are not left in care of older siblings. Day-care centers can also provide regular health checks for infants and young children and monitor their nutritional status; they can also provide stimulus and support for young children's physical and mental development. Day-care centers are often particularly valuable in increasing women's income-earning capacities and especially valuable to single parent (usually women headed) households
Housing finance	Housing credit available to low-income households who want to build, extend or buy their own home allow them to afford better quality housing.
Transport	Cheap and efficient public transport can greatly reduce the disadvantages of low-income households in peripheral locals and, if citywide, can help reduce the price of housing.

Source: Reproduced from UMP Discussion Paper #20. policy Programme Options for Urban Poverty Reduction.

THEME II

URBAN PLANNING AND DEVELOPMENT

UNIT 1: URBAN PLANNING

UNIT 2: TRANSPORT PLANNING

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THEME II: URBAN PLANNING AND DEVELOPMENT

The Theme on Urban Planning and Development has been prepared to provide an overview on Urban Planning related concepts and tools which will give the reader an idea about its place in the development and management scenario. This theme is being dealt with in two parts:

UNIT 1 Urban Planning

UNIT 2 Transport Planning

UNIT 1: URBAN PLANNING

This unit discusses the urban planning scenario, its evolution in India through successive five-year plans and the role of municipal authority in the context of the recent Constitutional Amendments directing the process of democratic decentralization of Urban Planning and Development functions.

1.0 Training Objective

After the training, the participants will be able to:

- Explain the concept of Urban Planning and its role in the economic planning scenario
- Assess the role and effectiveness of District and Metropolitan Planning Committee as planning bodies
- Review the Planning System.

2.0 Enabling Objectives

After the session, the participants will be able to:

- Describe the concept of Urban Planning
- Identify role of urban planning in the economic planning scenario
- Identify the role and effectiveness of District and Metropolitan Planning Committee as planning bodies.
- Study the linkages between District and Metropolitan Planning Committee as planning bodies
- State role and function of urban areas.
- Describe the planning system.
- Discuss Role of land development and people's participation in the planning process.

3.0 Introduction to Urban Planning

Urban Planning is a discipline that synthesizes inputs from various disciplines for formulation of an integrated plan of action necessary for developing the natural and built environment of urban areas with a view to achieve a desirable quality of life. In the process it requires the analysis of social, economic, cultural and ecological issues of urban settlements for evolving measures for improvement keeping in view the resource and other constraints.

3.1 Urban Planning-The Traditional Concept

The traditional view of town planning was primarily concerned with planning the physical shape and development of towns and cities. *“Town and Country Planning might be described as the art and science of ordering the use of land and the character and siting of buildings and communicative routes. Planning, in the sense with which we are concerned with, deals primarily with land and is not economic, social or political planning, though it may greatly assist in the realization of the aims of these other kinds of planning”.* (Keeble)

The view that town planning was about the physical planning of the environment was intimately connected with the view that it was essentially an exercise in (physical) *design*. Indeed, town planning at this time was seen (as in fact it had been seen throughout the human history) as a natural extension of architecture or (to a lesser extent) civil engineering. Second, the view of town planning as an exercise in physical design led to a certain view of the kinds of plans it was assumed appropriate for town planners to make, namely, they should make ‘master plans’ for towns which delineated precisely the future pattern of land use and development for the urban area being planned. In other words, town plans were conceived as *blueprint* plans for

future urban land use and form, on the same model as architects plans for buildings or civil engineers' detailed designs for roads or bridges. In sum, the view of town planning advanced by Lewis Keeble and most other post-war planning theorists was one, which emphasized the physical shape and form of urban development.

By the early 1960's, this physicalist theory of town planning was being criticized in the light of the experience of the first fifteen years of post war planning practice. Thus emerged the new theories of planning which perceived the concept of planning as more socially informed and sensitive and hence downplayed its physical design side. The slogan 'planning is for people' emerged at this time. This was a major shift from a physical and design-based concept of town planning to one that was more socially informed and sensitive.

In concentrating on the physical and design aspects of the built environment, planners were blind to the nature or quality of the social life of the people in an area that they were planning for re-development. In their famous study of housing redevelopment in a part of east London, the sociologists Peter Young and Michael Willmott (1957) revealed that, while focusing their attention on the inadequate physical conditions of the nineteenth century 'slum' housing and the aim of rehousing people in physically better environments, planners and other officials seemed to have ignored the social communities that thrived in these areas. The proposals for comprehensive redevelopment and rehousing were therefore based on physical, but not social facts about these areas (Dennis, 1970).

However, it would be unfair to say that post-war planning theory and practice were not at all about social communities. On the contrary, although town planning theorists and practitioners paid scant regard to real-life social communities, they did see themselves as engaged in helping to foster social communities through physical planning activities. In particular, in planning residential areas, planners aimed to create geographically distinct 'neighborhoods' in such a way as to nurture the formation of local social communities. By providing each neighbourhood with 'its own' local facilities, such as local shops, a local primary school, a local park, a church and community centre, and by siting these facilities at the geographical centre of the neighbourhood, planners hoped to facilitate opportunities for the inhabitants of neighborhoods to meet and, in time, form a social community.

The 1960s saw the emergence of local urban protest movements namely, that town planning judgments were not just technical, but rather judgments of value about the sort of urban environment it was desirable to create. By the end of the 1960s, town planning was being described as a political activity and this represented a further aspect of the development of a more socially informed concept of town planning.

3.2 Urban Planning: Synthesis of Social and Physical Planning

Urban planning deals directly with the physical environment, the urban land-use, transport network, physical and social infrastructure, amenities and services. The Urban Planning is however, a social, economic and

political activity as it is concerned with the allocation of resources and deals with the quality of life of the people.

Nowadays it may be argued that there is not one 'town planning' but many new 'plannings', each with its own agenda and priorities, including, for example, environmental planning; urban design planning and urban renewal planning. One of the most dynamic, changing and controversial of the planning concepts is what may be broadly termed 'social town planning'. There has been a proliferation of demands and policy proposals to meet the needs of minority interests and community groups, which the present scope and nature of statutory town planning appears unable, and ill equipped, to meet. Nowadays one is more likely to find that 'space' (the physical layout) is seen as a secondary consideration in some branches of social town planning, and greater emphasis is put upon 'aspatial' (social) urban policy in respect of health, sustainability, inner-city regeneration, and community empowerment.

'Social town planning' may broadly be defined as any movement to introduce policies that take into account more fully the needs of the diversity of human beings who live in our towns and cities (which, many would argue, mainstream town planning has failed to do). The need for 'putting the social back into planning' must be seen within the context of a statutory town planning system that was set up to deal with physical rather than social issues.

Typically emphasis is put upon 'land use' planning, primarily as reflected in land use zoning and the creation of spatially focused development plans. Likewise, town-planning law has been obsessed with proving 'change of [land] use' rather than facilitating the way in which

people 'use land' and all the various contributions are united by an underlying consideration of the unequal / aspatial balance within existing town planning.

The physical / social dualism has been particularly highlighted by the 'women and planning' movement, which has sought to introduce more gender sensitive approaches to town planning. It has been demonstrated that the planning process is not 'neutral' but tends to benefit those groups dominant in society itself. Attempts to include 'social' policies on childcare, for example, in a development plan are likely to be met with the response that the policy in question is *ultra vires*, because it is 'not a land use matter'.

Town planning has always contained a mixture of components, some of which, such as economic and political elements, cannot be categorized as purely 'social' or indeed 'physical' in nature. Planning is a political process, informed by a range of ideologies. Planning is inevitably 'political' because it is concerned with land and property, and the allocation of resources. The planning process is a political activity as it is concerned with the allocation of scarce resources, the planner being seen as acting as urban manager or social policy maker. Moreover, the planning process is extremely political at the local-area-plan level, where the community politics and grass roots activity thrives.

Town planning is 'physical' and/or 'social'. An analysis is being offered to show how the two concepts are related, together with the logical relations between these concepts.

First the *object* of town planning is the physical environment. But second, the purpose of town planning is necessarily social, that is, the purpose of town planning

is the maintenance and enhancement the human welfare. To put this in another way, the *means* of town planning are primarily physical, but its *ends* are social. To be sure, the *purposes* of town planning are social. They always have been. But what town planning works on to achieve its social goals is the physical environment, as Lewis Keeble understood fifty years ago.

Town planning deals with the physical environment. The quality of physical environment in which people live is evidently of huge importance to the quality of their lives. To understand its significance one need simply point to the numerous campaigns that are fought, sometimes with great passion and sometimes at some risk to campaigner's lives, over proposals to alter physical environments that people have come to love. Or consider the importance people attach to where they live, or where they go for recreation or holidays. Trying to plan well the physical environment in which we live is a major undertaking.

4.0 Urban Planning In India

4.1 Pre 1950 Situation

- India has rich heritage in Planning and Development of towns. Ancient and Medieval towns demonstrate well laid out city plans, regular road network, drainage system and are distinguished for their elegance and functional efficiency.
- Town Planning during British Rule was largely influenced by the development in England.
- The Charter Act of 1793 provides the origin of Local Government in India. This Act empowered the Justice of Peace of the Presidency Towns of Calcutta, Madras and Bombay to levy tax.
 - In 1898 Bombay Improvement Trust was created and followed by Improvement Trusts in Calcutta (1911) and in other cities.
 - The Earliest Town Planning law was the Bombay Town Planning Act, 1915.
- In 1932, Bengal Municipal Act was passed mainly due to the efforts of Rastraguru Surendra Nath Bannerjee.

4.2 The First Five-Year Plan (1951-56)

- In 1951, the Bengal Engineering College of Calcutta University produced the first batch of qualified Town Planners in India.
- In 1951, the Institute of Town Planners, India was established.
- In 1955, The Central Regional and Urban Planning Organization (predecessor of the present TCPO) was created.

- In 1955, Delhi Development Authority was also created. No specific provision for Urban Development in the First Five Year plan.

4.3 *The Second Five-Year Plan (1956-1961)*

- No specific provision for Urban Development. The Planners advocated the preparation of Master Plans.
- In 1961, Calcutta Metropolitan Organizations (CMPO) was established.

4.4 *The Third Five-Year Plan (1961-1966)*

- Urbanization was recognized as "An important Aspect of the process of Economic and Social Development".
- In 1962, Delhi Development Authority assisted by TCPO and a ford foundation team published the Master Plan.
- In 1966, the CMPO assisted by ford foundation team published Basic Development Plans (BDP) for Calcutta Metropolitan Area.
- The BDP was a remarkable departure from the conventional Master Plans. The planning process adopted by the CMPO is a landmark in the history of Urban Planning in India.

Between the Third and the Fourth Plans, there were 3 Annual Plans.

4.5 *The Fourth Five-Year Plan (1969-1974)*

- The condition of large cities with increasing crowding and congestion assumed crisis proportions.
- In 1970, Calcutta Metropolitan Development Authority (CMDA) was set up.
- To finance the Housing And Urban Development Project the HUDCO was established.

4.6 *The Fifth Five-Year Plan (1974-1979)*

- The Metropolitan Development programmes were taken up in Kolkata, Mumbai, Chennai ad other Metropolitan Cities.
 - IDSMT Scheme was initiated in 1977.

4.7 *The Sixth Five-Year Plan (1980-1985)*

- The National Commission on urbanization submitted its Final Report in 1988.
- The Calcutta Municipal Act 1980 introduced the Mayor-in-Council, the new form of Municipal Administrative system first in India.
- In 1981, The Government of West Bengal constituted, first in India, The Municipal Finance Commission.
- In 1984, The Environment Protection Act was enacted

4.8 *The Seventh Five-Year Plan (1985-1990)*

- The IDSMT programme continued.
- Two new schemes, UBSP & NRY were started.
- National Capital Planning Board was established in 1985.
 - National Commission On Urbanizations:
 - Final Reports submitted in 1988.
 - The report provides comprehensive coverage all the different issues contains, discussion and community in this respect of different areas urban planning and development.

4.9 *The Eighth Five-Year Plan (1992-1997)*

- In 1992, the 73rd and 74th Constitutional Amendment Acts empowered the local authorities to ensure democratic decentralization of Planning and Development.
- The new economic policy of liberalization introduced the prospect of attracting private investment in Urban Development.
- Working Group on Urban Development for the Ninth Five Year Plan:

- The report of the Working Group highlights the needs for formulation of long term national urban policy incorporating the impacts of various sectoral, spatial and environmental policies.
- The long-term national urban policy will form the basis for the urban strategies of the states.
- The urban planning system should have adequate flexibility with regard to provision of physical, social and economic infrastructure.
- The plan implementation mechanism should be linked with the budgetary process through five-year plan, an annual plan mechanism to make the urban planning system more effective, rational and meaningful.

5.0 *The Constitutional Provisions for Decentralized Urban Planning and Development*

- The 73rd and 74th CAA
 - Objectives and the Significance.
 - Implications.
- State Finance Commission.
- District Planning Committee.
- Metropolitan Planning Committee.

5.1 *The Significance and Implications of the 74th CAA*

Under the 74th CAA, urban planning, including town planning, regulation of land use, slum improvement and upgradation, and provision of basic services, has been included in the 12th Schedule. (Copy attached in Theme III on Decentralization) The Act provides a framework for physical and economic development of urban areas through decentralized planning. It envisages a three-tier planning structure in states: a) Local

level planning by Panchayats and Municipalities b) District Development Plan and Metropolitan Area Development Plans at Regional Level, to be prepared by District Planning Committee and Metropolitan Planning Committee respectively c) State Plans at State level, to be prepared by the state government.

Box 1: Relevant Articles in CAA

- Article 234W (a) of the CAA, including the 12th Schedule identifies socio-economic and spatial planning and development as the legitimate functions of urban local bodies.
- Article 243ZD (i) of the 74th CAA provides for the constitution of District Planning Committee (DPCs) to consolidate the plans prepared by the Panchayats and Municipalities in the District and to prepare a Draft Development Plan.

With this provision, the need for integrated regional planning and the integration of urban and rural development plans have been recognized in the constitution. The investment, its spatial impact and development have to be conceived and synchronized at the regional level.

Urban Planning has become the domain of the local bodies ranging from Nagar Panchayats to Municipal Corporations with the 74th CAA. The local bodies are now expected to plan, implement, enforce and manage. Thus, it is only logical that functions like urban planning, slum improvements, planning socio-economic development should be part of municipal functional domain. Formation of Ward Committees and Metropolitan Planning Committee are fallouts of the CAA.

There is considerable variance between different states with regard to the structure of municipalities and the devolution of executive powers. Some critical issues in the wake of the 74th CA need to be considered in three broad categories. The first is about enhancing economic performance and efficiency of cities through economic development in the context of a liberalizing economy and globalization; second is on improving

organizational arrangements for better urban governance. The third relates to ensuring accountability and securing citizens' support.

There is a need for clearly defining functions in the context of decentralization, accountability and finances of the local bodies. It is imperative that the functional domain is laid down in the Act itself. The role of the SFCs, DPCs and MPCs have also to be more clearly defined to facilitate realization of the objectives underlying the legislation. Decisions have to be made on how to equip local bodies to finance and implement the range of functions envisaged for them by the CAA.

The specific issues, which arise in the context of the CAA, relate to how the municipalities are expected to respond to the numerous responsibilities bestowed upon them. What was earlier a statutory provision has become a constitutional mandate to plan for economic development and provide social justice through local planning initiatives. Conventionally they have been undertaking tasks of service planning, delivery and maintenance. Therefore to some extent they may be in a position to take up more detailed physical infrastructure planning. But it is not clear how they can transform themselves overnight to provide distributive justice, which has been a state responsibility. Beautification of park, provision of water supply are more tangible forms of distributive justice but enhancing economic performance and efficiency of cities through economic development in the context of a liberalizing economy and globalization are not conceivable at this stage in their development. There is no holistic citywide approach to the cities' economic development adopted by the ULBs. It is a programme approach. Any socio-economic planning and development initiative taken by them has been to execute the centrally/state sponsored anti-poverty programmes, which are scattered, piecemeal programmes for poverty alleviation. These programmes not only require expertise in management of the schemes but also their integration with the spatial development plans, which is non-existent.

5.2 District Planning Committee

The constitution of District Planning Committees (DPCs) is mandatory under article 243ZD of the Constitution and is a common item for both Panchayats and Municipalities. It is a vital level for planning for rural-urban continuum (See Annexure 1) being trans-municipal and regional in character. It is a level at which regional infrastructure and services can be conceived and planned for.

The District Planning Committees have to take up integrated planning for urban and rural areas in the District. As urbanization increases, the need for such an integrated planning will become more important. Town and the country have to share the various physical and economic resources of the district such as communications, water resources and market places. Allocation of water for irrigation, drinking or industry is already a contentious issue in many districts. Dealing with each other's wastes is another serious problem. The sugar mill and distillery wastes of numerous small, medium and large units in western Uttar Pradesh, or the textile and dyeing units in Rajasthan, Gujarat or Andhra Pradesh fouling and poisoning water courses are a well known phenomenon. Municipal solid wastes-be they chemicals, plastics, hospital wastes or other debris-spill over into the countryside and find their way into neighbouring streams. Agricultural lands at the fringe of towns, large or small, are increasingly prone to conversion. These are problems that need understanding and response, not in a distant State headquarter but within the local area. The district needs a platform to umpire and resolve these issues. The Zilla Parishad and District Planning Committee become significant levels for this purpose. Planning is an obligatory function of Panchayats and Municipalities. Such plans at the local level are the building blocks for a district plan. District Planning itself should be an integrating process. This approach will help promote the urban rural linkages. The DPC set up should initiate such a planning process

by consolidating such draft development plans (DDPs) as are prepared by Panchayats and ULBs in a District. The role of DPC becomes all the more important in the context of planning for rapidly urbanizing areas. A district development plan would form the basis of socio-economic planning at the district level and providing the spatial framework. In preparing the draft development plan, the DPC should have regard to matters of common interest between the panchayats and municipalities including spatial planning, sharing of water and other physical and natural resources and the integrated development of infrastructure.

Box 2: The District Planning Committee: A Platform for urban rural linkages – Kerala

The District Planning Committees (DPCs) are an answer to resolve the problem of rural urban inter-relationship. The DPCs act as a platform for integrated planning for rural and urban areas and for formulation of district development plans.

The state of Kerala has launched a highly participatory planning process through formation of 14 DPCs, which have undertaken the task of integration of the Panchayat Plan (rural areas) as well as those prepared by 55 municipalities and 3 municipal corporations (urban areas). This is a bold attempt to take the planning process to the grassroots level with maximum involvement of the masses. It is known as People Plan Campaign. The common people are encouraged to actively participate in identifying local problems and finding solutions.

The unique feature of Kerala experiment is the high level of autonomy to the local bodies to determine their own priorities. The planning process for preparation of District Plan involves various stages, which include formulation of strategic perspective for development, formulation and preparation of Annual Plan of Gram Panchayats / Municipalities. The preparation of District Plan is taken up based on feedback from below. The planning of rural-urban integration at the district level is to be achieved through DPCs by preparing a plan for the whole district.

5.3 Metropolitan Planning Committee (MPC)

Metropolitan Planning Committee (MPC), as envisaged is an inter Governmental and Inter-Organizational Forum for Participatory Planning. The State of West Bengal can take pride in being the first state in taking a lead in the country to constitute the Kolkata Metropolitan Planning Committee (KMPC) as also to introduce Mayor-in-Council system earlier. The decision on various matters by the Committee will be based on a consensus of the members present in the meeting. The KMPC will be assisted by the Kolkata

Metropolitan Development Authority (KMDA), which will act as its Secretariat. In case of Mumbai, though Metropolitan Planning Committee (Constitution and Functions) Act 1999 was passed with more or less similar provisions, and Mumbai Metropolitan Region Development Authority becoming the technical arm of the MPC, the MPC still remains to be constituted.

The KMPC provides a participatory and democratic platform for metropolitan planning which till now was the domain for experts and administrators only. West Bengal's attempt is laudable, as it has tried to accommodate representatives of every area in KMPC, which will deal with crucial matters such as formulation of metropolitan vision, capital investment, and metropolitan level advocacy.

The Development Authorities like Chennai and Kolkata Metropolitan Development Authority are the secretariat of the MPC. They can no longer remain autonomous, as the onus of urban development imperatives in the context of the 74th Amendment has been constitutionally delegated upon them. The provisions of the 74th Amendment have reinvigorated the roles of such parastatal agencies which will take care of the technical inputs required to undertake planning tasks of such magnitude. However, the DPC doesn't possess the same advantages as MPC, of in-house technical expertise, which has created a vacuum in its functioning and cannot be filled up without strengthening the technical arm of DPC.

Once, the above constraints are removed, the District and Metropolitan Development Plans can thus meet the requirement of the Panchayats and Municipal areas through integration of the plans prepared at the local level and integrating upwards. The DPCs and MPCs may assist the local bodies, both rural and urban, in the matters related to plan preparation and implementation. The regional planning exercise spreading over a number of districts will

have to be coordinated by the MPC for the DPCs falling within its jurisdiction.

6.0 *The Planning System*

6.1 *Role and Functions of Urban Areas:*

Cities function as:

- Economic Activity Center.
- Administrative Center for Government, Corporate and Financial Institutions.
- Center for higher education, health, cultural, shopping and entertainment.
 - Transport node.
 - Tourism center
- The urban areas should provide:
 - Work Area: Industrial, Commercial and Trading.
 - Residential area.
 - Transportation: Network and Terminals.
 - Parks, Water bodies and Public Open Space.
 - Utilities.
 - Social, Cultural and Community facilities.
 - Others.

6.2 *Urban Management Task*

Basic tasks of the urban local bodies include:

- Provision as well as operation and maintenance of basic urban services and facilities like water supply, drainage, sanitation, solid waste management, road, housing, parks, markets etc.
- Provision as well as operation and maintenance of social and economic infrastructure like health, education, employment, and recreational facilities.

- Guiding & regulating urban growth through land use and Development Control Measures.
- Protecting the quality of the urban environment through:
 - Control of air, water and noise pollution.
 - Preservation of green and wetland.
 - Preservation and conservation of areas and buildings of cultural, architectural and historical importance.
- Creating new area of settlement in the form of a New Town for managing future growth.
- Carrying out and managing the municipal functions including levy and collection of taxes.
- Mobilizing resources for financing urban development activities.
- Urban Planning has to deal with and address all the task elements mentioned above.

6.3 Planned Intervention for Urban Development

The physical, social and economic structure of any urban area is the outcome of action of a large number of public and private organizations as well as thousands of individuals. The purpose of planning is to guide and regulate action of all private and public organizations as well as individuals in such a manner that there is planned development of the economic and social life of the city. To achieve this, a two-pronged public intervention is needed:

- Guiding the future urban structure by planned investment in urban facilities infrastructure and services, and
- Regulating the growth pattern through land use and development control measures.

The two pronged interventions are inter-related and may be achieved through formulation of a wide variety of plans ranging from the perspective plans to the individual project plan.

6.4 Levels of Plans

Urban development requires that the planning process is capable of generating plans of different levels. The distinctive attributes of plan levels are Geographical Area, Time Horizon, and Aspects.

Considering the geographical spread, plans may be at four levels:

- Level A: National Plan.
- Level B: Regional Plan.
- Level C: Sub-regional/District or Metropolitan Plan.
- Level D: Local/Municipal or Panchayat Plan

Considering the time horizon, the plans may be of three levels:-

- Long term (20-25 years)
 - Mid-term (5 years)
 - Short term (1 year)

The Government of India in its UDPFI (Urban Development Plan Formulation and Implementations) guidelines has recommended that the planning system (See Annexure 2) may consist of four interrelated levels of plans:

- Perspective Plan: Long term.
- Development Plan Mid term.
- Annual Plan Short term.
- Plans of project and schemes.

The Perspective Plan should provide the goals, policy, strategies and general programme regarding physical and

economic development of the town. The Perspective Plan should provide the national and regional setting of the urban area, analysis of the demographic profile, income and employment structure as well as future projections and should also indicate the future options of social and economic opportunities as well as physical facilities required for different scenarios. Perspective Plan has also to contain the future urban structure plan providing the physical portrait of the future city on a broad canvass, indicating the broad pattern of the urban form, activities and circulation network with different spatial options. The Perspective Plan and the Structure Plan should not be confused with Sectoral Master Plans. The Sectoral Master Plans for different facilities like traffic and transportation, water supply, drainage, sanitation, housing etc. should be prepared within the context of perspective plan and urban structure framework. The Sectoral Master Plans should be long term and cover the entire urban area. The Development Plan should provide the physical, social and economic requirements of the urban centre and indicate the manner in which the use of land and development shall be carried out for the next five-year period. The Annual Plan is a plan containing details of new and ongoing projects that are to be implemented during the respective financial year.

The Plan for Projects and Schemes are the detailed work lay outs, providing all planning, architectural, engineering, financial and administrative details necessary for implementation. These are to be prepared by the respective executive agencies.

It is important to point out in this connection that the Master Plans advocated earlier in the conventional town

planning process suffered from serious limitations, which include:

- i. These were rigid and static physical plans that could not respond to the changing perspective.
- ii. These failed to take into account the regional significance of the city.
- iii. These were basically land use plans with prescription for land use and economic underpinning to land use. These contained unrealistic norms and recommendations.
- iv. The desirable integration with investment planning was lacking in such plans.
- v. The physical development proposal contained in these plans often ended up with high norms and standards unsuitable for socioeconomic reality of the city.
- vi. Time and cost of preparation of these plans often became prohibitive and as a result these remained continually out of date.
- vii. These plans paid little attention to evaluation and priority analysis, and often failed to promote phased development action.
- viii. They failed to achieve integration of land use and transportation system.
- ix. There was no public participation in preparation of these plans.
- x. There is no consideration for monitoring and review mechanism.

In view of the above, conventional Master Plans became obsolete in case of most cities.

7.0 Land Management in Urban Development

It is mandatory for every city to undertake the preparation of 'Development Plans'. Such plans typically take into account the expected increase in population and the demand for services including infrastructure. The spatial layout of the planned or expected activities is what constitutes the 'Development' or 'Master' plan. The actual implementation of development plans, reveals that in the metropolitan areas only a small fraction of the proposed targets in the plans are actually achieved. One of the major reasons for shortfall in the achievement is the timely availability of land. In most cities, the local bodies as well as the state government own a very small part of the land.

It is also important while planning to take cognizance of the development process, which already exists on site. The issue of land tenure must play a prominent role in determining land availability while undertaking spatial planning exercises. The dynamism of market forces in land management is of crucial importance in planning and development processes. In fact, the planning process and the development process should be treated concomitantly.

Thus, for the planned municipal and related services, land would have to be acquired from private parties for public purposes. The public authorities have moved so slowly that in effect the land is virtually removed from the market. The use of land as a resource for development needs to be explored in all its potentialities like levy of vacant land tax, development charges, impact fees, betterment levy and fees for change of land use. (See Annexure 3)

8.0 *People's Participation in Urban Planning and Development*

Last but not the least, people's participation in urban planning is an important element in the development process. Participation of the people in the planning and development activities at different levels is central to the CAA. There have been some notable experiences. The CIDCO, a private agency, which successfully implemented the Navi Mumbai project, evolved strong and participatory pro-poor mechanisms. These enabled it to expedite land assembly without too many legal or administrative problems.

Haryana's success in developing the Gurgaon belt through the Haryana Development and Regulation of Urban Areas Act 1975 has been striking. Mumbai also showed its way through its Plot Reconstitution Scheme. All these things considered, experts have been forced to continue to accord a pre-eminent role to public agencies in planned urbanization, not withstanding their defects given that the land market is generally subject to strong in-built imperfections.

The New Town, Kolkata is also notable for its pro-poor approach, for recognition of the state as an enabler and facilitator rather than a doer. During the development process, there was intensive involvement of local land losers. The plan considered anti-speculation measures, low budgetary impact and specific targeted subsidies.

9.0 *Summing Up*

The participants will obtain a development planning perspective of urban management and its relative importance in governance.

RECOMMENDED READINGS

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3. *Planned Urbanisation Through Public Participation-Case of New Town, Kolkata, Sanjay Mitra, Economic and Political Weekly, March 16, 2002.*
4. **Report of the Working Group on Urban Development for the Ninth Five Year Plan-Ministry of Urban Affairs and Employment, Department Of Urban Development, Sept. 1996**
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8. *UDPFI Guidelines*, Ministry of Urban Affairs and Employment, GOI, New Delhi, August 1996.
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Rural Urban Continuum

The UNCHS (Habitat) Report ‘The State of the World’s Cities 2001’ published in conjunction with the June 2001 special session of the General assembly (Istanbul +5) has identified a number of policy lessons learnt over the last few decades.

- a. Rather than treating rural and urban as different and competing development spaces, they should be seen, as whole – and linkages should be strengthened. The most important rural – urban flows are economic and demographic, and policy responses, which centre on the provision of infrastructure have often been inadequate to solve the structural problems of either, while policy responses designed to facilitate these flows have focused upon the provision of infrastructure and hierarchical networks to small towns and rural service centres.
- b. Economically, rural and urban areas are linked by the reciprocal exchange of unprocessed and processed products, with both areas acting as mutually reinforcing markets. Strengthening this linkage requires, in many countries, the decentralization of urbanisation through the promotion of medium – sized cities. These can increase the accessibility of agricultural inputs for rural producers, while at the same time providing the necessary marketing infrastructure, especially bulk collection points. Small towns also provide the basic infrastructure for increasing rural farm and off-farm production.
- c. However, regional policies alone will neither succeed in transforming the lives of the poor nor eradicate rural – urban

inequalities. Regional economic and spatial policies need to be part of general national development programmes to reduce poverty through different sectoral strategies such as land redistribution, improved access to credit, health and education, amongst others. In order to reduce poverty and inequality, sectoral policies need to address the main reasons underlying poverty, including (i) urban and rural landlessness and insecurity of tenure; (ii) unfair terms of trade between urban and rural areas; and (iii) insecurity of income, largely a result of unemployment and underemployment in urban and rural areas and partly resulting from lack of diversification of income sources.

- d. More emphasis should be placed on addressing urbanization related problems such as high urban unemployment rates, pressure on urban infrastructure and services, and labour shortages within rural areas. However, rural-to-urban migration often has positive impacts, since towns and cities take on an important role in absorbing excess population from over populated and ecologically fragile regions. This is precisely the role that towns and cities played during the industrial revolution in Europe, enabling the consolidation and enclosure of previously fragmented and economically viable units of agricultural land.
- e. Further, urbanisation is not simply the growth of populations living within legal – administrative boundaries of towns and cities. It also transforms both urban and rural lifestyles. By the 20th century, technological improvements, initially in transport but more recently in information and telecommunication, have allowed people in rural villages to become urbanized without necessarily migrating to towns and cities. As the access to modern infrastructure and services, normally associated with

urban-area increases, they become less dependent on towns and cities for meeting their economic and social needs.

- f. It is increasingly apparent that strengthening rural-urban linkages requires the coordinated efforts of both public and private sector whilst enabling all actors to participate in the development process. This entails fundamental changes on the part of the state, including broadening of the range of actors involved in infrastructure improvement, through the formation of partnerships with community – based organizations, NGOs and the private sector; increasing participation through decentralization of governments and the employment of local communities; and more effective coordination of the actors involved.

Suggested Planning System

- (a) **A Perspective Plan** is a long term (20-25 years) written document supported by necessary maps and diagrams providing the state government the goals, policies, strategies and general programmes of the urban local authority regarding spatial-economic development of the settlement under its governance.
- (b) **A Development Plan** conceived within the framework of the approved Perspective Plan, is a medium term (generally five years) plan providing to the people, the comprehensive proposals for socio-economic and spatial development of the urban center indicating the manner in which the use of land and development therein shall be carried out by the local authority and other changes.
- (c) **An Annual Plan** conceived within the framework of the Development Plan, is a plan containing the details of new and ongoing projects that the local authority intends to implement during the respective financial; year and for which necessary fiscal resources shall be mobilized through plan funds and other sources.
- (d) Conceived within the framework of approved Development Plan, **Projects/Schemes** are detailed working layouts supported by written report providing all necessary planning, architectural, engineering, financial, administrative details for execution. These are to be prepared by the respective executing agencies, public/private, or joint ventures.

Innovative Practices for Land Assembly

Various alternative models for assemblage of land have been in force as part of urban development process in the country. These are:

1. Land Readjustment Schemes
2. Town planning Schemes
3. Negotiated Purchase of Land
4. Guided Urban Development Scheme of Tamil Nadu
5. Licensing Colonizers
6. Transfer Of Development Rights

These schemes are briefly discussed below to give the reader an overview.

Land Readjustment Schemes

Land readjustment also known as 'land pooling' and 'land consolidation' is a process enabling a public authority to assemble large number of small parcels of raw land without paying compensation to the owners and sub-dividing such assembled land for urban development, returning most of the building sites to the original owners in proportion to the value of their land contribution. The authority retains a portion of the assembled land to provide city infrastructure and community facilities without any cost for public sale to recover the cost of land. The use of this method has been limited to a few states like Maharashtra and Gujarat in the form of plot reconstitution schemes executed under town planning schemes through the provision of town planning legislation. The scheme is a potential mechanism for making large amount of serviced land available for urban development. However, the valuation of lands in their raw form prior to their assemblage and their valuation after

development is fraught with complexity and difficulty in administration.

Town planning Schemes

The Bombay Town Planning Act, 1954 as applicable in Gujarat and the Maharashtra Regional and Town Planning Act, 1966, empower a planning authority to pool or assemble lands for the purpose of implementing town planning schemes and to reconstitute them in accordance with the scheme. The reconstituted plots of land are allotted to the owners. The boundaries and titles to land are restructured by the operation of law. There is considerable involved in implementation of these schemes which range from 11 to 19 years. These have been attributed to administrative bottlenecks and delay at the arbitration stage due to poor land records and lengthy hearings etc.

The government of Gujarat has initiated a number of steps to improve the legal framework of town planning schemes in order to reduce the delay in sanction at the government level, and to include additional items of costs and to provide for cost escalation. Other areas of suggested reforms include: improving the land record system, better methods of valuation, integrating the implementation process with funds available for the scheme and better communication process with the land owners. The *land readjustment schemes* and *town planning schemes* are on parity. While the town planning schemes operate in semi developed or urbanized areas, the land readjustment schemes operate in virgin areas.

Negotiated Purchase of Land

In some states such as Tamil Nadu, Maharashtra, Uttar Pradesh etc., the state government has directed that the District Collector should identify suitable private lands, negotiate with the land owners and arrange to purchase the extent of the land necessary for housing and urban development at a reasonable rate to be fixed by a Committee headed by the District Collector. The only disadvantage in the private negotiation is that due to time gap in finalizing the purchase, certain landowners out from their commitment to part with their lands.

Guided Urban Development Scheme of Tamil Nadu

The Guided Urban Development Scheme which now is a component of the World Bank assisted Tamil Nadu Urban Development Project represents a new approach in which the private sector developer / land owner affected the Urban Land Ceiling Act is encouraged to provide serviced sites for the economically weaker sections for exemption from this Act.

Licensing Colonizers

The Haryana model provides for licenses to colonizers according to stipulated conditions. The success of such guided colonization depends on skilful intervention by the government and infrastructure agencies to anticipate the areas of growth so as to capture infrastructure costs and to assure land supply to the poor. The operation of Haryana Urban Development Authority along with developers in Haryana has helped to moderate land prices and provide alternative approaches to assembly of land.

Transfer Of Development Rights (TDR)

In determining the 'fair price of land' to be acquired, governments generally try to rely on the past records of

sales transactions. These are rarely reported or recorded correctly since transaction taxes are high and the role of 'black money' in the economy is large. Today, local bodies or the state governments do not have adequate funds to acquire the necessary land even at the recorded low rates. A pragmatic solution to this problem could be the use of 'Transfer of Development Rights'.

The Urban Development Plans Formulation and Implementation (UDPFI), Government of India (GOI 1996), define Transfer of Development Rights (TDRs) as, 'Development Right to transfer the potential of a plot designated for a public purpose in a plan, expressed in terms of total permissible built space calculated on the basis of Floor Space Index or Floor Area Ratio allowable for that plot, for utilization by the owner himself or by way of transfer by him to someone else from the present location to a specified area in the plan, as additional built up space over and above the permissible limit in lieu of compensation for the surrender of the concerned plot free from all encumbrances to the Planning and Development Authority'.

Mumbai is the first city in India, which has adopted the TDR concept in a regulated manner as an alternative mechanism for land acquisition for providing the essential amenities in accordance with the development plan proposal, for slum redevelopment and urban renewal through reconstruction of dilapidated buildings.

UNIT 2: TRANSPORT PLANNING

A separate discussion on Transport Planning is included in this Theme over other types of planning interventions from the sheer need and its importance in the context of developing countries like ours. Transportation development and land use controls are powerful tools for guiding the quality and quantity of growth along desired lines. Nearly 15-20 percent land is under transport use and unless transport planning is integrated with land-use planning, the effects of a poor transport policy and planning will be there with us to stay. This discussion also merits consideration from the point of view of its applicability to growing small and medium towns where the problems are still not so aggravated as in cities like Delhi, Mumbai, Kolkata and other metro cities.

The objective of this Unit is to convey the importance of transport planning in the development planning process.

The Training unit is organized into two parts.

- The Policy Response, which discusses the Integrated Land Use Transport Planning, and
- The Urban Transportation, which discusses Urban Traffic and Transport Problems and the approaches for remedial measures.

1.0 Training Objective

After the session, the trainees will be able to:

- Decide upon the best approaches or combination of approaches for transport planning and management

2.0 Enabling Objectives

After the training the trainees will be able to

- Examine the need for integrating transport planning with land use planning
- To itemize issues of relevance in the Indian context
- To utilize experiences of other countries for improving quality of life.

3.0 The Problem Elements

For a better understanding and appreciation of the issues in Integrated Land Use and Transport Planning, it may be worthwhile to discuss the Urban Transportation problems first.

- Congestion and Delays
- Inadequacy of Mass Transport Services
- Inadequacy of Parking Facilities
- Inadequacy of Pedestrian Facilities
- Inadequacy of Freight Loading, Unloading and Terminal Facilities
- Traffic Accident
- Lack of Accessibility
- Energy Considerations
- Air Pollution and Other Adverse Environmental Impacts

The major problems of urban transportation relate to traffic congestions, pollution from emissions, and the limited mobility of the poor. Availability of transport has an important bearing on the question of access to employment and markets. In many cities of the developing world, public transport systems are poorly developed and therefore need to be complemented by the private operators. The appropriate policies for addressing these issues require urban governments to optimize land use, manage traffic and demand for transportation, formulate environmental policies and measures to mitigate congestion, improve fuel efficiency, and set up vehicle emissions control and inspection systems.

Box 1: MRTS in Delhi

THE URBAN TRANSPORT PROBLEM in Delhi is manifested in overcrowding of roads due to gross inadequacy of public transport; high level of atmospheric pollution resulting in consequent health hazards; and increasing accident rates. The feasibility study carried out in the year 1990 recommended a multi modal MRTS for Delhi comprising a mix of underground metro, surface and elevated rail corridors covering a total distance of about 198.5. However, implementation of the first phase of the project comprising of only 55.3 kms was approved by the Government in September, 1996. It envisaged that the introduction of MRTS would reduce journey time and provide relief to the urban commuters in the capital. The project, which is being implemented through a corporate made (Delhi Metro Rail Corporation Ltd.) is expected to cost Rs. 81,550 million and is estimated to carry 1.95 million passengers per day by 2005. The reduction in travel time will particularly benefit the residential relocations of low-income communities. It is estimated that Delhi MRTS project would lead to a saving equivalent to Rs. 17,020 million in the year 2005-06, at 1995 prices, on account of lesser vehicle operating costs, saving in passenger time, prevention of accidents and pollution, and lesser need for road infrastructure. The saving on fuel alone is expected to be Rs. 3,750 million, while a saving of 2.645 million man-hours on account of reduction in journey time, and 50 per cent reduction in the level of pollutants in Delhi's atmosphere, i.e., 257.46 metric tones daily is also envisaged.

Source: The State of the Indian Cities 2001, UNCHS (Habitat), HUDCO

Even cities with high rates of automobile ownership can develop efficient transportation alternatives that accommodate the needs of all social groups. Many cities have combined innovations in mass transit with effective planning and controls for automobile use. Space for walking and cycling is also consciously integrated into transportation planning in some of these cities, such as Surabaya in Indonesia. In addition to improving housing and infrastructure, Surabaya's Kampung Improvement Program has revamped alleyways and made them attractive with plantings and pedestrian zones. Privatizing and deregulating bus services have improved the quality of service and reduced costs in Colombo, Sri Lanka and in New Zealand. Informal transit services that cater to low and middle-income groups such as jeepneys in Manila and kabu-kabus in Lagos and

tempos in India- can also be integrated into formal transportation networks, improving safety and efficiency. Modal split is an important consideration in large cities. Informal services in the form of shared taxis, bus service

Box 2: Percentage of transport modes for undertaking work trips in urban India (1998)

Data on modal split confirms that dependence on private motorized vehicles has increased over time. This is also attributed to the poor or non-availability of public transport. However, good rail based and bus based public transport system in Mumbai, keeps most of its commuters away from using personalized modes. Non-motorized modes still form a good proportion of work trips but are dwindling because of unsafe road safety conditions.

Source: The State of Indian Cities 2001 UNICUS

from station to destination should be promoted. This would facilitate fast passenger movement and prevent time gained through travel by mass rapid transport to be lost in change or transport mode.

Reducing air pollution is an important factor in making cities more livable. Inspecting all vehicles to ensure that they comply with emissions standards is not feasible for most cities in developing countries because of the expense involved and problems of enforcement. A more flexible institutional approach is needed. One possibility shifts to focus of such regulations to large fleets of vehicles such as buses, which are easier to regulate (and which frequently emit large quantities of pollutants). Cities can make compliance with vehicle efficiency standards part of a contract with private bus companies trying to establish routes. Random emissions' testing is another approach. Quezon City, Philippines, began such an inspection campaign in 1993 after a six-month education period. The owners of vehicles that failed the test (about 65%) were fined, had their licenses taken away, and were given 24 hours to have their vehicles fixed. More than 95% of vehicles passed the second test.

A creative and low – cost solution that relies on – partnerships with large trucking firms has used the lure of a positive corporate image as an incentive to stop polluting. This approach has yielded dividends in Manila.

A section of roadway to which more demand is delivered than can be processed is referred to as a 'bottleneck'. When a narrow road section exists on a roadway, then accumulation of vehicles takes place upstream of this section. Capacity analysis indicates that the best speed and the lowest density are downstream of the bottleneck; the worst speed and the highest density are just upstream of the bottleneck. Thus *an assumption that the section with the poorest speed is actually the bottleneck is wrong and would lead to erroneous identification of the problem, when it is caused by a 'bottleneck'.*

Bottlenecks may occur because of some permanent geometric feature, some construction activity, or as a consequence of some incident. Some bottleneck situations are too trivial to identify. However in many cases, it is necessary to identify both the bottleneck situation and the true demand. A bottleneck situation affects the vehicle-operating cost due to delays and discomforts, and adversely affects safety.

An estimation of transport related statistics would be necessary to identify the non-obvious bottlenecks. An understanding of safety implications will also help in benefit-cost analysis of any proposed improvement of the bottleneck. There are tried out strategies to relax bottlenecks and enhance safety.

4.0 The Policy Response

The response of policy makers has been traditionally to look at transport problems from the point of view of mobility, rather than access. Given that the car has been more and more the mode of choice, transport

planners' attempts to increase mobility have typically meant freeing road space from congestion to enable the faster movement of goods and people. This view was reflected in the working practices of transport planners for several decades during which the prime concern was to predict the amount of traffic that would want to travel along a given road in the future and draw up plans to cater for it, a so-called 'predict and provide' approach. Whilst this paradigm has been criticized from the 1960s onwards, for a number of social and environmental reasons it has survived into the 1990s.

There is evidence that the 'predict and provide' paradigm has now largely been displaced. Indeed, despite the dominance of this approach, the picture of transport planning was always more complicated than slavish conformity to 'predict and provide'. Concepts of demand management were present in the 1960s and have underpinned much work in towns and cities since then. However, it has taken some time for the notion of 'predict and provide' to be usurped as the dominant paradigm. It is suggested that the new emergent paradigm for transport planning might be termed 'predict and prevent', in that the focus is now on predicting future demand for road travel and looking at ways of preventing the demand from being realized, through demand - management measures. The emergence of this new paradigm appears to be provoked by concerns over the impact of future road traffic on the environment, the inability of even massive road building programmes to tackle such an increase in traffic, and the cost of road building programmes to tackle such an increase in traffic, and the cost of road construction as a solution in a period of tight fiscal restraint.

5.0 Integrated Land Use And Transport Plan

- Land Use Transport Cycle
 - The Planning Process
 - The Ten Stage Process
 - Trip Generation, Distribution and Assignment
- Integration of Land Development and Transport Plans
 - The new areas of development and transport network
 - Public Transport system related to density of Development
 - Matched development of Commercial and high-density residential buildings and capacity of public transport system
 - Modal Integration of transit system including para-transit

Nearly 15 to 20 per cent of developed urban land is under 'Transport' use while vehicular parking is encroaching on all available urban land dominating urbanscape. The critical task here is to assess the social impact of this additional movement and its relation to land-use planning. Whilst transport planning is often considered to be the realm of engineers and economists, land-use planning has begun to play an increasing role in the consideration of transport policy. Land-use planning policy is vital in that the location of facilities and opportunities in space closely relate to people's opportunities to access them. Thus the increases in the length of trips may be a result of a forced choice resulting from the closure of local facilities or they could equally be an expression of improved mobility, facilitated by improved transport services.

While public - private partnerships have proved helpful; the public sector plays a major role in the overall planning of transportation sector. Perhaps the greatest payoff is from integrated land use and transportation planning. New roads open the doors to land development, and compact urban centres increase the possibilities for mass transit.

Coordinating transportation and land use policies remain a difficult task in many developing countries, although sooner or later such coordination may become unavoidable. A start could be made in urban areas where motor vehicle ownership is still low, land remains available, and land use patterns are still evolving. In the Indian context, small and medium sized cities or Nagar Panchayats can opt for such a planning strategy.

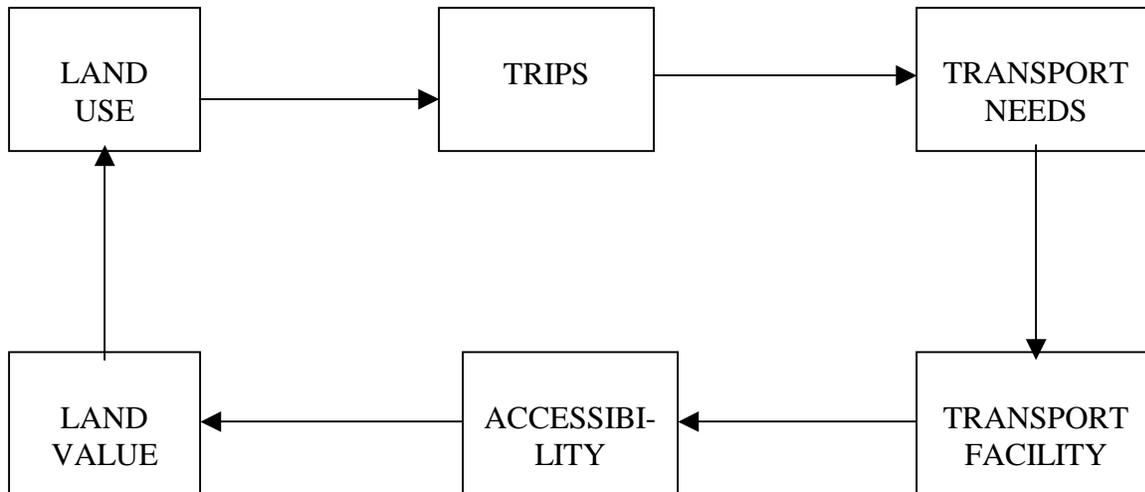
Urban transport is closely related to residential, employment and service locations. It links places of residence to the locations of employment and service facilities such as schools, hospitals and shops. Transport is actually a means to an end, which is access and communication. These goals can be fostered not only by direct action in the transport sector but also by appropriate land use policy. Transport policy and planning need to be put in the context of wider land use-planning considerations. Government policies in land use should always consider the implications for the transport system.

Similarly urban transport strategy must deal with its relation to and effects on public and private decisions pertaining to residential, employment and service location.

A simple illustration (Figure 1) depicts how land use decisions can effect transport decisions. For whatever the purpose the land is used, its activities generate trips.

These trips, in turn, point up the need for certain types of transport facilities. The extent to which the trip demands can be met with by transport facilities determine the degree of accessibility associated with the land in question. This accessibility influences the value of land, and it is the land value, which helps to determine the use to which the land is put. The cycle is repeated when the land use decision generates its associated trips.

5.0.1 The Land Use Transport Cycle



Source: Transportation Planning Training Manual

It is possible to influence the transport demand by regulating related activities. Land use controls can be designed in such a way that transport needs are reduced. It should also facilitate increased use of alternative modes of transport such as buses, walking and cycling. Undoubtedly a long-term measure, land use controls can come in the form of control over, firstly, types of land use and secondly, magnitude of building densities. In the case of former, a viable strategy would be to achieve cluster development of housing, employment and service in order to minimize the need for travel. In the latter, the aim is to ensure that trip generation of occupants in building conforms to the capacity of surrounding roads and public transport infrastructure such as roads and parking space.

5.0.2 The Curitiba Case

An example of land use controls in Curitiba, in southern Brazil shows that despite having private vehicle population of 500,000 in a city of 1.5 million, Curitiba strangely does not suffer from traffic congestion. Curitiba, Brazil, is a convincing example of how integrated public planning can improve accessibility at relatively low cost, despite having the second highest rate of per capita car ownership in Brazil. On a typical workday, more than 70 percent of commuters travel by bus in the city. As a result, Curitiba's gasoline use per capita is 25 percent lower than that of eight comparable Brazilian cities, and the city has one of Brazil's lowest rates of ambient air pollution.

Box 3: Land Use And Transport Planning In Curitiba

Curitiba has been able to successfully integrate land use and transport planning. Land development in Curitiba has been guided along five linear axes from the city centre, each axis being served by dedicated bus lanes. These radial routes, built in the 1970s as part of an urban development package aimed at regulating the growth of the city, has in each route three separate roads running in parallel. The middle one has an exclusive two-lane bus way flanked on either side by a single direction service road. The two outer roads are single direction multi-lane roads. High capacity buses operate on bus way trunk lines linking downtown services, from express to inter district to feeder services. They are also aided by priority status at signalized intersections. Other features of the bus system include automatic fare collection and extensive use of articulated buses. Curitiba's land use plan emphasizes control on both the type and density of land use. Higher building density ratios are allowed along the designated public transport axes rather than in areas remote from these axes. In other words, the density of development has been controlled so that transport demand is limited to the capacity of the public transport system. These controls therefore encourage matched development of commercial and high-density residential buildings in areas outside the city centre, with consequent restraint on trips generated between the outer and inner urban areas. It may be worthwhile to point out that the bus system may have its merit in smaller rather than bigger cities (such as Curitiba) and would be useful in the short term. They are unlikely to provide sufficient in the long-term when high capacity mass transit systems may be the only practical solution.

Source: As quoted in Transport Planning Training Manual, Rajib

There are other ways in which a local or city planning authority can influence transport demand. Changes of land use and plot ratios need planning permissions and here transport considerations should be involved. The local

planning authority can also be actively involved in projects for traffic restrictions, pedestrianisation and traffic calming.

Another land use control measure applicable in demand management is that of locating public service facilities near to intended customers and by locating major traffic generators away from central areas. In Mumbai, for example, a major freight terminal was located in Wadala, on the outskirts of the city so that heavy goods traffic movement into the city was controlled. In Bogota, Colombia significant shift in transport patterns occurred after the relocation of the congested central business district. One successful example, as practiced in Singapore's new town planning, is to cluster high-density housing near suburban public transport terminals or stops. In the context of Singapore, housing located closest to its mass rapid transit terminals, in fact, generally have higher property values than those in the same new town but located further away.

The first and important task at the city level is the preparation of integrated land use transport plan for the city and its region. Most of the cities have a master plan governing and regulating their growth. One criticism is their inadequacy regarding transport system particularly in the context of increasing mobility of the people and increasing motorization, which have overtaken cities and towns. The much professed integration is also absent. City transport system plans are prepared after the land use plan is prepared and efforts are made to graft a transport system technology on to a pre-established land use structure. The interactive role of urban transport system

influencing activity locations and shaping the urban form is rarely availed. However, as the cities are almost doubling in size in a period of about two decades there is a great opportunity to rectify the situation and establish an integrated plan for the future.

6.0 Managing Urban Traffic Congestion

Traffic congestion has become an acute problem in urban areas. This has resulted in increased journey time, delay in movement and uncertainty in urban travel. Apart from the stress and strain it produces on the users, traffic congestion is responsible for substantial economic loss. The key commercial areas become inaccessible during the peak hours because of traffic congestion. Traffic congestion, therefore, is responsible for substantial loss of time utility and space utility of people and goods.

Traffic congestion, may occur for a variety of causes. In fact congestion may be regarded as a symptom and may be caused due to a variety of transportation and non-transportation disorder. High traffic volume is seldom the cause of congestion in Indian cities. The principal causes are ineffective utilization of street space, poor management and absence of user discipline.

There are three basic approaches to reduce traffic congestion:

- **Increasing New Facilities:**

In this approach the solution is aimed at by building new roads, fly-overs and by improvement, expansion and augmentation of the existing street system as well as building new parking and other facilities. In this process some benefits may be achieved in the short term but in medium and long term time frame, it becomes counter productive, as provision of more facilities would add to congestion. In any event the cost of such a process,

particularly in dense urban situation would also be very high. It is therefore quite clear that in our situation we should look for other strategies for reducing congestion.

- **Improving Traffic Operation Management**

In most urban areas the existing road and street system is not properly utilized and there is substantial scope for improvement of capacity and safety of the system. With the introduction of planned traffic operation management measures it is possible to improve the capacity of street system to a significant extent. The measures include the following:

- i. Introduction of appropriate **traffic laws, rules and regulations**.
- ii. **Traffic circulation planning** at the city level and at the central area level, introducing one way system, segregating different modes of traffic, guiding the movement of slow moving traffic with a view to reduce the conflict between slow moving and fast moving vehicle etc.
- iii. Improving the **functional design** of the road and street system including channelization of traffic flow.
- iv. Improving the **intersections** with introduction of appropriate **traffic control devices** including traffic sign, road marking and traffic signal.
- v. Providing **pedestrian facilities** for reducing the conflict between vehicular and pedestrian traffic as far as possible.
- vi. Providing **parking facilities** and introducing parking fee of adequate level.
- vii. Providing proper **street lighting** facilities.

Along with the traffic engineering measures mentioned above it is necessary to introduce appropriate levels of enforcement and provide public education for understanding and following the traffic rules. It has been seen in many cities that traffic flow can be improved and congestion can be reduced significantly by introducing in a coordinated and integrated manner the 3E's - **Engineering, Enforcement and Education**.

- **Introducing Restraint on Private Automobile**

Introduction of traffic engineering and management measures would improve the traffic flow situation to a significant extent. But such benefits would not last very long unless long-term measures are taken to sustain the improvement. The long-term measures would be of three major types:

- a. Overall city planning and development to disperse the central area activity to other centres,
- b. Demand management by adopting different measures, and
- c. Bringing restraint on movement of private automobile in the central and other key areas.

Elaboration on the first two measures is outside the purview of this discussion. A brief discussion on the third element is given below:

In cities of the developing countries it has been seen during the past two decades that the rate of growth of motorization is higher than that of urbanization. Private motor vehicle growth is faster than motorization and the rate of growth of motor vehicle owning people is higher than rate of growth of per capita income. It has also been observed that traffic congestion hits public transport harder than other modes and the cost of moving private automobile is much more than they pay for. When these factors are viewed against the fact that a bus is at least twenty times more effective than a private automobile, seems to be quite obvious. Since the objective of urban transport planning should be to move more people than to move more vehicles on the roads, private automobiles should be gradually discouraged in the central and congested parts of the city. The restraint may be imposed in a number of

forms that include:

- a. Imposing restraint on production of cars
- b. Increasing the price of cars
- c. Introducing vehicle metering

d. Imposing toll on roads

e. Imposing parking fee in a planned manner

f. Introducing area licensed method

In congested areas, the urban situation in the last two forms may become effective.

7.0 Summing Up

The participants will be able to examine the importance of integrated land-use and transport planning. They will be able to identify problems related to urban transport and learn from the experiences of other countries to improve transport planning and its management in the country, which hitherto remains a very neglected aspect of urban planning.

RECOMMENDED READINGS

1. *India Infrastructure Report, 2002*
2. *Social Town Planning* edited by Clara H. Greed, Routledge, 1999.
3. *Transport Planning Manual*, Rajib Sharma, HSMI, Draft.
4. *World Development Report, 1999/2000*

THEME III

DECENTRALIZATION FOR URBAN GOVERNANCE

UNIT 1: CONCEPT OF DECENTRALIZATION AND A HISTORICAL OVERVIEW OF URBAN GOVERNMENT IN INDIA

UNIT 2: CONTENTS OF 74TH CONSTITUTIONAL
AMENDMENT.

UNIT 3: URBAN MANAGEMENT: POLITICAL/
INSTITUTIONAL ASPECTS AND CITY-LEVEL
DECENTRALIZATION.

UNIT 4: EMERGING URBAN GOVERNANCE ISSUES:
CITIZEN'S CHARTER; LOCAL OMBUDSMAN;
TRANSPARENCY AND RIGHT TO INFORMATION;
COMMUNITY PARTICIPATION.

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- 3.1 Evolution of Urban Government in India
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HANDOUTS

THEME III: DECENTRALIZATION OF URBAN GOVERNANCE

The units identified below for the course start with an elucidation of the concept of 'decentralization' followed by a brief historical account of how urban government has evolved in India over time.

The salient features of the 74th Constitutional Amendment have been presented to depict the present status and functions of urban government as delineated in the recent constitutional amendment.

The management structure of urban government has been discussed subsequently, which includes both institutional and professional aspects of urban management. A brief reference has been made to the city - level decentralization being practiced in many large cities in the country.

The last section deals with the major emerging issues in decentralized urban governance with special emphasis on citizen's charter, local ombudsman, need for transparency and citizen's right to information and community participation in civic management.

This Theme is divided into four interconnected units:

Unit 1: Concept of Decentralization and a Historical Overview of Urban Government in India.

Unit 2: Contents of 74th Constitutional Amendment.

Unit 3: Urban Management: Political and Institutional Aspects and City-level Decentralization.

Unit 4: Emerging Urban Governance Issues: Citizen's Charter; Local Ombudsman; Transparency and Right to Information; Community Participation.

UNIT1: CONCEPT OF DECENTRALIZATION AND AN HISTORICAL OVERVIEW OF URBAN GOVERNMENT IN INDIA.

The topic relates to discussion of issues, description of the concepts and tracing how urban government in India has evolved since the days of the British.

1.0 Training Objectives

After the training the participants will be able to:

- Trace the evolution of urban governance in India since its inception during the British Rule

2.0 Enabling Objectives

At the end of the session, the participants will be able to:

- Explain the meaning/concept and forms of decentralization
- Discuss the evolution of urban government in India

3.0 Concept of Decentralization: A generally accepted definition of decentralization refers to two distinct aspects:

- (a) The political aspect and
- (b) The administrative aspect.

The former involves political devolution of authority to local government units, while the latter involves deconcentration of administrative authority to field units of the same department or level of government. The two forms of decentralization – *devolution and deconcentration* – point towards the need for decongesting/unburdening the centre/ 'Central' Government to improve performance. Where decentralization takes the form of 'devolution', it entails a transfer of *governmental or political authority* to local government, which is a separate government and not an integral part of Central Government machinery. By contrast, deconcentration entails a delegation or transfer of administrative authority from the Central (State) Government to its field agencies such as the Divisional Commissioner or the District Collector.

Urban Government consisting of municipal corporations and municipalities exemplifies "devolution". This form of decentralization was introduced gradually during British Rule to

- (a) Ease the *financial burden* of the Central Government by transferring the administration of 'local' functions to urban local bodies.
- (b) *Politically accommodate* the educated Indians in local level decision-making.

- (c) Experiment with *local level democracy* in order that the Indians can learn the art of management of local affairs.

3.1 *Evolution of Urban Government in India*

The history of Urban Local Bodies (ULBs) in India can be traced as far back as to 1688, when the first municipal corporation of this sub-continent was born in the city of Chennai followed by Kolkata and Mumbai (1726). The principal purpose for constituting municipalities in India was to accommodate the political aspirations of the native elitist group. The other purpose was to transfer sanitation function to local level institution (municipality) to prevent epidemic that could be hazardous to the life and health of European communities. The policy was to maintain a facade of local government institution while denying them real power and authority. Whenever there would be vociferous demand for local self-government, larger popular representation in the municipal boards was granted. Functional

devolution had been restricted to a few functions only, and fiscal devolution was far from adequate. Even these concessions, obviously granted reluctantly, were being intermittently withdrawn on one pretext or the other.

The dilemma regarding popular representation and devolution permeated the history of urban local government institution until the beginning of the 20th Century. Even as more popular representation in the municipal boards was permitted, the functional and fiscal devolution was kept to an abysmally low level by the *Provincial governments*. On the other hand the legislatures gave wide-ranging power to the Provincial governments to exercise control over the urban local bodies through statutory provisions like: supersession of a ULB on any pretext; sanction of municipal posts; vetting of schemes for capital works; approval of budget and so on. The governmental control

over the ULBs was exercised through the institution of District Collector. Even after independence and until the enactment of the 74th Constitutional amendment (1992), the patronizing and overbearing role of the Central (state) government did not undergo much change. After independence, municipal government has been sought to be integrated with planned development of the country.

Many new schemes have been introduced from time to time to augment civic services, improve civic infrastructure and ameliorate urban living conditions with specific emphasis on slums and poverty pockets in the urban areas. Institutional changes like Mayor-in-Council and Chairman-in-Council (as in West Bengal) and municipal personnel encadrement have been brought about in many states. Also, municipal financial situation has been sought to be improved by introducing regular grants-in-aid and other transfer policies

recommended by the State Finance Commissions and the (National) Finance Commission.

4.0 *Summing Up*

After studying this unit, the participants will be able to explain what is meant by decentralization. Also, they would now, become familiar with the historical evolution of municipal government in India. Clarity in concepts of Decentralization will assist the trainee in appreciating and understanding its implications in the subsequent Themes.

In this section, a broad overview is presented of the 74th Constitutional Amendment, which has introduced:

- (a) Uniformity of structure;**
- (b) Decentralization;**
- (c) Resource certainty; and**
- (d) Micro level planning with people's participation**

1.0 Training Objectives

After the training, the participants will be able to

- Explain the provisions and the importance of the 74th CAA**

2.0 Enabling Objectives

After the session the participants will be able to

- Describe the various provisions in the 74th CAA**
- Discuss the 74th CAA critically**

3.0 Types of Urban Local Bodies
Far-reaching changes have been brought about for both municipal government and panchayati raj through two Constitutional Amendments: Constitution (Seventy-third Amendment) Act, 1992 for Panchayati Raj, and Constitution (Seventy-fourth) Amendment Act, 1992 for Municipal Bodies. The Constitution of India now provides for the constitution of three types of institutions of urban Self-Government. These are:

- (a) Nagar Panchayats, which are to be constituted in areas, which are in transition from rural to urban. This has been conceived to properly channelise the growth impulses in such intermediate settlements as also to bring some sort of order in their growth and service conditions;
- (b) Municipal Councils in urban settlements; and
- (c) Municipal Corporations in larger urban areas.

Which areas are to be called "transitional" / "smaller" and "larger" urban areas, has been left to the discretion of the State governments. It also provides for decentralization of municipal administration by constituting 'Ward Committees' in territorial areas of such municipalities which have more than three lakhs population. The idea is to involve the citizens directly in the management of neighbourhood problems •

3.1 *Functions*

Under Article 243W, the State Legislature has to endow the municipalities with "such powers and authority as may be necessary to enable them to function as institutions of self government". It is important to note that a new schedule - Twelfth Schedule - has been included in the constitution, which is suggestive of the kinds of functions, and responsibilities that might be devolved upon the municipalities. (See Annexure 1 attached to this unit).

3.2 *Composition*

The Municipal authorities are to be constituted of

- (i) The elected representatives who are to be elected from the different electoral wards;

- (ii) The Members of the House of the People (Lok Sabha) and the Legislative Assembly of the State representing constituencies which are wholly or partly under the municipal area;
 - (iii) The Members of the Council of States (Rajya Sabha) and the State Legislative Council who are registered as electors within the municipal area;
 - (iv) Chairpersons of the Committees of the municipal authorities; and
 - (v) Persons having special knowledge or experience in municipal administration.
- The latter do not have the right to vote in the meetings of the council.

Empowerment of weaker sections of society and women is one of the substantive provisions of the CA. With a view to empower the scheduled castes and tribes as well as women it provides for reservation of seats in the

Municipal council according to the proportion of these groups in the total population of the municipal council. One-third of such seats are to be reserved for the women belonging to these castes. Besides such reservations, the most important proviso of the CA is the empowerment of women for which one third of the total seats are to be reserved. It also provides that the chairpersons in the municipal authorities have necessarily to belong to scheduled castes, tribes, and women. Some State Governments have provided for such reservation even for the backward castes. Another very important provision of the CA pertains to the municipal authorities' right to exist. It gives a term of five years to the municipalities and if at all they have to be dissolved, they must be given an opportunity of being heard. Even if they have to be dissolved because of any irregularity, fresh elections are to be held within a period of six

months. This will henceforth prevent the prolonged supersession for years together as had been the practice in many states. To keep the municipal elections out of the direct control of the State Government, and to ensure free and fair elections to the municipal bodies, the Constitutional amendment has provided for an independent State Election Commission (also for Panchayat elections), consisting of an Election Commissioner to be appointed by the Governor.

3.3 Municipal Finance

The taxes, duties, tolls and fees to be levied by them and assigned to them as also the grants-in-aid to be given to them have been left to the discretion of the State Governments.

The most important feature of the seventy-fourth Amendment in financial sphere is the mandatory constitution of Finance Commission by the state Governments once in

every five years. The Finance Commission (FC) is to make recommendations regarding principles to govern sharing of the state taxes, duties, tolls and the fees between the State Government and the municipalities and also its distribution between the municipalities. The FC is also to suggest the principles for the determination of taxes, duties, tolls and fees to be assigned to them and the grants-in-aid to be given to the municipal authorities out of the Consolidated Fund of the State. It also has the mandate to suggest ways and means of improving the financial position of the municipal authorities. A salient feature of the CA relating to the constitution of FC is the forthright and explicit provision about the recommendations of the FC. Henceforth, the Governor is required to lay before the State Legislature the recommendations made by the FC along with an explanatory memorandum containing

the action to be taken on it. Thus the suggestions and observations off the FC shall have to be taken note of by the State Governments. This is one of the most important aspects of the 74th Constitutional Amendment.

Another provision of CA having important ramifications for strengthening the financial capabilities of the municipal authorities is the amendment of Article 280 of the Constitution by amending the Terms of Reference of the Union Finance Commission (UFC). The new provision now requires the UFC to suggest measures to augment the Consolidated Fund of a state to supplement the resources of the municipalities in the state on the basis of the recommendations made by the State Finance Commission. The need for non-plan funds of the municipalities is now to be looked into by the UFC as well. Federal transfers will now be available also for the municipal authorities from the Eleventh Finance

Commission onwards. This is an amendment of far-reaching importance whereby central financial assistance would be constitutionally passed on to the municipal bodies.

3.4 Urban Planning

The CA provides for setting up of District Planning Committees to consolidate the plans prepared by the Municipalities and the Panchayats within the district and to prepare a draft Development Plan for the District as a whole. The municipalities are to be represented on it. The draft development plan has to be prepared with respect to the matters of common interest between the panchayats and municipalities including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environmental conservation. Plans so prepared are to be forwarded by the Chairperson of the Planning

Committee to the State Government. Similarly, Metropolitan Planning Committees are to be set up in the metropolitan areas on which the municipal authorities are to be represented. The Committee will be doing similar planning exercise for the metropolitan area as is to be done by the District Planning Committee in a district. Already, some states like Tamil Nadu and West Bengal have taken steps to constitute the MFC. This is being discussed in more details in Theme II.

Box 1: Key Elements of Empowerment of ULBs in India.

- Regular and fair conduct of election to municipalities by statutorily constituted State election Commission.
- One-third seats in the elected body of ULB would be reserved for women.
- No provision for the supersession of local body for more than six months.
- A number of functions, listed in the Twelfth Schedule of the Constitution, have been assigned to urban local bodies. These functions, besides the traditional core functions, include environment, preparation and implementation of local development plans and social justice programmes.
- Constitution of State Finance Commissions, once in every five years to recommend their legislatures, measures to improve the financial health of municipal bodies. This includes: (i) assignment of taxes, duties, tolls and fees; (ii) sharing of state revenues; and (iii) grants-in-aid.
- Constitution of ward committees in municipalities with a population of three lakhs or above (with the scope for such committees in smaller cities also), in order to ensure peoples' participation in civic affairs at the grass root level.
- Constitution of Metropolitan Planning Committee (MPCs) and District Planning Committees (DPCs), for the preparation and consolidation of development plans and initiating a consultative planning progress.

4.0 *Summing up*

When the participants have finished reading this unit, they will be able to describe the detailed contents of the Amendment and also explain the importance of the 74th Constitutional Amendment. This understanding will prove useful in dispensing their duties in the new environment.

FUNCTIONS OF THE MUNICIPALITIES
TWELFTH SCHEDULE
(Article 243W)

- ☞ Urban Planning Including Town Planning.
 - ☞ Social and Economic Development
- ☞ Safeguarding Interests of Weaker Sections
- ☞ Urban Poverty Alleviation
 - ☞ Slum Improvement and Upgradation.
- ☞ Promotion of Cultural and Aesthetic Aspects.
 - ☞ Water Supply
- ☞ Public Health, Sanitation, Waste Management
 - ☞ Urban Environment
- ☞ Provision of Urban Amenities i.e. Gardens, Playgrounds.
 - ☞ Roads and Bridges
- ☞ Regulating Land Use and Construction of Buildings

☞ **Public Amenities including
Street Lighting, Parking Lots,
Bus Stops and Public
Conveniences.**

☞ **Vital Statistics.**

☞ **Fire Services.**

☞ **Burial Grounds**

☞ **Prevention of cruelty to
animals**

☞ [Regulation of slaughter houses and tanneries](#)

UNIT 3: URBAN MANAGEMENT

In this section, discussions are focused on the management structures within city/ town municipal bodies. It also covers how a two tier administrative structure has come into being in the large cities has been covered in this section. At the end how the Ward Committee formation has led to the participatory neighbourhood management is also discussed.

1.0 Training Objectives

At the end of the training, the participants will be able to:

- Explain the decentralized system of administration
- Follow the urban management structures in our cities and towns

2.0 Enabling Objectives

At the end of the session the participants will be able to:

- **State the management structure of the municipal bodies-both corporations and the municipalities**

- Discuss the functioning of the system for the convenience of the citizens
 - Discuss the Kolkata model
 - Discuss the role of Ward Committees in the context of Municipal Administration

3.0 Municipal Management Structure

Only the municipal corporations and municipalities are full-fledged urban local bodies. Under the 74th Constitutional Amendment, Nagar Panchayat has been added as a new mixed category. Since the days of municipal corporations in the three Presidency towns of Kolkata, Mumbai and Chennai, there have been separate Acts for municipal corporations and municipalities. The structural peculiarities of the corporation and the prominence which is given to it have stood in the way of the emergence of a uniform type of municipal government in India.

The basic framework of the Municipal Corporation of Mumbai has been the model for all other corporations in India; so, corporation government throughout India has been structurally uniform (except in West Bengal and Madhya Pradesh). An Act governing a corporation provides for three coordinate authorities, viz., the corporation or the city council, the State-appointed commissioner and one or more standing committees. The number of statutory authorities has been increased in some instances to give autonomy, within the general framework of the corporation, to the administration of specific public utility services, such as water supply and sewerage, transport and electricity.

By contrast, municipalities in India exhibit varieties in their governmental structures. The traditional framework has been of a conciliar type, the council consisting of popular representatives exercising powers in a corporate capacity. The chairman (also known as president in some instances) and his deputy would enjoy limited statutory powers, but the council could give them more powers by delegation. The office of the executive officer did not develop universally; so the chairman has been the head of both the council and the executive administration of the municipality. Even now, this is the model of municipal government throughout eastern, northern and western India, although the office of the executive officer has been provided for in most places to strengthen executive administration. In general, the executive officer functions under the general guidance and direction of the municipal chairman. Municipal structure in the southern states is somewhat different. If, the eastern, northern and western Indian municipalities have a measure of integrated organizational form, the southern municipalities present a picture of fragmented structure, which is more akin to the corporation model. Municipal powers have been parcelled out among a number of statutory authorities, such as the council, a standing committee, the chairman and executive officer who is named differently in different States. Alongside the Council and the standing committee, the tendency is to carve out an area of independent operation for the executive officer. The insularity of the executive is further strengthened by his being recruited by the government under a unified municipal personnel system.

**In spite of British influence,
urban local government in India
has, by and large, failed to
develop the committee system in any
elaborate fashion. This can be**

attributed to a variety of causes more important among which are the very limited number of functions delegated to municipalities and a general reluctance to part with power on the part of an executive chairman and his supporting group in the council. Again, in some States, statutory fragmentation of powers among a number of extra-municipal authorities (e.g. development authorities, water and sewerage boards etc.) has stood in the way of development of the committee system. Broadly speaking, the municipalities can be classified into two distinct types: one in which the constitution of committees is optional and another having statutorily specified committees. Yet committees are common in most municipalities as a way of accommodating councillors in administration and to have focussed attention on functional administration. Provisions exist for optional executive and consultative committees in the

municipal Acts of Andhra Pradesh, Kerala and Karnataka. There are standing committees in some municipal Acts (e.g. Maharashtra) consisting of a few councillors and endowed with important executive and financial powers. The Executive Committee in Gujarat Municipalities Act and the Standing Committee in the Madhya Pradesh Municipalities Act come close to this type of committee, which seems to be evolving as the most powerful central organ of collegial municipal administration.

Although the general framework of the corporation type of city government is uniform throughout India (except West Bengal and Madhya Pradesh), the committee system in corporations differs from state to state. Standing Committees, as distinguished from functional committees, are common to almost all the corporations. In addition, a number of statutory functional committees exist to oversee functional administration.

The introduction of an executive officer has been a salutary departure from the earlier practice of leaving executive administration to the elected president and councillors. There is, thus, a conscious attempt to evolve an integrative administration through the instrumentality of a municipal executive officer. At the same time, there has been a consistent trend to ward parcelling parcel out statutory powers among a number of authorities, such as the whole council, the executive officer, and the

standing committee or committees. Structurally, the municipalities in these states resemble more and more the organizational model of corporation government. In recent times, the mayors have expressed their dissatisfaction with the passive role they play as ornamental figureheads and there is a persistent demand now for real power of administration. It has been argued that, as at the State level, a cabinet form of government should be introduced at the corporation level also. Actually, the Metropolitan Council of Delhi prepared a bill in 1966 proposing a Mayor-in-Council form of government for the Delhi Municipal Corporation. Although the reform could not be pushed through due to General Election intervening in 1967, the proposal gained in popularity and many of the municipal corporations lent support to the idea of a cabinet type of city government. The first to introduce a cabinet type Corporation government was West Bengal where Howrah and Kolkata Corporations had their new cabinet-type executive set-up known as the Mayor-in-Council in the early 80's. A brief description of the Calcutta Model is presented below.

3.1 The Calcutta Model

Under the new Calcutta Municipal Corporation Act, 1980, three municipal authorities have been provided for viz., the Corporation, the Mayor-in-Council and Mayor. The Corporation is a body corporate of elected councillors plus seven aldermen, and the Chief Executive Officer of the Calcutta Metropolitan Development Authority (CMDA) and the Chairman of the Board of Trustees for the improvement of Calcutta constituted under the Calcutta Improvement Trust Act, 1911. The number of directly elected councillors is 141. The Mayor is elected from amongst the elected members of the Corporation at the first meeting of the Corporation after a general election. The Mayor can be removed from the office under special circumstances by a resolution carried by a majority of the total number of elected members of the Corporation at the

first meeting of the Corporation after a general election. The Mayor can be removed from office under special circumstances by a resolution carried by a majority of the total number of elected members of the Corporation at a special meeting called for the purpose upon a requisition made in writing by not less than one-third of the elected members of the Corporation. But no such resolution can be moved before the expiry of the six months from the date of assumption of his office by a majority of the total number of elected members, no further resolution for the removal of the Mayor can be moved before the expiry of six months from the date on which the first resolution was moved. The Mayor will continue in office until his successor takes over.

The Act creates a cabinet-like Mayor-in-Council consisting of the Mayor, the Deputy Mayor and not more than ten other elected Members of the Corporation. The Deputy Mayor as well as other members of the Mayor-in-Council are nominated by the Mayor from amongst the elected members of the Corporation immediately after the Mayor's assumption of office. Any casual vacancy in the office of the Deputy Mayor or of any other member of the Mayor-in-Council by reason of death, resignation and removal or otherwise is to be filled upon by him. A member of the Mayor-in-Council other than the Mayor holds office until he ceases to be a member of the Corporation or resigns his office by addressing a letter to the Mayor or is removed from office by a written order of the Mayor or the Mayor ceases to hold office or in the case of the death of a Mayor when a newly elected Mayor will subsequently enter upon office. The Mayor-in-Council is collectively responsible to the Corporation.

3.2 The Speaker and Committees

The Act makes a distinction between the chief executive who is the Mayor and the Speaker of the Corporation. For the latter post the office of the Chairman has been provided for. The Chairman is elected from amongst

the elected members of the Corporation at the first meeting of the Corporation after a general election when the Mayor is also elected. The Chairman's job is to convene meetings of the Corporation and to preside over them like the speaker of the Legislature.

The Act provides for only a single statutory committee, the Municipal Accounts Committee. This consists of between five and seven persons who are elected by the members of the Corporation from amongst themselves in accordance with the system of proportional representation by means of the single transferable vote. Members of the Mayor-in-Council are not eligible for being elected. This implies that this Committee is meant to be a separate statutory body to oversee the functions of the Mayor-in-Council from the point of view of accounts and audit. The Committee may also include not more than two persons having special knowledge and experience in financial matters. They are to be nominated by the Corporation and they should not be members, officers or employees of the Corporation. The essential job of this Accounts Committee is to examine the accounts by the auditors and to submit reports to the Corporation every year from time to time on the basis of such examination and scrutiny.

It is permissible on the part of the Mayor-in-Council to constitute other consultative committees for specific purposes. Each such committee will consist of not more than five elected members of the Corporation and its job will be basically to advise the Mayor-in-Council in the discharge of his business.

3.3 Borough Committee

Another important feature of the new Act is the provision for a second tier administration in the form of borough committees. At the

first meeting after a general election or as soon as may be, the Corporation has to group the wards of the Corporation into fifteen boroughs. Each borough consists of such number of wards as the Corporation may determine. Each borough committee will consist of the councillors other than the Chairman of the Corporation and the members nominated from amongst the elected members of the Corporation to form a panel of presiding officers to preside over the meetings of the Corporation in the absence of the Chairman. Also the members of the Mayor-in-Council are debarred from being members of the borough committees. A member of a borough committee representing a constituent ward will hold office for so long as he continues to be councillor representing such a ward. One of the members of each borough committee is elected as its Chairman. At the locality level each borough committee is expected to look after the purely local

functions of the Corporation. The functions, as mentioned in the Act, relate to provision of water supply and sewerage and drainage connection to premises, removal of accumulated water on streets or public places due to rain or otherwise, collection and removal of solid wastes, disinfections, provision of health and immunization services and bustee services, provision of lighting, repair of local roads, maintenance of parks, drains and gullies etc. Specified categories of officers and employees are to be assigned to a particular borough for the discharge of these functions. These officers and employees are to be assigned to a particular borough for discharge of these functions. These officers and employees are to function under the direction of the borough committee. The borough committee in turn has to function under the general supervision and control of the Mayor-in-Council. The design of the borough committee

is motivated by the desire to create local administrative units that would easily be accessible to the citizens for their day-to-day requirements. The new Act, therefore, has introduced virtually a two-tier structure of municipal government in the city of Kolkata. In conformity with the requirement of the 74th Constitutional Amendment, the Corporation administration has been further decentralized by creating a third tier below the borough committees. To articulate local level problems and identify local issues, Ward Committee has been provided for in every Ward or Electoral constituency. Each ward committee will have not more than 14 members and will function under the overall control of the Borough Committee.

3.4 *The Commissioner*

The next important provision relates to the Municipal Commissioner who used to be, in the previous Act (of 1951), the chief executive of the Corporation and virtually a coordinating authority with the Corporation and with the standing committees. Under the provision of the present Act, the Commissioner has been envisaged as the principal executive

officer of the Corporation. He has to function under the supervision and control of the Mayor. He will exercise the power and perform the functions specifically conferred or imposed on him by or under this Act or any other law in force for the time being. All officers and employees of the Corporation have been made subordinate to the Municipal Commissioner. Thus the Act clearly makes the Commissioner the chief administrative officer of the corporation and his subordination to the Mayor is absolute which means the Commissioner has to be in close touch with the Mayor and know his mind well. The Municipal Commissioner will be appointed (a) by the State Government in consultation with the Mayor-in-Council from amongst the persons who are or have been in the service of the Government or (b) if so directed by the State Government, by the Mayor-in-Council in consultation with the State Public Service Commission or (c) by the Mayor-in-Council with prior approval of the State Government from amongst officers who are or have been in the service of the Corporation. The Act, also provides that the State Government may, at any time in the case of any person appointed under (a) above as a municipal commissioner, terminate the appointment as such. In the case of such an officer, if the Mayor-in-Council so decides, the State Government will be bound to terminate the appointment of the officer. In other words, the Municipal Commissioner, if appointed by the State Government, is liable to be dismissed by the Mayor-in-Council, and the State Government will be obliged to terminate the appointment on the insistence of the Mayor-in-Council.

Under the Act, the Mayor, the Chairman, the members of the Mayor-in-Council and all members of the committees have been given certain remuneration and facilities. Besides sumptuary allowance and allowance for committee work they are entitled to transport facilities of the Corporation for use on official business.

3.5 Functioning of the System

At present, the Mayor-in-Council, which is the highest decision-making body of the Corporation, is functioning like a cabinet. The working pattern is yet to develop in course of time to make it a full-fledged cabinet system. Clearly, the Mayor's position has become very crucial and in day to day administration both within the Corporation machinery and in the eyes of the citizens, the Mayor has been emerging as having real effective power and a strong position. The weekly meetings of the Mayor-in-Council, the commissioner attends all its meetings and maintains the minutes. The Corporation, which is the whole house of the elected members, meets usually once a month although the opposition councillors belonging to the Congress (I) Party have been demanding at least two monthly meetings to take decisions on different civic problems. The minutes of the meetings of the Corporation are taken down by the Corporation Secretary (which is another statutory position).

3.6 Two-tier Municipal Government in Big cities

In India, the bigger cities such as Kolkata, Delhi, Mumbai and a few others, have been confronted with the problem of decentralizing city government to make it more accessible to the local people. There has been a feeling that the city government in these urban areas has been too distant from the citizens to appreciate and effectively meet their needs. The physical distance between the town hall and the citizens in bigger cities stands in the way of getting redressal of day-today complaints regarding securing of water connections, payment of municipal dues, submission of building plans etc.

To bring the city administration closer to the people, two closely similar devices have been adopted so far in selected cities in India. The first device has been to set up local area offices of the city administration,

each having a number of branches of several headquarters departments. A local area office, thus constituted, is headed by a coordinating and supervising officer who is also responsible for communicating with the central office in respect of matters that need to be referred to it. This method is technically known as administrative deconcentration, which is achieved through a carefully planned delegation of powers and duties to the local area-level administrative and technical officers. The "circle offices" and zonal and ward offices in Hyderabad and Mumbai, and Borough Offices in Kolkata (as discussed earlier) are examples of administrative decentralization.

Under the Calcutta Municipal Act, multi ward Borough Committees have been given both referred and delegated powers in respect of determination of street names, provision of Baths and washing places, appointment of Registrar of Births and Deaths for the Borough, planning and preservation of trees, laying out and maintenance of gardens and playgrounds, general supervision over conservancy and lighting and other miscellaneous matters relating to water supply, road repairs, drainage works and engineering services. But most of its powers are recommendatory in nature, Borough Committees have a complement of area-level

administrative and technical staff to undertake local works on its prompting. Major works are of course executed by the regular administrative and technical departments of the Corporation.

3.7 Ward Committees

For further decentralization of municipal administration and to enlist people's support and participation, the 74th Constitutional Amendment provides for the formation of Ward Committees.

The Ward Committee is charged with the identification of the problems of the ward, and fixation of priorities of problems so identified by it.

It oversees the proper execution of various works in the Ward relating to different municipal services, local development and maintenance activities. It seeks to enlist people's participation and obtain necessary feed back from the ward. This Ward Committee has to do the job of motivating the people to pay municipal taxes and other dues. Other functions include:

- ☞ planning and execution of various ward-level functions,
- ☞ Detection of violation of municipal law such as unlawful construction, encroachments on municipal and public properties, public nuisance, evasion of taxes, unlicensed activities etc.,
- ☞ guarding against wasteful uses of various municipal services like tap water, street hydrant, streetlight, parks and playgrounds, community centres, libraries etc.,
- ☞ organization of greater civic participation by holding periodical meetings;

- ☞ listening to citizens' grievances and arranging for their redressal; and
- ☞ any other functions delegated to the Ward Committee by the municipality from time to time.

The Ward Committee has to convene an annual general meeting of the residents to report to the people the general activities of the municipality and those of the ward committees. This annual general meeting helps elicit ideas about popular needs. The Ward Committees meet at regular intervals to sort out citizens-municipality relationships in respect of local civic problems.

Under the 74th Constitutional Amendment, the Ward Committee has a constitutional status: as such it is expected to be the base line unit for the initiation of the first step toward micro-level planning.

3.8 Inter-institutional relations

Urban management is primarily visited in the municipal bodies. Especially in the larger urban complexes such as Mumbai, Kolkata, Chennai, Hyderabad etc., the city governments have to interact with a number of special authorities like the Development Authorities, water and sewerage boards, transport authorities and so on and so forth. Also, the State Governments and Union Secretariats have many of their establishments in large cities. Hence, Urban

management is more a network than a solo effort by a city.

4.0 Summing up

After reading this section, the reader will be able to explain the management structure of the municipal bodies - both corporations and the municipalities. He/She can now tell how in a big city, the city government has created a decentralized system of administration for the convenience of the citizens as in the Kolkata Model. Also, he/she should now be able to discuss the role of the Ward Committees in municipal administration. This understanding will enable better management of urban areas, at large.

Unit 4: EMERGING URBAN GOVERNANCE ISSUES

This section deals with the concept of 'governance', which now informs all levels of public administration, and more particularly urban government. It will familiarize the trainees with the same before its adoption.

Following this concept, the institutional devices that are now being introduced at the urban local level will be discussed to highlight the shift toward "Good Governance" ensuring more open, transparent and participatory urban governance.

1.0 Training Objectives

After the training, the participants will be able to:

- Relate the concept of "governance" to the urban situation in the Indian context
- Review the contemporary issues centered on citizen - urban governance interface that are currently under discussion to make our urban government much more open, transparent and citizen-friendly.

2.0 Enabling Objectives

After the session the participants will be able to:

- Explain the meaning of "governance"
- State the Global Campaign for Good Urban Governance
- Discuss how urban government in India has been responding to the Global Campaign for Good Urban Governance
- Identify the special features of urban governance introduced in recent times through the landmark Constitutional Amendment of 1992 (Constitution (seventy fourth) Amendment Act 1992)
- Discuss the various instrumentalities available for good urban governance

3.0 Concept of Governance

Internationally, quite a few new concepts of public administration have emerged in recent times, which are being applied to public management at different levels. 'Governance' is one such concept, which was first introduced by the World Bank in 1992. It was defined as the "manner in which power is exercised in the management of a country's economic and social resources for development'. Three

distinct aspects of governance were identified as follows:

- (i) The form of political regime;
- (ii) The process by which authority is exercised in the management of country's economic and social resources; and
- (iii) The capacity of the government to design, formulate and implement policies and programmes and discharge its functions.

The UNCHS (1996) "Global Report on Human Settlements" identified three critical factors:

- (a) The elaboration and implementation of decentralization policies including the emergence and acceptance of the concept of subsidiarity. (Briefly, the principle of subsidiarity means: A community (or a government) of a higher order should not interfere in the internal life of a community (or a government) of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good". In other words, subsidiarity is a basic democratic principle that decisions are made at the lowest level of society as is practical and consistent with the overall public good.
- (b) The introduction of or return to democratic principle of government in many countries, both at the national and local level.
- (c) Increasingly, citizen and community pressure and urban social movements, combined with concerns for economic development and environmental degradation, have helped

place a greater emphasis on local control and involvement in local decision-making.

The preparatory process of Habitat II Conference at Istanbul in June 1996 took a much broader view of 'governance' as under:

“Governance is a broader and more inclusive term than government, as it encompasses the activities of a range of groups - political, social and governmental - as well as their interrelationships”.

According to a UNDP policy document *“Governance for sustainable Human Development”* (1997), *“ Governance includes the state, but transcends it by taking in the private sector and civil society”.*

3.1 Global Campaign for Good Urban Governance

The UNCHS concept paper on *“The Global Campaign for Good Urban Governance”* (November 2000) focuses on *“inclusiveness”* and the concept of *“inclusive city”* - a place where everyone, regardless of wealth, gender, age, race or religion is enabled to participate productively and positively in the opportunities cities have to offer.

The Global Campaign for Good Urban Governance seeks to promote four specific goals for realizing the *“inclusive city”*:

- (i) Decentralization and local participatory democracy;
- (ii) Efficiency (in financial management, service delivery, and investment and infrastructure).
- (iii) Equity (In terms of resource allocation and empowerment including right to information and civic education).
- (iv) Security (in terms of environmental management, disaster preparedness and crime control and prevention).

It can be summarized that “good governance” in the urban situation has now come to mean that:

- (a) The municipal institutions are important but they do not exhaust the local level arrangements that are of various kinds embracing the private sector, semi-public institutions, non-government organizations and the whole range of civic society organizations that collectively try to solve community's living problems.
- (b) Municipal institutions will continue to play the lead role, but they have to decentralize their operations and make their decisions and activities more and more participatory in nature.
- (c) Transparency, openness and citizen's access to administration have to be assured by introducing appropriate changes in procedures and modalities of municipal administration.
- (d) Equity is as important as efficiency. This would mean distributive justice – in so far as the availability of services and facilities are concerned. Particular attention has to be paid to the poor and the underprivileged (slum dwellers), who are often deprived of basic civic services.
- (e) Environmental management has assumed considerable significance today in the context of pollutions of various kinds and the need for creation and maintenance of a healthy city for all. Disaster preparedness is another new dimension that has been added to environmental management.

Good urban governance is the sum total of all these when considered in an interconnected way.

3.2 Indian Response

The UNCHS (HABITAT) and Government of India have been collaborating in a joint programme “**Good Urban Governance Campaign: India Launch**” (2001). The objective is to propagate the ideals of “inclusive city” and to translate into practice the normative dimensions of good governance: interorganizational networking, decentralization, transparency and right to information, efficiency, equity and environmental management.

Some of the practices being introduced at different places, keeping in view the broad objectives of “Good Governance” are now presented below in brief.

3.3 Gender Dimension

In urban management, an event that deserves special mention is the constitutionally provided 1/3 rd reservation for women members. This has meant entry of a sizeable number of women councilors in the municipal councils, and as evidence suggests, the women members have occupied important positions like the chairperson of a municipality, or members of municipal standing committees. As the experience of Andhra Pradesh suggests:

Women’s movements have taken up major local development issues. Through their collective action, they (women) have been able to formulate alternative methods of development based on local resources and skill. A silent grass roots level revolution in the shape of women’s empowerment is gradually unfolding in our urban areas and its implications are going to be far-reaching in the years to come in terms of more realistic, society – centric social development where women have been taking a lead role. The other platform for women’s involvement has been the community structure that has been created under the SJSRY Programme – basically

an anti-poverty programme funded by the Central Government. Under this programme, the community-based organizations administered by women who are selected by the communities themselves from among the below-the-poverty-line families have been a fairly successful experiment to feminize urban social development.

Box 2: Participatory Urban Governance -

The case study throws light on the initiatives taken by the Government of AP in all the 116 urban local bodies of the state, towards the involvement of women in local level urban governance. The remarkable feature of these measures is the 'role of facilitator' adopted by the municipalities. In all the 116 towns community based organizations (CBOs) of urban poor women have been formed. These CBOs have been entrusted with all the works under SJSRY and NSDP along with the maintenance of community sanitation. Also they have been assigned the responsibility of social audit. The

3.4 People's Participation

The decentralizing spirit of the 74th Constitutional Amendment is best expressed in the formation of "Wards" committees at the cutting edge level where the citizens themselves get involved in direct participative problem solving exercises. The ward Committees reflect enhanced proximity of elected representatives at the neighbour or constituency levels to ensure better accountability and performance. The committees also facilitate increased public participation in the delivery of services and local-constituency level management. Such a platform serves an important purpose of citizens' interaction with the ward councilors, and achieves to a great extent, the goal of "good urban governance" based on wider participation of citizens, NGOs and local government functionaries.

On the basis of experiences of two states – Kerala and West Bengal, it has been observed that the Wards Committees have been successful in achieving the following:

- (i) **Proximity** – by creating opportunities for closer interactions between the representative councilor and the citizens;
- (ii) **Accountability** – Proximity ensures better accountability as the citizens are free to inquire about different aspects of municipal administration;
- (iii) **Transparency**: Through question-answer sessions, and debates and discussions, municipal administration becomes much more open and visible to the common man.
- (iv) **Participation**: Since people from different walks of life are made members, the wards committees lend a participatory character to municipal administration. Direct people's participation becomes possible through this mechanism.
- (v) **Partnership**: By decentralizing at the wards Committee level, opportunities are created for partnership among different groups, non-government organizations, private agencies and municipal administration. Municipal administration gains from such joint venture.

3.5 Other Instrumentalities

Attempts are underway at many places to introduce more and more open, transparent and citizen-friendly municipal administration.

For instance, the right to information has been statutorily recognized in Kerala, Rajasthan, Madhya Pradesh and Karnataka. The device of *Citizens' Charter* (first introduced in UK during John

Major's premiership) as a method of telling the citizens in advance about the standards, frequencies and modalities of service delivery has been under active consideration in many states (See Annexure 2). Kerala is reported to have included it statutorily for adoption by municipalities.

Another mechanism for citizens' grievance handling is the institution of *local ombudsman* (a Scandinavian Institution in origin), which has just been introduced in Kerala. The purpose is to listen to citizens' grievances regarding municipal omissions and commissions and to provide for quick remedies.

West Bengal is soon to introduce *local vigilance commissioner* to receive complaints and inquire into them, and thus to ensure quick redressal as well as corruption free local administration.

A yet another innovation is *e-governance* at the municipal level, which, in its full-fledged form, will be able to give easy access to municipal information and simplify procedures that normally create delays and disappointments for the public.

Box 3: Visakhapatnam Municipal Corporation

Visakhapatnam Municipal Corporation has already shot into fame as a local authority which has successfully introduced e-governance and information technology into corporation governance - making administration much more accessible to the

4.0 Summing Up

After studying this unit, the participants should now be able to explain the meaning of "governance" and relate this to the urban situation. They will be able to discuss how urban government in India has been responding to the Global Campaign for good urban governance. Also, they can now explain the efforts of urban government in different states to introduce new citizen friendly devices such as citizens' charter, right to information, grievances redressal machinery and e-governance.

RECOMMENDED READINGS

1. *Decentralization and Its Implications for Urban Service Delivery*. William Dillinger. Published for the Urban Management Programme by The World Bank, Washington, D.C.

2. *Good Urban Governance Campaign* India Launch – Learning from one another – UNCHS (Habitat).

3. *The State of the Indian Cities, 2001* – HUDCO, UNCHS (Habitat)

4. *Urban Governance: Lessons from Best Practices in Asia* – Dinesh Mehta

5. *Participatory Urban Governance*, Edgar Pieterse, UMP series #25, Nairobi, 2000

CITIZENS' CHARTER

OBJECTIVES:

The Citizens' Charter is a document prepared by the service provider in a clear and precise manner about the quality and method of delivery of services to the users of the service. The objectives of the Citizen's Charter are to:

- a. Improve the quantity and quality of service to the public;
- b. Give people more choice;
- c. Tell people what kind of service to expect from Government Departments and their responsibilities to facilitate effective provision of services;
- d. Make sure people know what to do if something goes wrong in the process of service delivery.

6 PRINCIPLES OF CITIZENS' CHARTER

- Published Standards;
- Openness and Information;
- Choice and Consultation;
- Courtesy and Helpfulness;
- Redress when things go wrong;
- Value for Money.

KEY CONSIDERATIONS IN SERVICE:

1. Reliability, i.e. consistency in performance;
2. Responsiveness, i.e. timely service;
3. Credibility, i.e. having customer interest at heart;
4. Empathy, i.e. attention to customer's needs;
5. Courtesy and care, i.e. physical evidence of willingness to serve.

THE CITIZENS' CHARTER PROCESS:

1. Policy phase – the decision to go for a Citizens' Charter;
2. Motivation and awareness – marketing the idea to self and other stakeholders;
3. Identification of a core consultative group;
4. Consultation with all stakeholders;
5. Preparation of Citizen's Charter;
6. Publicity and launching of Charter;
7. Continuous measures to create awareness about Citizen's Charters among the public;
8. Implementation plan with details;
9. Feedback from staff and the public;
10. Review of feedback;
11. Using the feedback data for review of the Charter with the stakeholders to improve/bring changes in the Charter;
12. Further improvements in the Charter – Preparation of Revised Charter.

PREPARATIONS FOR CITIZENS' CHARTER

The following process must be completed before preparing a Citizen's Charter.

1. Consultation – with service users, staff, voluntary organizations, etc.
2. Survey to know what the present perception of the citizens is and what their expectations are. The survey may be through informal discussions with small groups or a structured survey through a questionnaire.
3. Draft Charter jointly prepared by a small committee of 3 or 4 persons in a clear, simple and concise

language and easily understood by citizens who read them.

WHAT MAKES CITIZENS' CHARTER A SUCCESS?

1. A sense of urgency;
2. Clear responsibilities for implementation, review, reporting and corrective action;
3. Ownership of the Charter by the Head of the Department and the entire staff;
4. An apex committee to oversee the implementation and progress of the Citizen's Charter;
5. Constant interaction with the stakeholders;
6. Motivating the staff and performance review of the staff based on the criteria outlined in the Charter;
7. Taking corrective measures from time to time;
8. Simplification of procedures and systems;
9. Reducing hierarchy and promoting decentralization.

REGISTERING COMPLAINTS

To facilitate registration of complaints, the names, addresses and phone numbers of the members of the staff or secretaries need to be given to the public. Target in terms of response and outcome should be stated for:

1. Acknowledging complaints;
2. Responding to complaints;
3. Keeping people informed if the response target will not be met and explaining why it is so;
4. The possible outcome – what redress people can expect when they lodge a complaint.

MANAGING COMPLAINTS

1. Designate locations to receive complaints – accessible and visible to customers and also have special toll-free telephone numbers and complaint websites;

2. Develop an automated system for record keeping – receiving, processing, investigating and analyzing complaints;
3. Acknowledge Complaints
 - a. Personalize the response;
 - b. Talk to customer if required;
 - c. Use letters;
 - d. Computerize receipt, acknowledgement, communications and redress;
4. Keep the customer informed of the progress in redress;
5. Keep track of disposal of complaints regularly and improve the process for redress through feedbacks.

GETTING FEEDBACK

1. Over the counter at the service outlets;
2. Through the official machinery;
3. By toll-free telephone number;
4. Through post, fax or email;
5. Via community/consumer organizations, consultative committees;
6. Through independent surveys.

REDRESSING COMPLAINTS

Without a good complaint, redress system, Citizens' Charter will have no impact on service delivery. The concerned Departments should establish highly credible and responsive complaint procedures and redress systems. The characteristics of good complaints redress system are that it should be:

- Easily accessible, well-understood and well-publicized;
- Simple to understand and use;

- Speedy, with established time limits for action and keeping people informed of progress;
- Fair, with a full and impartial investigation;
- Confidential, to maintain the confidentiality of both staff and the complaint;
- Informative, providing information to top management so that services can be improved.

The system should have a tracking module to:

- Clearly track the volume and movement of complaints, broken down by different categories;
- Include an analysis of response time;
- Promptly inform the action taken to the complaints.

Computerization of complaint recording and redress will significantly help in:

1. Tracking complaints;
2. Responding quickly;
3. Producing reports;
4. Measuring satisfaction through analysis of data and through questionnaires given to users.

REVIEWING REDRESSAL OF COMPLAINTS:

Complainants should have the opportunity to have their complaints reviewed if they are dissatisfied with the response. Each department should determine the best arrangement to suit that position.

ANALYZING COMPLAINTS INFORMATION:

Information about complaints and their redress should be submitted to the senior officers and policy-makers on a regular basis so as to have a system of checks and balances.

RULE NO.1

THE CUSTOMER IS ALWAYS RIGHT!

RULE NO. 2

**IF YOU FIND THE CUSTOMER IS WRONG THEN RETURN
IMMEDIATELY TO RULE NO. 1**

- Stew Leonard

PUBLISHING COMPLAINTS INFORMATION:

1. Publishing complaints redress information is in line with the principle of general public service accountability and transparency.
2. It demonstrates to the public that complaints are taken seriously and it is worthwhile to complain.

BEING RESPONSIVE & REMOVING FEAR

Government Departments should make it easy for the public to lodge complaints.

- a. Leaflets and posters;
- b. Booklets;
- c. Media publicity – radio, television and local press;
- d. Telephone directory;
- e. Contact – Help lines i.e. Telephone numbers.

People will complain only if they feel that the organization listens to their complaints and acts on them. They will not do so if they think that it will not bring any result. The organization must make it clear to the public that

complaints are welcomed and that information will be used to improve services.

People may not complain if they fear that some one in the service delivery line will somehow single them out for harassment and punish them for complaining. This is particularly true, if the relationship between the user and the service puts the user in a potentially vulnerable position, e.g.: electricity, water, telephones, etc, which can be disconnected easily. The service-providing departments must ensure that the complainants are not harassed under any circumstances.

MECHANISM OF REDRESSAL:

Each Department/service provider should have well-set procedures for dealing with complaints, which are clearly understood and followed by the staff. The procedures should be simple and should enable speedy solutions to the complaint received. The redressal of complaints can be through the following:

- An apology;
- An explanation;
- An assurance that the same thing will not happen again;
- Action taken to put things right;
- Financial compensation.

REVIEWING IMPLEMENTATION OF CITIZENS' CHARTER:

Surveys may be done with the help of voluntary organizations or by directly distributing a questionnaire to randomly selected members of the public/users of the service. About 500 samples in a District and 100 at Mandal level may be sufficient for survey at initial stages. Once such surveys become regular, the sample size can be increased. Surveys may also be conducted:

1. By personal interviews;
2. Through telephone contacts;
3. By placing survey forms at the service delivery counters;
4. Through bills served on consumers;
5. Through independent agencies.

EVALUATION OF CITIZENS' CHARTER

1. Evaluation is necessary for improving standards of services, reviewing processes, re-engineering services and improving accountability on the part of service-providers;
2. Regular Evaluation and monitoring of the performance standards, build confidence among the users of the service and in the process standards could be made more acceptable;
3. Evaluation must be both internal and external;
4. Evaluation can be quarterly, half-yearly or yearly. At least once in a year evaluation must be done;
5. Evaluation report must be widely publicized within/outside the organization;
6. Evaluation and monitoring are better done through computerization online reporting to the top management to help decision-making.
7. Evaluation must provide a reward system for services of staff that provide excellent services and also a correction mechanism for those not promptly responding.

"A customer is the most important visitor on our premises. He is not dependent on us; we are dependent on him. He is not an interruption on our work; he is the purpose of

it. He is not an outsider on our business; he is part of it. We are not doing him a favour by serving him; he is doing a favour by giving us the opportunity to do so".

Mahatma Gandhi.

THEME IV

FISCAL AND FINANCIAL MANAGEMENT

UNIT 1: INTER GOVERNMENTAL FISCAL RELATIONS

UNIT 2: MUNICIPAL FINANCE AND NEEDED REFORMS

UNIT 3: ARRANGEMENTS TO ENSURE MUNICIPAL FINANCIAL
RESPONSIBILITY

UNIT 4: REFORMS IN MUNICIPAL ACCOUNTING SYSTEM

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- 2.0 Enabling Objectives**
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THEME IV: FISCAL AND FINANCIAL MANAGEMENT

Fiscal and Financial Management is an important policy intervention area. As local governments are the main deliverers of urban services with the bulk of main actors in urban management, municipal finance and its administration is of prime importance.

Traditionally the objective of Municipal Finance and its Administration has been to get more financial resources for the local government. However, it is important to manage municipal resources and its allocation to increase effectiveness of local government expenditures. The present Theme deals with Fiscal and Financial Management under four units:

Unit 1: Intergovernmental Fiscal Relations

Unit 2: Municipal Finance-Needed Reforms

Unit 3: Arrangements to Ensure Municipal Financial Responsibility

Unit 4: Reforms in Municipal Accounting System

UNIT 1: INTER-GOVERNMENTAL FISCAL RELATIONS

The Unit on inter-governmental fiscal relations discusses the need for adequate financial resources at the local level in light of the recent CAA. It discusses the appointment of State Finance Commissions for guiding devolution of funds to local bodies, setting the road map for intergovernmental fiscal transfers in a macro economic framework.

1.0 Training Objectives

After this training, the participants will be able to:

- **Discuss the structure of fiscal federalism**
- **Obtain the role and responsibilities of governments at different levels.**

2.0 Enabling Objectives

After this session, the participants will be able to:

- **Describe the 11th Finance Commission**
- **Describe the state-local fiscal relations**
- **State the provisions/recommendations of State Finance Commission (SFC)**
- **Describe the importance of SFC in light of the 74th CAA**

3.0 Fiscal Federalism in India

To build up a healthy economy in a federal set up, both the Union and the states ought to have adequate financial resources to meet their economic and social obligations. With the 73rd and 74th Amendments of the Constitution of India the rural and urban local governments have also been given recognition as the third tier of the body polity of India that needs to have adequate financial resources for meeting their responsibilities at the local level.

To achieve this objective, the Constitution has made provision relating to the distribution of the taxes as well as non-tax revenues and the power of borrowing, supplemented by provisions for grant-in-aid by the Union to the States (See Box 1).

Box 1: Eleventh Finance Commission observes:

“Sources of revenue which have been allocated to the Union are not meant entirely for the purposes of the Union but have to be distributed according to the principles laid down by parliamentary legislation...all taxes and duties levied by the Union ...do not for the Consolidated Fund of India but many of these taxes and duties are distributed amongst the States and form part of the Consolidated Fund of the States. Even those taxes and duties, which constitute the Consolidated Fund of India, may be used for the purpose of supplementing the revenues of the States in accordance with their needs. The question of distribution of the aforesaid taxes and duties amongst the States and the principles of governing them, as also the principle of governing grants-in-aid are matters which have to be decided by a high powered Finance Commission, which is a responsible body designated to determine those matters in an objective way...The Constitution-makers realized the fact that those sources of revenue allocated to the States may not be sufficient for their purposes and that the Government of India would have to subsidize their welfare activities. Realizing the limitations of the financial resources of the States and the growing needs of the community in a welfare State, the Constitution has made specific provisions empowering Parliament to set aside a portion of its revenue for the benefit of the States, not in stated proportions but according to their needs. The resources of the Union Government are not meant exclusively for the benefit of the union activities. In other words, the Union and States together form one organic whole for the purposes of utilization of the resources

The observation of the Eleventh Finance Commission that “the Union and States together form one organic whole for the purposes of utilization of the resources of the territories of India as a whole”, holds the key to the inter-governmental fiscal relations. In the present context it is important to recognize that now, after the 73rd and 74th Amendments, local government institution - both urban and rural - are components of the *organic whole* by their own Constitutional standing.

From what is stated above, it follows that ‘a sound system of intergovernmental fiscal transfers constitutes the cornerstone of a strong and stable federal polity’. Transfers serve a two-fold purpose: To address the vertical imbalance - the inadequacy of revenues of sub-national (and of local, when it is from State to local) governments to meet their expenditure liabilities, arising from asymmetrical assignment of functional responsibilities and financial powers among different government levels; and To alleviate horizontal imbalances, the disparities in the revenue capacity of the constituent units of the federation - the States and local bodies in our case - in order that all of them may be in a position to provide basic public services to their citizens at a reasonable level.

In recognition of the need to redress their imbalances in a fair and orderly fashion, the Indian Constitution provides for devolution of a part of the Center’s revenue to the States mandatorily. Further, in order that the dependence of the recipient governments on flow of funds from above does not undermine their autonomy, the Constitution, as stated earlier, sought to entrust the task of mediating the devolution of the revenues of the Union to the States to an independent panel - the Finance Commission - to be appointed by the President of India. Similarly, the states now have

Constitutional obligation to appoint quinquennial *State Finance Commissions* to guide the States in respect of devolution of fund to the urban and rural local bodies.

An important objective of fiscal transfer, related to the purposes stated above, is to meet the public policy of provision of basic services to all at least at the level of minimum needs and ensuring balanced regional development. This or for that matter any public policy goals cannot be attained in isolation. It must be an integral component of a macro-economic framework that takes into account a host of parameters and variables like economic, fiscal, legal, social, institutional, environmental and so on. This sets the road map for inter-governmental fiscal transfers down to the local government level.

Though it may sound intriguing, Finance Commission is not the last word so far as devolution of financial resources is concerned. While the Constitutional Finance Commission is mandated to decide on tax devolution, revenue deficit grant, grants for upgradation and special problems and grants meant for local bodies and natural calamities, but not assistance to the States for implementing development plans and Centrally sponsored schemes. The latter responsibility, known as devolution of *plan assistance*, has been assigned to the Planning Commission, which has been created by an executive order. Thus, federal assistance flows down to the States by two channels: *Finance Commission* and *Planning Commission*.

Needless to say, *the inter-governmental fiscal relations are a function of inter-governmental functional relations*. In a federal system with unitary structure as in India, it is the Constitution that makes the functional devolution. Thus, in Schedule VIII of the Constitution, there are three Lists, in which the Entries specify jurisdictions of the Union and States in this regard: (i) the Union List, containing the functions that are to be performed exclusively

by the Government of India, and the taxes and duties and other sources of revenue from which revenue is to be collected by this Government; (ii) the State List, enlisting the functions assigned to the States, and the taxes and duties and other sources of revenue that the States are empowered to collect; and (iii) the Concurrent List, that contains such functions as may be performed both by the States and the Government of India. Here we are not concerned with the Concurrent List.

4.0 State-Local Fiscal Relations

Local governments are now Constitutional entities, which they were not before enactment of the 73rd and 74th Amendments of the Constitution, in the year 1992. However, 'local self government' per se is still a state subject. In the context of urban local bodies the provisions of the said Amendment may be categorized under two groups: (i) obligatory provisions, which include inter alia constitution of election commission and periodicity of election; reservation of seats for SC and ST communities and women; constitution of state finance commission; and (ii) discretionary or enabling provisions, which inter alia are devolution of functions as listed in the Twelfth Schedule (See Box 2), delegation of some tax bases like property tax, power to mobilize resources from non-tax sources, and transfer of revenue from state to urban local bodies on a regular basis (Box 3).

Box 2: Twelfth Schedule - 74th Amendment of the Constitution

- **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, conservancy and solid waste management;**
- **Fire services;**
- **Urban forestry, protection of environment and promotion of ecological aspect;**
- **Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded;**
- **Slum improvement and upgradation;**
- **Urban poverty alleviation;**
- **Provision of urban amenities and facilities such as parks, gardens and playgrounds;**
- **Promotion of cultural, educational and aesthetic aspects;**
- **Burials, and burial grounds and electric crematoriums;**
- **Cattle ponds and 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; and**

Thus, so far as finances and functions of the urban local bodies vis-à-vis the State is concerned, except for the State Finance Commission, the Constitution expresses its desire and intention only, leaving the rest as prerogatives of the state legislature. As before, the states are free to exercise their prerogatives in assigning and/or withdrawing functions and tax bases to the urban local bodies depending on their policy as it may be at any point of time. Given this situation, different patterns of state-local fiscal and functional relationships have evolved in the states across the

country over time. As such there exists wide inter-state disparity in the structure of municipal finance and functional responsibilities.

Box 3: Delegation of financial powers to urban local bodies;

74th Amendment of the Constitution

The State may, by law:

Authorize a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedures and subject to such limits;

Assign to a municipality such taxes, duties and tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

Provide or make such grants-in-aid to the municipalities from the consolidated fund of the State; and

Provide for constitution of such fund for crediting all moneys received, respectively, by or on behalf of the Municipalities and also for the withdrawal of such moneys therefrom.

Unlike in the Constitution of India in respect of the States, in none of the states the legislature provides by law the basis of sharing the revenue collected by the States with the urban local bodies. The legislature did not also provide by law the basis of devolving grants-in-aid by the States on the urban local bodies. As the structure of municipal finance and functional responsibilities differed amongst the States, so was the extent of shared taxes and grants-in-aid. Revenue transfers from the States are perceived by some, more as filling the municipal revenue gaps arising out of their inefficient fiscal and financial management, while some others hold that it is rather local bodies' entitlement to a portion of the revenue collected centrally by the States. Both may be true. But, notwithstanding the inefficiency, entitlement of the urban local bodies to a portion of state revenue cannot perhaps be negated.

Every state provides revenue assistance to urban local bodies though in varying degrees. Dependence on transferred revenue is relatively less in those states (Maharashtra, Gujarat, Punjab and

Orissa) where urban local bodies still collect Octroi. In some states 40 to 60 percent of the revenue budget of the urban local bodies is balanced by revenue transferred from the state Consolidated Funds. West Bengal is one of those states where 50 to 60 percent of the municipal revenue budget is balanced by revenue transfers from the State. Large in amount as these are, the transfers are in no way linked to fiscal or functional performance of the urban local bodies. These are given mostly as revenue support grant. An example is furnished in Box 4 below.

Box 4: West Bengal: Revenue Transfers (non-plan grant) from the State to Urban Local Bodies 1999-2000

<u>Revenue transfers (non-plan grant)</u>	<u>(Rs. Crores)</u> <u>Amount</u>
1. Salary support grant	315.77 (71 %)
2. Share of Entertainment Tax	40.68 (9 %)
3. Grant in lieu of Tax on profession, Trade and Callings	43.09 (10 %)
4. Others	42.62 (10 %)
Total	442.16 (100 %)

In inter-governmental fiscal relations, the mechanisms like grant, tax sharing, assigned taxes and so on can play an important role in removing regional imbalances in financial capacities of local governments provided these are backed by a defined policy. However, in most of the states adhocism has been the rule so far. Again, with the exception of some states, grants are not linked to fiscal performance and/or efficiency of municipal service delivery.

What is a basic lacuna in the state-local relations in all the states is that there is no manifest policy matching devolution of functions on the urban local bodies and the combined devolution of resource bases (by the state legislature) and revenue transfers (by the state

government). Barring some exceptions, if there be any, none of the State Finance Commissions has consciously addressed this basic issue while framing its recommendations.

5.0 State Finance Commission

Under article 243I of the 74th CAA, each state is obliged to constitute every five-years, a State Finance Commission (SFC) *which shall review the financial position of the municipalities [and panchayats] and make recommendations to the Governor for strengthening the financial position of the municipalities.* The guidelines or the terms of reference in this context have also been provided. The 74th CAA has also amended clause (3) of article 280 of the Constitution requiring the Central Finance Commission to take *'the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State'*. This is a step forward towards integration of the recommendations of the SFCs with the Central Finance Commission. This is a landmark constitutional provision in the history of local finance in India. The under lying objectives of the CAA *inter alia* are decentralization of power and popular participation at the local level in the planning, management and delivery of municipal services, and as noted earlier, to refurbish the local finance so that the ULBs can meet the challenge of urban development and the growing demand of urban services. This is contemplated to be achieved, as the terms of reference of the SFC indicate, by building up a well-founded state local fiscal relationship.

The first SFCs in all states submitted their recommendations three to five years back, and the second ones have been constituted in

most of the states. It was expected that recommendations of the SFCs would bring about substantial change in the composition and structure of local revenue in the states, and state local financial and functional devolution. However, no reckonable changes were discernible from the SFC reports. Regarding sharing of resources, SFCs of some states recommended earmarking of a portion of state revenue, something like a divisible pool, for devolution on the ULGs. Different basis or formulas were also recommended for working out entitlement of each ULG to the divisible pool. Proportion of state revenue to be earmarked for devolution, varied widely from state to state. Some examples are given below:

The recommendation for creating a divisible pool, however, did not make significant addition, if at all, to the municipal revenue. As may be seen in Table U-1/1 and U-1/2, in aggregate sense, majority of the states had deficits in the budgets of the municipalities and municipal corporations in the year 1997-98. This hardly reflects any impact of the recommendations of the SFCs on the municipal finance even three to five after the SFCs submitted their reports. In some states the percentage of state revenue recommended to be earmarked for the local bodies is obviously allocated in the states' revenue budget but devolved on the urban local bodies as capital grant (e.g. West Bengal). Thus, such transfer is not used as an instrument for strengthening the municipal revenue budget, which is chronically weak.

Many of the state governments were not too enthusiastic about implementation of the recommendations of the SFCs; delays and partial implementation of the recommendations were not uncommon. What the SFCs (in some of the states at least) could at best achieve was initiating a process of rationalization of the transfer mechanism in respect of grants and other variety of

transfers. SFCs of all states did not, however, take this approach.

Again, barring the recommendations regarding divisible pool, recommendations made by all of the SFCs were ad hoc in nature and failed to address the lacunae prevailing in the state-local fiscal and functional relationship.

Table 1: SFCs' Recommendations for Revenue Sharing

States	SFCs' Recommendation for Revenue Sharing
Andhra Pradesh	39.24 % of state tax and non tax revenue
Assam	2.00 % Of state taxes for local bodies, both rural and urban
Himachal Pradesh	An amount equal to Rs. 12.20 crores as grant in lieu of octroi for 1996/97, to rise to Rs. 17.90 crores in 2000/01 and CSS grants to accrue to municipalities
Karnataka	5.4% of state's gross non-loan receipts for meeting plan and non-plan requirements
Kerala	1% of state revenue (excluding some sources) as non-plan and non-statutory transfer to urban and rural local bodies on the basis of population.
Madhya Pradesh	8.67% of state's tax and non-tax revenue
Maharashtra	25% to 100% of Entertainment Tax collected from municipalities of different grades, 25% of Vehicle Tax and 10% of profession tax are recommended shares of local bodies.
Punjab	20% of the net proceeds of five taxes, namely stamp duty, motor vehicle tax, electricity duty, entertainment tax and cinema shows
Orissa	Rs. 179.50 crores is the projected transfer (grant) to urban local bodies between 1998/99 and 2004/05
Rajasthan	21.8% of the net proceeds of state taxes to be devolved on the rural and urban local bodies in the ratio of 3.4:1
Tamil Nadu	8% of state's net tax receipt in 1997-98, increasing gradually in the successive years to 9%, 10%, 11% and reaching 12% in 2001-02
Uttar Pradesh	7% of state's net proceeds from all taxes to be transferred to urban local bodies
West Bengal	16% of the net proceeds from all taxes (except some minor one) to be devolved on rural and urban local bodies on the basis of population and some other parameters

Source: O.P.Mathur, *Approach to state-municipal fiscal relations*, NIPFP, New Delhi, pp 90, 91

What is stated above in the context of the SFC is not purported to be a critic of the SFC. SFC *per se* is too important a mile stone in the way of streamlining state-local fiscal relations on the one hand and strengthening municipal budget on the other, both by revenue transfers and delegation of adequate revenue bases to the urban local bodies so as to match the functional responsibilities devolved on them by the state legislature. Should these objectives be achieved apart from municipal effort for improved fiscal and operational performance, SFC could be instrumental in enhancing the capacity of the urban local bodies to deliver services adequately both in qualitative and quantitative terms with wider coverage.

SFC's importance has further been enhanced by amendment of the Clause 3 of Art. 280 of the of the Constitution, which, as stated earlier, says: [the central Finance Commission to take] 'the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State'. Incidentally, the recommendations of the SFCs were available neither to the 10th Finance Commission nor to the 11th Finance Commission, as the timing of the former did not synchronize with that of the latter. However, both Finance Commissions recommended ad hoc allocation of revenue grants to the states, earmarked for devolution to the urban local bodies. It is expected that 12th Finance Commission's deliberations will be preceded by the submission of Reports of the second State Finance Commissions of all states. This will enable the Finance Commission to have due regard to the states' requirement of fund to give support to the municipal revenue budgets.

The Finance Commission needs to have a common-to-all basis of assessing states' requirement of fund to give support to the municipal revenue budgets. Such a basis could be available if all

SFCs across the country were having a uniform approach to reviewing the financial positions of the municipalities and make recommendations accordingly. This has not, however, happened so far. Art. 243-Y (i) of the 74th Amendment Act provides that the [State] Finance Commission shall also review the financial position of the Municipalities and make recommendations to the Governor as to:

The principles, which should govern –

- The distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees that can be levied by the State, may be divided between them under this Part and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
- The determination of taxes, duties, tolls, and fees which may be assigned to, or appropriated by, the Municipalities;
- The grants-in-aid to the Municipalities from the Consolidated Fund of the State;
- The measures needed to improve the financial position of the Municipalities;
- Any other matters referred to the Finance Commission by the Governor in the interests of sound finance of the Municipalities.

Albeit, some SFCs took an approach in conformity with the provisions in the Act but majority did not have a clear approach.

The basic objective of the Article 243-Y is to address improvement in the delivery and performance of municipal services. For achieving this objective, the NIPFP has suggested a fiscal package that the future SFCs may work on. The package is indicated below in brief (See Box 5).

There are, however, many other aspects beyond SFCs' recommendations, which are to be addressed by the states and the

municipalities for expanding the fiscal and management capacity of the municipalities. This will be discussed in the following Units.

Box 5: Guidelines for collating the fiscal package

- **Review the macro-economic environment within which the municipalities in India operate**
- **Function, powers and authority;**
- **Limits and constraints within which the municipalities are permitted to function; and**
- **Degree of autonomy granted to municipalities**

- Undertake an appraisal of the finances of municipalities
 - ⇒ **Changes and shifts in the fiscal health of municipalities, referring to revenue and expenditure growth and performance; and**
 - ⇒ **Trends in the volume and nature of transfers; and key issues in making fuller use of revenue resources and recording expenditure priorities.**

- Estimate the revenue gap of municipalities
 - ⇒ **Trends in gap between revenue-raising capacity and expenditure needs; and**
 - ⇒ **Assessment of the trends of municipal under spending.**

- Project the expenditure needs into the future
 - ⇒ **Assumptions in respect of expenditure responsibilities;**
 - ⇒ **Norms and standards for services and activities;**
 - ⇒ **Accounting for revenue gaps and level of under spending; and**
 - ⇒ **Needs arising out of the fiscal disabilities of municipalities.**

- Determine a fiscal package for financing future expenditure needs
 - ⇒ **Principles for assignment of taxes, duties, tolls and fees;**
 - ⇒ **Principle for revenue sharing and**

6.0 *Summing Up*

After reading this, the participants will be able to explain and discuss fiscal federalism in India. They will be able to analyze the state-level fiscal relations and importance of SFCs in light of the 74th CAA

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1. Gangadhar Jha, *The Seventy Fourth Constitutional Amendment and the Empowerment of Municipal Government – A Critique in Power to the People*, NIUA, New Delhi, Feb. 1994, pp 55-62
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3. Report of the Eleventh Finance Commission, 2000, pp.71-85
4. Roy Bahl, *Intergovernmental Transfers in Developing and Transition Countries*,World Bank, 2000, Chap. XIV.
5. Tapan K Banerjee, *State-Local Fiscal Transfer Policy: Case of the Calcutta Metropolitan Area in Urban Management in Asia – Issues and Opportunities*,_UNCHS-EDI-NIPFP, 1989 pp29-44.
6. The Constitution (Seventy-fourth Amendment) Act, 1992

UNIT 2: MUNICIPAL FINANCE – NEEDED REFORMS

This unit is focused on developing a deeper understanding of the critical issues in municipal finance in India and to identify the areas of reforms for refurbishing municipal financial situation.

1.0 Training Objectives

After the training, the participant will be able to:

- **Appraise the municipal budgeting and accounting practices**
- **Restructure the devolution mechanism to enable urban local bodies to fully exploit the potential revenue from local bases.**
- **Determine an itemized agenda of state-policy for modernizing municipal budgetary practices and accounting system.**

2.0 Enabling Objectives

After the session the participants will be able to:

- **Categorize the financial requirements of ULBs**
- **Identify issues in financing municipal services**
- **State recurrent and non-recurrent receipts**
- **Discuss the major sources of revenue for ULBs-property tax, user charges**
- **Devise a framework for identification of resources that are appropriate to finance different types of municipal expenditure**
- **Decide upon the agenda for reforms based on the above framework**

3.0 Financial Resource Requirements of ULBs

The financial resource requirement of the ULBs may be categorized into two groups:

- (a) Revenue fund for meeting
 - Current deficits in revenue budget;
 - Additional recurrent commitments arising out of investments made to wipe out the backlog in environmental services; and
 - Constitution 74th Amendment Act demand from new industries and associated expansion of commercial services
- (b) Capital fund for
 - Creating assets to wipe out current backlog in municipal services;
 - Investments in civic infrastructure in order to create necessary environment giving support to economic or for that matter industrial growth in the urban areas

The issue of financing the huge requirement of capital investments and the required inflow of revenue for sustaining them can not perhaps be resolved by the traditional pattern of financing urban services, and the prevailing state-local fiscal relation. The 74th Amendment Act of the Constitution has certainly ushered in a new era in the urban local governance in the country. To what extent it can address this issue needs also to be examined.

4.0 Issues in financing municipal services

State-local or for that matter inter-governmental fiscal relations needs to be viewed in the background of the pattern of sharing of functions between higher and lower echelons of government. For, 'clarity in the division of functional responsibilities between levels of government is an essential condition for any reform in the structure of urban service delivery. Essentially, there should be a

guiding principle for this functional divide. In terms of the theory of fiscal federalism, urban services may be categorized into three groups in terms of the levels of government responsible for their provision:

Typically municipal functions: **The functions whose benefits do not generally extend beyond the territorial jurisdiction of a municipal body and thus, need to be entrusted to the municipal bodies;**

Trans municipal functions: **Services, the (geographical) coverage of whose benefits cut across municipal territorial jurisdiction, are natural responsibility of the higher level of government, and**

Agency functions: **Functions, which although are a responsibility of the higher level of government, may yet be entrusted to local government for performance on behalf of the former on agency basis.**

‘In India, many [typically] local services such as water supply, sewerage and... are provided [in most of the states] by autonomous agencies or departmental undertakings and not by the urban local bodies.’ The theory of fiscal federalism or for that matter any guiding principle is hardly applied for setting the pattern of sharing functional responsibilities between the state and urban local government (ULG) in this country. It is guided more by such policy decisions as are taken by the states from time to time. This situation manifests itself in the inter-state disparity in functional domain. For example, in a number of states, in large cities or metropolises in particular, typically local functions like water supply and sewerage have been entrusted by the states to parastatal organizations by taking them out of the domain of the respective ULGs. Again, there are wide inter-state and inter-ULG disparities in the standards of services provided and their geographical coverage. The disparate municipal functional domain and varying standards and coverage of service delivery together inter alia imbibe

complexity in devising a uniform policy in the context of state-local fiscal relationship.

Notwithstanding what is stated above, the financial power delegated to the ULBs coupled with state's financial assistance to them should match the formers' functional responsibilities. For, it is the state legislature that delegates, by law, the functions that the ULBs of the state are obliged to perform. In this context it may be worthwhile to have a look into Dillon's Rules, which says: 'It is a general and undisputed proposition of law that a municipal corporation possesses and can exercise the following powers, and no others: first, those granted in express words; second, those necessarily or fairly implied in or incidental to the powers expressly granted; and third, those essential to the accomplishment of the declared objectives and purposes of the corporation - not simply convenient but indispensable.' Depending on what the state legislature provide by law, ULBs in some states in India have a long list of obligatory functions, while in others, most of the municipal functions are discretionary. In any case, irrespective of legal obligation, the 'typically local functions' are expected to be performed by the ULBs. From another point of view, it is basically the state that is responsible for provision of all urban services; the ULBs share as much of this responsibility as the state wants them to. An imperative of this state-local functional relationship demands that the state so empower the ULBs so as to enable them to strike a balance between revenue and expenditure in the municipal budget.

5.0 Resource Base of ULBs

The resource bases of the ULBs in India are generally composed of:

5.1 Recurrent receipts

Own source revenue	Items
Tax revenue	Property tax; other taxes
Non-tax revenue	Fees, tolls, service charges etc; user charges; miscellaneous receipts
Shared revenue	Entertainment tax; stamp duty on transfer of immovable properties; motor vehicle tax

Grants from the state: dearness allowance grant, compensatory grant in lieu of abolition local sources like octroi and entry tax; other specific purpose grants.

5.2 Non-recurrent receipts

Capital grants	From the state for specific purposes
Loans	From government; from financial institutions including HUDCO; from debt market

Local tax base in all the states in India is narrow. In most of the states property tax is the mainstay of municipal own source revenue except in five states where Octroi is the single largest revenue earner. Relative contribution of other taxes to the municipal own source revenue is too small to be reckoned with. Except for property tax, there exists reckonable inter-state variation across the country, in respect of composition of the municipal revenue. Annexure Table 1 gives some idea about this disparity. Notably, while most of the states have abolished Octroi, which, though a lucrative source, is considered to be an 'obnoxious' revenue base, has still remained the

most important source of own source revenue in five states namely, Maharashtra, Gujarat, Rajasthan, Orissa and Punjab. ULGs in non-Octroi states are in general relatively more dependent on transferred revenue.

Non-tax sources of revenue of the ULBs, as stated earlier, are composed of a variety of sources, which also vary from state to state (Annexure Table 2). These include user charges, fees and miscellaneous charges but taken all these sources together, non-tax still constitute a small portion of the municipal own source revenue. While fees are a regulatory device in nature, user charge not only has high revenue potential, but is also an instrument for rationing civic services and hence for preventing wastage at recipients' end, and a necessary condition for ensuring accountability of the service providers. In most of the ULBs, user charges are yet to be introduced. Even the ULBs who collect user charge (e.g. water rate), are generally reluctant to revise the water tariff upward. To cite an example, in a southern state the Government revised water rates by an executive on the face of the fact that ULBs are, by law, empowered to set and revise water rate in that state. The state had to take this step because the ULBs showed indifference in revising water rate for more than a decade.

The ULBs, as may be discerned from Annexure Tables 3 and 4, are being increasingly dependent on transfers (grants and shared revenue) from the state to bridge their budgetary gaps. Between the years 1993-4 and 1997-98, the state-average of municipal own source revenue as percentage of total municipal revenue declined in all states except a few, e.g. Orissa, Punjab, Gujarat and Rajasthan – all octroi collecting states. There are, however, some exceptions: at the one end, even being an octroi collecting state, this percentage declined in Maharashtra; at the other end is the non-octroi collecting state of Tamil Nadu where this percentage looked up.

Growth of municipal own source revenue relative to total revenue between 1993-94 and 1997-98 was much slower in all the states under reference, with the exception of non-octroi state of Tamil Nadu and octroi collecting states of Gujarat, Orissa, Punjab, and Rajasthan. It may be conjectured from this information that the growth of revenue transfers from state has been much faster than that of municipal own source revenue, particularly in the non-octroi states.

A tendency to centralize the process of revenue collection from local bases *inter alia* is leading to increasing dependence of the ULBs on transferred revenue. Revenue loss of the ULBs due to abolition of a local revenue base (e.g. octroi) or due to taking out of tax bases out of municipal fiscal domain (e.g. profession tax) is compensated by 'grant in lieu' of the abolished tax. The 'in lieu grants', as the past experience shows, never match the buoyancy of the lost revenue bases and are found to be precariously low. Nevertheless dependence of the ULBs on transferred revenue has been continually increasing. This situation is more pronounced in the case of states where octroi, the most important revenue earner, has been abolished. Two of the glaring examples are Karnataka and Madhya Pradesh. An NIPFP study indicates that in 1992, the percentage of revenue transfers to total municipal revenue in octroi states like Gujarat, Maharashtra and Punjab was 10, 5, and 11 respectively, while in non-octroi states like Madhya Pradesh and West Bengal, it was 41 and 56 respectively.

Shared revenue in India relates to Motor Vehicle Tax, Entertainment Tax, Stamp Duty and the like. In most of the states the amounts of the share (of the ULBs) were fixed long back and are rarely adjusted with the price index. Thus, in real terms, the share is declining over the years.

ULBs are free to utilize that portion of the transferred revenue that comes in the form of 'shared revenue' and 'in lieu' grant. They do not enjoy autonomy in spending so far as other forms of transferred revenue or grant is concerned. These are tied or specific purpose grant. In West Bengal, substantial portion of the grant is earmarked as compensation for the impact of inflation on the municipal wage bill - commonly known as 'dearness allowance grant or DA grant'. In other states also, the ULBs get DA grant in various proportions. Some examples of other specific purpose grants are education grant, preventive health care grant, flood relief grant and so on. In some states a large number of specific purpose grants of relatively small amount each, are given to the ULBs. Maharashtra is such an example.

Notwithstanding the growing dependence of the ULBs on transferred revenue, there is no transparent policy or well-pronounced principle for devolution of grant, which, in most states, constitutes substantial portion of the transferred revenue. In the state budgets or otherwise, there is no discernible divisible pool of revenue earmarked for devolution on the ULBs. In this respect adhocism is the rule.

6.0 Municipal Property Tax

Still being the mainstay of municipal own source revenue except in the Octroi collecting municipalities, Property Tax (PT) needs some special attention. Assessment of PT is based on the annual ratable value (ARV) of land and buildings taken together as the base of property tax. ARV has linkage with the Rent Control Acts of the concerned states. ARV is defined as the gross annual rent at which a property may reasonably be expected to be let out. This is known as Rental Value Method of determining ARV and is being traditionally practiced. PT suffers from various problems such as PT law per se,

method of assessment of tax, rate structure, litigation, collection efficiency and so on. These factors are believed to be responsible for lack of buoyancy of this tax. Its actual yield is far distanced from the potential yield. Among these factors the most debated one is the method of assessment or method of determining the ARV. Some of the states have made attempts to install alternative method of determining PT as the first step towards property tax reform. (See Table 1). This is said to have produced encouraging result.

Rent Control Act, as mentioned earlier, is alleged to be a stumbling block in the way of exploiting potential revenue from PT. It is estimated that PT revenues of Mumbai and Calcutta would have been higher by 50percent if there were no linkage between Rent Control Act and ARV. There are a growing number of proponents of de-linked ARV from standard rent conditionality as defined by the Rent Control Act. In a bid to bypass the Rent Control Act, they advocate a transparent method for determining ARV, based on area and physical properties of a property. Such a method takes into account the parameters like:

- Location;
- Type of construction;
- Plinth area
- Age of building; and
- Nature of use to which the property is put.

It is claimed that ‘the adoption of this new methodology has led to dramatic increase in the tax yield in Andhra Pradesh, and in Patna and Rajkot Municipal Corporations. The method is transparent and legally defensible.’ There are others who are not convinced about fairness in determining ARV by this method. They disagree with this method on the ground that (i) in an un-organized real estate market as it is in this country, there can not but be arbitrariness in determination of land value; (ii) the values worked out with the

above mentioned parameters are converted into zone or sector wise rent that a property is presumed to fetch annually and thus ARV is ultimately based on presumptive rent, which does not ensure fairness in valuation.

This debate will perhaps continue until a general consensus about the alternative to the Rental Value method for determination of ARV is arrived at (see Table 2)

Table 2: Attempted Applications of Methods of Determining ARV as Alternative to Rental Value basis.

STATE/CITY	Methods of Determining ARV
Andhra Pradesh	De-link the provisions of Rent Control Act from the method of assessment of property tax. Annual rental value of land and buildings with reference to its location, type of construction, plinth area, age of buildings, nature of use, as the basis for property as assessment
Tamil Nadu	Property tax on sq. ft. rate taking into consideration the use location, type of construction and age of buildings. The rental value concept has been removed.
Patna	Area based property tax assessment system with a drastic simplification in tax assessment procedure.
Rajkot	Area based property tax assessment system.

In recent years, Delhi has reformed its Rent Control Act with consequential impact on its property tax revenue showing a remarkable increase in the collection of property tax from Rs. 180 million in 1983-84 to Rs. 2400 million in 1994-95.

The rate structure of property tax varies from state to state, which has given rise to some controversies. In some states property tax is comprised of several service related taxes such as water tax,

conservancy tax, fire tax, drainage tax, lighting tax, street tax, and general purpose tax. In Greater Mumbai Municipal Corporation PT is comprised of as many as nine taxes, viz., (i) a general tax, (ii) fire tax, (iii) water tax, (iv) water benefit tax, (v) sewerage tax, (vi) sewerage benefit tax, (vii) education cess, (viii) street tax, and (ix) tree tax. At the other extreme, in West Bengal, PT does not include any other tax or rate. Diverse views are held about the system of multi-element system of property tax. It is opposed on the ground that the elements included in the generic PT, by nature and character, are service charges and thus, could not be components of a tax. Service charges should be cost related and should be realized on quid pro qua basis. PT should be levied as a general tax only. (See Box 6 for Government of India's view in this regard).

Box 6: Government of India's guidelines for property tax reforms framed in consultation with the state governments.

The principles on which guidelines are based are:

- ↗ **Low rate of property tax so as to make it acceptable to the public at large**
- ↗ **Minimize discretion on the part of the assessors.**
- ↗ **Make the process of assessment, levy and collection transparent and simple.**
- ↗ **Ensure equity between classes of tax payers/property owners.**
- ↗ **Facilitate self-assessment of property tax by property owners/occupiers**

The guidelines recommend adoption of area based property tax system linked to (i) location (ii) type of construction (iii) use of property (iv) carpet area of building. Under this system, a city is divided into suitable zones with different land values; buildings are grouped based on type of construction, and usage is categorized into commercial/industrial, residential, others etc. Rates per sq. meter of plinth area are adopted for each type of building with a specific use and location in a specific zone. Municipal Acts of most states provide for a number of elements of property tax including general tax, scavenging tax, fire tax etc. The guidelines recommends that service taxes

7.0 User charges

'User charges' has the highest potentiality among all non-tax revenue earning resources of the ULBs. These are the most effective

instruments for financing civic infrastructure services, particularly those who benefit from which to the consumers is quantifiable or measurable. Examples are water supply service provision, toll roads and bridges. In other words, it is a fiscal mechanism by which full or partial cost recovery, as may be appropriate in a particular situation, of such services as could be subjected to pricing, is possible. While promising substantial revenue for the ULBs for meeting cost of service provisions, user charges prevents misuse of services by the recipients. On the other hand the users exercise their choice about the quantum of a particular service they would like to consume, as quid pro qua is the basis charging for a service provision. Admittedly, the services that can be brought within the fold of pricing policy are limited. For, barring a few services like water supply, the benefits of which to a consumer can be quantified, and a few others, which can be commercialized like re-cycling of solid waste, the benefit from others to an individual consumer or user is not measurable. Full cost recovery of even such services by means of user charges or commercialization does not seem to be a feasible proposition. For such services a surcharge could provide the solution. For example water rate (charge) may be piggybacked by a sewerage surcharge. Again a special conservancy charge may be levied on the properties used for commercial or industrial purposes. There could be various surcharges and special charges depending on individual ULB specific situation.

8.0 *Agenda for reforms: Financial Capacity Building of ULBs*

There should be a clear framework for the identification of resources that are appropriate to finance different types of municipal expenditures. In this context, Bahl and Linn have suggested the following framework.

Where the local services are measurable and accrue to readily identified individuals within a jurisdiction, user charges are the appropriate financing instrument;

Local public services such as administration, ...street lighting...which are services to the general public in the sense that identification of beneficiaries and measurement of benefits and costs to individuals are difficult, are most appropriately financed by taxes on local residents;

The cost of services for which significant spillovers to neighbouring jurisdictions occur, e.g., health, education and social welfare, should be borne substantially by the state or national intergovernmental transfers;

Borrowing is an appropriate source to finance capital outlays on infrastructure services, public utilities and roads.

Keeping this simple framework in the background, a tentative agenda of reforms is suggested below:

- **Typically local functions should be entrusted to the ULB, by law, restricting the power of the state to take out such functions from municipal domain.**
- **All functions listed in the Twelfth Schedule of the 74th Constitution Amendment Act should be made, by law, obligatory for the ULG.**
- **For such functions as are entrusted to the ULB, but whose benefits cut across the municipal territorial jurisdiction should be entitled to grant from the state at least to the extent of the spill over to the neighbouring areas.**
- **All agency functions should be grant funded to cover full cost.**
- **Local resource bases should match local functions entrusted to the ULB, so that full cost of operation and maintenance of services can be met out of local resources.**

- To the possible extent, shared taxes and specific purpose grants may be replaced by block grant out of a pool fund to be created by the state on a rational basis of devolution, as has been recommended by some SFCs.
- Though the mainstay in the municipal own source revenue in India (except in octroi states), much of the potentiality of property tax has not been exploited so far; its base needs to be so maintained as to give it buoyancy without of course sacrificing equity aspect.
- To make property tax more productive, all of its four aspects - identification of properties, record keeping, assessment, and collection - need to be improved. A broader base is necessary for its long-run growth.
- The system of self-assessment of property tax like income tax may be introduced.
- ULBs may be empowered, by law, to set the rates of property tax without any conditions imposed by the state.
- Economic rates needed to break even the cost of providing a municipal or environmental service should form the basis for setting user charges. The question of affordability of the poor may be addressed by a transparent policy of subsidy for them.
- Borrowing, preferably long-term, and user charges, wherever possible, may be resorted to for financing capital expenditure.
- A clear system of accountability in respect of the decisions taken at the municipal level needs to be developed.

For improving municipal administration a Management Information System (MIS) is an urgent need. For this purpose, a computer supported data retrieving system needs to be introduced.

For bringing about transparency in financial affairs, the present single entry system of bookkeeping needs to be replaced by accrual

based double entry system with computer application. Along with that the entire budgetary practice is required to be recast.

The citizenry have to be taken into confidence before a major decision is taken by an ULG. The constitutional ward committees or similar grassroots level organizations need to be activated for this purpose.

A time frame may be set, may be by means of legislative measures, for implementation of the recommendations of the SFCs by the states.

This agenda obviously, is not comprehensive. Each item has its ramifications. Should this agenda be agreed in principle, details of actions can be worked out.

9.0 Summing Up

This session will equip the participants to appraise the system of municipal accounting and budgeting, restructure devolution mechanism and prepare an agenda for modernizing municipal financial practices.

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Annexure Table 1 Major sources of tax revenue of some municipal corporations in India: 1991-92

States	Municipal corporations	Sources of tax revenue
Maharashtra	Greater Bombay (Mumbai)	Octroi, property tax, wheel tax
West Bengal	Calcutta (Kolkata)	Property tax, profession tax (now taken over by the state), advertisement tax
Karnataka	Bangalore	Property tax, advertisement tax
Orissa	Bhubaneswar	Octroi, property tax
Gujarat	Surat	Octroi, property tax, vehicle tax, theatre tax
Tamil Nadu	Madras	Property tax, profession tax, advertisement tax
Andhra Pradesh	Hyderabad	Property tax
Uttar Pradesh	Kanpur	Property tax, advertisement tax, terminal tax

Source: Corporation budgets

Annexure Table 2 *Major sources of user charges and fees in some municipal corporations. 1991-92*

States	Municipal corporations	Sources of non-tax revenue (Not a comprehensive list of sources)
Maharashtra	Greater Bombay* (Mumbai)	Wheel charges, Sewer Charges, Building Licence Fees, Water Charges
West Bengal	Calcutta (Kolkata)	Building Plan Fees, Car Parking Fees, Water Charges (only for high valuation properties, and commercial and industrial use), Dangerous and Offensive Trade Licence Fees, Slaughter House Fees.
Karnataka	Bangalore*	Betterment Charges, Building Licence Fees,
Orissa	Bhubaneshwar	Building Licence Fees, Market Fees
Gujarat	Surat	Water Charges, Building Fees, Betterment Charges
Tamil Nadu	Madras*	Building Licence Fees, Market Fees, Car Parking Fees
Andhra Pradesh	Hyderabad*	Dangerous and Offensive Trade Licence Fees, Slaughter House Fees, Market fees
Uttar Pradesh	Kanpur	Building Licence Fees, Market Fees

*Special purpose authorities provide Water supply and sewerage services.

Source: Corporation Budgets

Annexure Table 3: *Total revenue, total expenditure and revenue gaps in the municipalities in some states (excluding municipal corporations).*

1993-94 and 1997-98

(Rs.Crore)

States	1993-94			1997-98		
	Total Revenue	Total Expenditure	Revenue Gap	Total Revenue	Total Expenditure	Revenue Gap
Andhra Pradesh	193.94	171.33	22.61	321.55	291.88	29.67
Gujarat	181.45	191.5	-10.05	341.11	369.61	-28.5
Karnataka	110.23	93.75	16.48	137.21	131.24	5.97
Kerala	72.22	85.12	-12.9	175.19	177.98	-2.79
Madhya Pradesh	62.92	70.27	-7.35	113.03	140.8	-27.77
Orissa	20.72	53.8	-33.08	36.79	62.42	-25.63
Punjab	126.3	136.54	-10.24	221.96	230.67	-8.71
Rajasthan	77.92	52.04	25.88	160.22	123.39	36.83
Tamil Nadu	247.33	200.48	46.85	630.03	393.63	236.4

Source: Report of the Eleventh Finance Commission - 2000-05, Annexure viii.3D.

Annexure Table 4: *Total revenue, total expenditure and revenue gaps in the municipal corporations in some states: 1993-94 and 1997-98*

(Rs.Crore)

States	1993-94			1997-98		
	Total Revenue	Total Expenditure	Revenue Surplus/gap	Total Revenue	Total Expenditure	Revenue Surplus/gap
Andhra Pradesh	158.50	214.32	-55.82	319.44	412.84	-93.40
Gujarat	445.22	327.30	-13.85	850.99	369.61	-481.38
Karnataka	135.00	148.85	117.92	257.32	280.41	-23.09
Kerala	39.22	51.43	-12.21	85.9	94.64	-8.74
Madhya Pradesh	204.22	243.65	-39.43	292.63	398.25	-105.62
Orissa	20.72	21.99	-1.27	36.8	38.71	-1.91
Punjab	126.3	131.47	-5.17	221.96	202.79	1917
Rajasthan	77.92	80.58	-2.66	160.22	157.61	2.61
Tamil Nadu	247.33	315.47	-68.14	630.03	563.06	66.97

Source: Report of the Eleventh Finance Commission - 2000-05, Annexure viii.3D.

UNIT 3: ARRANGEMENTS TO ENSURE MUNICIPAL FINANCIAL RESPONSIBILITY

Municipalities in general do not fully exploit the local revenue potential and are averse to the recovery of even partial costs of providing services by means of user charges, in many cases. On the other hand, little is done to bring about economy in spending by improved management practices. This results in a chronic financial crunch. States have the responsibility to ensure delivery of services to the citizens. The discussion here focuses on the need to equip the states with arrangements to ensure financial responsibility.

1.0 Training Objectives

After the training, the participants will be able:

- **Determine alternative mechanisms of fiscal transfer**

2.0 Enabling Objectives

After the session, the participants will be able:

- **Describe the present practice of financing capital works**
- **Identify available options for financing of capital works**
- **Identify appropriate tools for recovery of user charges**
- **Describe state's role in determining regulatory mechanisms**

3.0 Financing Municipal Capital Improvement Works: The Present Practice

ULBs' capacity to finance civic amenities and more importantly, the needed urban infrastructure, in the perspective of the envisaged growth in urban economy, remains a big question. So far there has not been a uniform pattern of financing civic amenities by the ULBs across the country. The only commonality discernible among them has been the accumulating backlog in civic services, both vertical and horizontal, due to chronic financial crunch. Certainly there are some exceptions, but those are only a few in numbers.

Traditionally, municipal capital improvement works have been made out of budgetary allocations of the central and state governments in the main, which the municipalities received both as grant and loan. Besides, smaller municipalities obtained loans from Life Insurance Corporation of India for water supply schemes, and now HUDCO has emerged as a major financial institution providing loan assistance to the municipalities for capital investment in civic infrastructure. Loans from these financial institutions are required to be backed by government guarantee. The budgetary allocations and institutional finance from HUDCO and LIC together have been far too inadequate to match the need for capital that can be invested, in respect of even the huge backlog in civic infrastructure development.

4.0 New Options

In the perspective of infrastructure (including urban and civic infrastructure) as a priority sector of development, various options are now being considered or are available for financing municipal capital works, such as:

- A central/state government loan fund that includes assistance from bilateral and/or international donors;

- Loans for urban infrastructure from state controlled institutions like pension fund and insurance fund;
- State sponsored *financial* intermediaries (like in Tamil Nadu, Kerala, Karnataka and Gujarat), which have been created for leveraging of grant fund with loan funds, thereby, reducing the overall cost of borrowed fund to the municipalities;
- Direct access of municipalities to debt market for financing infrastructure projects by means of 'general obligation bonds' or 'revenue' bonds;
- *Private sector participation* (PSP) in urban infrastructure development and municipal service provisions through one or other of the methods, like:
 - Contracting/leasing out selected assets to private investors
 - Build-operate transfer (BOT)
 - Build-operate own (BOO)
 - Build-operate-lease transfer (BOLT)
 - Renovate-operate and transfer (BOT)
 - Franchising or contracting out of management

There could be many more manners in which capital fund may be mobilized for developing urban and civic infrastructure and services, like the mechanism that is now being seriously considered is the Pooled Finance for development of urban infrastructure by the small and medium ULBs. (See Box 7). Since various financial and institutional options for sourcing investments in urban and civic PSP in infrastructure will be discussed in the Theme VI of the Module, discussion in this Unit is restricted to some issues, which need to be raised at this stage.

PSP in the form of BOT, BOO or joint venture or whatever, is welcome. For it would reduce the financial liability and management load of the ULBs to the extent of participation of private sector in provision of civic infrastructure. Inevitably, for raising revenue, PSP will bring with it the mechanism for recovery of cost and earning a reasonable return on investment made. There is nothing unfair in it.

Box 7 Pooled Financing Structures for Financing Urban Infrastructure Projects of Small and Medium ULBs

Floating municipal bonds with longer tenors have been perceived as too risky for the market and thus un-viable for receiving acceptable pricing. It is a felt need to create state-level *pooled financing structure* or bond banks as has been done by a number of states in the U.S.A. This is to support borrowing by smaller municipalities, who otherwise would find it difficult to directly access the capital market.

A bond bank is essentially a state-sponsored intermediary, which borrows from the capital markets. The bond bank then on-lends to participating local governments by either purchasing their individual bonds or by providing them with direct loans. By pooling debts in this manner, significant savings can be achieved through reductions in market costs and reduced spreads due to higher credit ratings, larger issue size, and wide investor coverage.

The bond issuer will be a Trust formed under the Indian Trusts Act or a Special Purpose Vehicle (SPV), which will serve as Debt Fund. Additional credit enhancement can be provided by establishment of a separate Debt Service Reserve Fund (DSRF) where the initial funding may come from the State/Central Government, pooled finance development fund (or from ULBs, financial institutions or donors etc.) and an all India financial institution/international donor agency may guarantee outstanding principal and interest payments through the DSRF.

To facilitate the medium and smaller ULBs to avail the pooled financing mechanism for implementing on going and future projects and reforms, the Ministry of Urban Development, Government of India may consider setting up of a separate fund/facility. This may be termed as The Pooled Finance Development Fund (PFDF).

The PFDF would invite proposal from state level entities initiating pooled financing for its small and medium ULBs as per guidelines. Access to PFDF will be subject to participating small and medium ULBs' agreeing to a specific reform agenda, which may include:

- Accounting reforms
- Financial management reforms
- Pricing and tariff reforms

However, PSP does not absolve the ULBs from the duties and responsibilities of reaching the citizenry with civic services at reasonable cost irrespective of PSP or stand-alone basis. Contrary to leaving the residents of their respective areas at the whims of the private sector, the ULBs will have the responsibility protect and guard their interests, more so for the urban poor so that in the wake of PSP they are not priced out. To ensure that private sector profit motive does not over shadow the social objectives of municipal service provisions, an effective *regulatory mechanism* will have to be in place for scrutinizing the cost of providing services and fixing and revising tariff from time to time. In this context the states may intervene by:

- (i) Providing the ULBs with model agreements/contracts for the use of the latter in the context of PSP in municipal service provision, and
- (ii) Initiating legislative enactment so that ULBs or for that matter State's social objectives are not jeopardized due to PSP as service provider on the one hand, and interest of the private service providers are protected, on the other.

Some states have already taken action in this direction; Gujarat is an example (see Box 8).

Box 8 The Gujarat Infrastructure Development Act, 1999 (GIDA)

GIDA, the first law of its kind in India, enacted by the State of Gujarat, focuses on facilitating infrastructure development through private participation. The Act establishes the Gujarat Infrastructure Development Board (GIDB), and provides for the basic framework along which GIDB would function and facilitate private participation in infrastructure projects. The salient provisions of the Act are:

- The scheme for the Concession Agreement is to be separately prescribed
- The nature of project should be as prescribed in Schedule I to the Act
- While facilitating projects, due compliance would have to be made with the Union laws prevalent in this sector
- Selection of project proponent shall be done through competitive bidding

- Direct negotiation permitted in the event that proposals are submitted not as response to any specific bidding process, but by the initiative of the concerned entity (ies)

Contd....

- There shall be an open bidding based on three successive sets of criteria: pre-qualification, technical and financial. The Act lays down the criteria for financial evaluation.
- Allows the project developers to charge fees as specified in the concession agreement, having regard to rate of inflation and variation in rate of exchange rates for revision of fees,
- As financial security, the project developer is required to open an escrow account or execute a performance Bond,
- The State Government or its agency can provide assistance for the project, such as through participation in equity of the project company; extending subsidies; senior or subordinate loan; extending government guarantees; operation of escrow account; conferment of development rights in respect of any land; and incentive in the form of exemption or deferral of taxes,
- In the case of termination of the concession agreement with a project, the Act provides for:
 - Payment of compensation to the developer in accordance with the concession agreement,
 - Take over of the project repaying the investments made by the, developer upon termination for default of the developer, but at the same time assuming liabilities of the developer for repayment of loans taken in lieu of the project;
 - New concession agreement with a person recommended by the lenders, on the same terms as specified in the earlier concession agreement.

At present most of the ULBs, particularly the smaller ones, lack expertise in negotiating private investment and management of municipal services with private sector. They are short of experience in drafting documents for entering contracts with private sector partners for service provisions, so that interest of the ULBs and their social objectives are not vitiated. The ULBs would need model agreements/contracts and legislative support for developing a durable relationship with the private sector service providers.

In the context of development of civic amenities by the ULBs themselves, borrowing per se is not a critical issue. The critical issue is the capacity of the ULBs, present and potential, to sustain the investments made out of borrowings. In other words, would the ULGs have the required debt carrying capacity, and be able to meet operation and maintenance commitments related to the assets

emerging out of the investments, in addition to their existing liabilities? Even when there is no borrowing and the entire development work is grant funded, the operation and maintenance commitments are still required to be met out of municipal revenue fund. Some schemes, like 'water supply' could be self-financing, that is the marginal revenue generated by such a scheme would at least equalize the marginal cost of the scheme. This subsumes pricing of the service provided by the scheme. Here again the question of social objective arises. Bringing urban poor within the fold of the pricing mechanism may not be socially justifiable and politically acceptable. Thus, the scheme is either to be partly financed out of general revenue and partly by user charges or by setting an enhanced tariff for those who can afford to pay, to cross subsidize the scheme in favour of those who can not afford to pay for the service.

Affordability or ability to pay for the services is measured from the estimated household income of the consumers belonging to different economic segments. Quantitatively, affordability is expressed by the planners and policy makers as 'so much percentage of household income a user can afford to pay for water supply, so much for sanitation facilities and so on'. Such measurements are presumptive in nature. Now it has been accepted world wide that consumers' 'willingness to pay' or WTP is a more realistic indicator of not only affordability but also preparedness of the consumers to pay for a certain service. WTP also indicates consumers' extent of preparedness to pay for different services and different levels of services.

Survey of potential beneficiaries of a proposed project, to ascertain their Willingness To Pay (WTP) for the service the project intends to deliver, is an essential element of project planning.

Cost recovery by pricing of services is an essential element of civic infrastructure development and its sustenance. ULBs in many of the states have not priced any of the services. States' intervention in this regard is also weak. Where user charge is levied, mostly on water supply only, the ULBs are generally averse to revise tariff, perhaps due to political compulsion. In some states, there is provision in the municipal Acts for levy of water rate but not being obligatory provision, the ULBs do not levy it even if they want as the elected representatives apprehend erosion of their political base if they take initiative in this regard. The opinion held by them is that water rate or any other rate can be immediately levied, if there is statutory obligation to do so.

There should be obligatory provisions in the state municipal Acts for levy of user charges for such service provisions by the ULB as may be specified. States where there is no such obligatory provision, the state-government may initiate legislative measures in this direction.

5.0 Summing Up

After reading this unit, the participants will be able to identify appropriate tools for recovery of user charges and options available in financial participation for infrastructure development. They will be able to discuss the state's role in regulatory mechanism.

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**Dinesh Mehta, Usha P Raghupati, *Privatization of Municipal Services: A Background Note*, NIUA, New Delhi, May, 1994
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UNIT 4: REFORMS IN MUNICIPAL ACCOUNTING SYSTEM.

As the topic suggests, this unit focuses upon reforms in municipal accounting system citing case study of Tamil Nadu Government.

These reforms are aimed at ensuring transparency and accountability of local governments for their actions and activities to the stakeholders.

1.0 Training Objectives

After the session, the participants will be able to:

- **Determine reform measures in the context of existing municipal budgeting and accounting practices**
- **Build transparency in municipal financial matters**

2.0 Enabling Objectives

After the session, the participants will be able to:

- **Identify constraints in the present municipal accounting system**
- **Identify issues to state need for improvement in budgeting and accounting practices.**
- **Describe Modified Government Financial Accounting (MGFA) system and benefits of adopting the same**
- **State manifestations of MGFA**
- **Specify steps to be taken for adoption of MGFA**

3.0 Need for Reforms

The growth in urban population and consequent increasing pressure on civic infrastructure, have made it too important for the ULBs to find investible capital from sources beyond the traditional ones. More so because, such investment requirements can be no more met by budgetary support for the State or Central Governments. Coupled with this necessity, the higher responsibility to provide infrastructural support for the growth of the economy at large, ULBs are required to make much larger investment than hitherto they made, and also to manage much larger projects than they had to so far. With the view to minimizing dependence on the State for financing municipal infrastructure projects, they are now required to take recourse to mobilize capital fund from sources other than government. For this purpose the ULBs need to strengthen their institutional capacity and bring about transparency in their financial affairs. Here we will address to some of the issues related to municipal accounting system and its reform.

4.0 Constraints in the Present Municipal Accounting System

The constraints in the accounting system that most of the ULBs practice in conformity with the provisions in municipal Acts and Rules are:

- **The single-entry cash-based accounting system now practiced does not permit a clear understanding of actual position of debits and credits and hence it conceals transactional flaws in the system and its analysis.**
- **Does not support maintenance of ledgers and income and expenditure statements and hence make it difficult to understand the actual financial position of the municipalities.**

- **The traditional accounting system does not support the assessment of assets and liabilities at any point of time.**
- **Does not maintain records of assets.**
- **Receivables of property tax not accounted.**
- **Reconciliation of bank account not done.**
- **Payables are not reflected on the accounts.**
- **Budgeting is done on the basis of unreliable estimates.**
- **There is no possible mechanism of monitoring of the fiscal transactions**

5.0 Need for Improvement: the Modern Government Financial Accounting (MGFA)

The need to improve the accounting and budgeting system arises out of the following issues:

- **With an increasing need felt to find alternate means of financing of urban services, the ULBs are required to take a clear view of their financial position and strategize accordingly. This would not only help them to draw clear-cut strategies for future investments but also assist them to locate areas of immediate but long-term interventions.**
- **This would facilitate clearly in actual asset and liability positioning of the ULBs and would make the procedure for credit rating of the ULBs easy and trustworthy, which would enable them to raise funds from financial institutions and market.**
- **A clear understanding of the financial position would enable identification of weak sectors and would bring clarity in terms of the sectors, which would be required to be financed through innovative financing means.**

5.0.1 Why MGFA?

The MGFA has the following benefits:

- **It allows maintenance of ‘funds’ in conformity with specific nature and characteristics like the source, the purpose and statutory requirements (See Box 9).**
- **It supports double-entry system of accounting**
- **It facilitates better fiscal control, monitoring, and providing an audit trail.**
- **It supports generation of separate financial statements for each fund enabling especially interested users of accounts to easily see and understand the financial information relevant to their area of special interest.**
- **It supports and incorporates specific statutory requirements with respect to Accounts and Audit Rules.**
- **It facilitates overall possibilities for sound financial management and helps to design, implement and monitor investments.**
- **It supports governments’ need for improved budgetary controls through clear linkages with the budgets.**
- **It facilitates distinct accounting activities governed by special policies and improves ULBs’ abilities to formulate and implement clear financial policies.**

5.0.2 Manifestations of MGFA

- **Maintenance of accounts on double-entry basis, which will enable the ULBs to maintain accounts of Assets, Liabilities, and Revenue and Expenditure.**
- **Systematic accounting of assets and resolve the issues related to valuation of assets.**
- **Reconciliation of bank accounts.**

- **Establishment of separate fund accounts for separate operations like separate account head for government/municipal fund, special revenue fund, Debt fund, Propriety fund, Enterprise fund, Fiduciary fund, Agency fund, Provident fund and so on.**
- **A balance sheet at the end of the financial year, which will indicate inter alia the financial position of each of these funds.**

5.0.3 Steps to be taken

(i) Develop accounting manual in accordance with the precepts of Modern Government Fund Accounting system (MGFAS)

Establish various accounting policies and practices including:

- **Encumbrance accounting**
- **Use of modified accrual basis of accounting for governmental fund**
- **Approach to and method of valuation of fixed assets**
- **Depreciation of fixed asset**
- **Method to be used for accounting of fixed assets**
- **Investment policies**
- **Valuation and recording of stores**

(ii) Accounting process and work flows

- **Establish internal work processes and flows which will facilitate information exchange and flows necessary for double-entry accounting system**
- **Establish accounting books and procedures necessary for MGFAS**

Box 9 Types of funds:

Proprietary Fund

The business like activities that ULBs undertake for providing services against user charges/fees are accounted for, separately for each of such services, in Proprietary Fund. Such services could be like water supply, solid waste management, renting of shops and properties and so on. Although the ULBs do not operate these activities like business to make profit, these activities have inherent entrepreneurial characteristics, like heavy capital investment and need for maintenance of assets in order to ensure sustainability of the service provisions. The very need for asset maintenance requires that accounting and financial management of such activities should be similar to those for enterprise. Therefore, activities such as these need to be accounted for in Proprietary Funds and in accordance with business accounting principles.

There are some departments of ULBs, which provide services to other internal departments and/or to government agencies. Such services too are accounted for in Proprietary Funds. Thus, there are two types of Proprietary Funds:

- Enterprise Fund
- Internal Service Fund

Governmental Fund

Here Governmental Fund stands for “local government fund”. ULBs perform certain functions, which distinctly address ‘governance’, for example, deliberations in the municipal councils, collection of taxes, registration of births and deaths, planning for improvement of services and so on. Such functions should be strictly managed and undertaken in accordance with the governmental (i.e. local governmental) objectives, which include provision of basic facilities for the citizens, like public safety, education and welfare in general. Here the focus of expenditures is not maintenance of assets per se. These governmental expenditures or activities should be accounted for differently from commercial accounting as it is for Propriety Fund or other funds. In view of the range of (local) governmental activities and operations, Governmental funds are classified into four types: General fund, Special revenue fund, Capital projects fund and Debt service fund.

Fiduciary Fund

ULBs also undertake activities wherein they undertake/administer programmes and schemes on behalf of State and/or Central Governments. In all such activities they do not have any discretion over resources and have to act in accordance with the concerned agencies’ directives. Among such programmes: Swarna Jayanti Shahri Rozgar Yojana, Low Cost Sanitation Programme. In all these cases, the resources neither belong to the ULBs nor do they have any spending authority over such resources. On the other hand inclusion of such resources in municipal financial statements gives misleading picture indicating that ULBs possess such quantum of resources on their own account, which actually they don’t. Such resources should be treated as fund held in custody by the ULBs on behalf of others and should be accounted for separately in Fiduciary type of funds. Fiduciary Funds may be classified into three types:

- Non-expendable trust fund

Collate and maintain asset records

- **Identify all fixed assets and financial assets belonging to the ULB**
- **Secure title deeds for the assets**

- **Undertake valuation of assets wherever necessary**
- **Collate records and develop an asset database.**

(i) Liability records

- Aggregate the long-term liabilities records based on past transactions
- **Establish work processes for correctly recording liabilities in future especially current suppliers bills payables**
- **Set up of the requisite number and types of fund**
- **Set up separate books of accounts for each fund**
- **Identify assets, liabilities and fund balances for each fund**
- **Establish internal accounting procedures to aid in fund accounting**
- **Establish modalities for internal services funds' (ISF) charges.**
- **Initiate customized computerized accounting**

(ii) Development of customized software to cater to specific requirements of the ULB:

- **Training personnel for operational efficiency**
- **Ensure regular maintenance and upgrading**
- **Set up long-term debt account group that includes all long-term liabilities. Since ISFs need to charge other departments within the ULB for services rendered, appropriate modalities for recognizing such charges need to be established.**

Box 10 Basis of Accounting

Element	Cash Basis	Accrual Basis	Modified Accrual Basis
Revenues	<p>When cash is received. Example: Collection of Property Tax Collection of fees and fines Transfer on grant money to bank account</p>	<p>When revenues are earned. Example: Receivable property tax after issuance of demand notice On receipt of sanction letter of grants from government</p>	<p>When revenue becomes measurable and available to finance current period expenditures Examples: Current or arrears of property tax receivable within a short period of say, 30 days after close of the Financial year.</p>
Expenditures	<p>When cash is paid out. Example When salaries are paid When suppliers bills are paid</p>	<p>When expenses are incurred and liability arises. Examples: When salaries become due but not paid (remains payable) When on receipt of supplies payment becomes due to supplier Exception Inventories may be considered as an expenditure when purchased or when consumed</p>	<p>When expenditure is incurred and a liability arises Examples Same as in case of accrual basis Exceptions Inventory may be considered as an expenditure when purchased or when consumed In case of debt service fund, both principal and interest are recognized as expenditures when they are paid.</p>

5.1 An Important pre-condition

Modified Government Account System as briefly described above is based on the Technical Guide on Accounting and Financial Reporting By Urban Local Bodies drafted by the Accounting Standards Board of the Institute of Chartered Accountants of India and circulated in September 2000. The Government of India is believed to have requested all states to reform the accounting system of the urban local bodies following this Guide. Tamil Nadu has already reformed municipal accounts accordingly and has made extensive amendments in the municipal Acts and Rules to give

support to it. Some other states are now in the process of following suit.

The budgetary and accounting practices of the ULBs are governed by state municipal acts and rules. However motivated the ULBs are for reforms in these practices or systems, they are constrained to do so unless state intervention in this regard precedes. Again reforms are required to be approved by the Comptroller and Accountant General of India. (See Box 11)

Box 11: Essential pre-condition for reforms in municipal accounting system
Essential pre-condition for reforms in municipal accounting system is states' motivation for policy orientation addressed to the reform. The required intervention would manifest in:

- Preparation of accounting manual;
- Approval by the CAG of India;
- Taking necessary legislative measures;
- Drafting of Rules; and
- Arrange both intensive and extensive training for the concerned personnel

6.0 *Summing Up*

After going through this session, the participants will be able to determine the importance of modern accrual based accounting system and identify steps to be taken for adoption of MGFA.

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- 3. Joseph R. Razek - Gordon A. Hosch, Introduction to Governmental and Not-For-Profit Accounting, Prentice Hall, pp 11-46.**
- 4. The Institute of Chartered Accountants of India, Accounting Statndards Board, *Technical Guide on Accounting and Financial Reporting by Urban Local Bodies*, New Delhi, Sept., 2000, pp, 10-21.**

THEME V

MUNICIPAL PERSONNEL SYSTEM AND MANAGEMENT

UNIT 1: MUNICIPAL PERSONNEL SYSTEM

UNIT 2: PERFORMANCE BASED PERSONNEL MANAGEMENT

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Theme V: Municipal Personnel System and Management

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THEME V: MUNICIPAL PERSONNEL SYSTEM AND MANAGEMENT

The Theme on Municipal Personnel System and Management illustrates the various personnel systems and the important staffing norms, recruitment agency and policy and manpower development. It further emphasises the need for job description appraise personnel performance. The Theme covers:

Unit 1. Municipal Personnel System

Unit 2. Performance-Based Personnel Management

UNIT 1: MUNICIPAL PERSONNEL SYSTEM

1.0 Training Objectives

After the Training, the trainee will be able to:

- Compare the three Personnel systems identifying their strengths and weaknesses.
- Discuss the essential ingredients of personnel management
- Determine reform strategies

2.0 Enabling Objective

At the end of the session, the participants will be able to:

- Describe the three types of municipal personnel system.
- Appraise the advantages and disadvantages of separate, unified, integrated and mixed municipal personnel system.
- Identify the several aspects of personnel development
- Determine need for framing staffing norms, recruitment rules and plan for manpower training.
- Establish need for flexible staffing arrangements
 - List advantages and pre-requisites for private sector participation
 - State goals of personnel management
 - Describe role of state in personnel management

3.0 Importance of Municipal Personnel Management

On the nature and quality of personnel management depends, to a large extent, the quality of municipal service delivery and building up an enabling environment conducive to furthering processes of decentralization and effective governance.

Municipal personnel work at the local level in full view of public criticism by the consumers of municipal services. Almost a face-to-face relationship exists at the local level between municipal personnel, local political leadership and citizens. This relationship can be harmonious and productive if municipal management could be autonomous and could exercise its considered discretion for staff accountability and efficient performance.

In the last two decades there have been some experiments in reforming municipal management structure. West Bengal has introduced the Mayor-in-Council management structure in municipal corporations and the Chairman-in-Council management structure in municipalities; Maharashtra started but soon abandoned the Mayor-in-Council pattern, and Madhya Pradesh has been experimenting with it. The All-India Mayors' Council has been persistently demanding the introduction of the cabinet form of management structure in municipal government.

Efficient and effective municipal management demands judicious and scientific personnel management and is an essential ingredient of good urban governance. If the functioning disorder in urban governance in India is to be remedied and good urban governance achieved, it becomes imperative to streamline municipal management system in its political as well as administrative aspects.

A typical metropolitan or an urban area in India is conspicuous by the number of institutions, agencies and organisations engaged in their own

ways in the task of improving and managing urban development. The multiplicity of institutions and organisations creates a political and administrative maze and hinders efficient urban management. The 74th Constitutional Amendment (1992) has underlined the need to revamp municipal management system in India and has emphasised the role of building urban local bodies (Municipal Corporation, Municipalities and Nagar Panchayats) as institutions of local *self-government*. The basic idea of local self-government was originally mentioned in the Constitution (Article 40, Part IV of Directive Principles of State Policy). If the ideal of local *self-government* in urban areas is to be realised in practice, municipal government should receive its due importance. And if municipal government is to play its coordinating role in promoting good urban governance, municipal personnel management needs to be re-organised and re-structured in response to the needs of the thriving tempo of urbanisation in India.

4.0 Personnel Development

An efficient personnel system enables an organization to develop and manage its human resources to accomplish efficient discharge of its functions and effective management of its service delivery. Managers need to be motivated to select, develop and utilise human resources for realizing the organisational goals. Personnel policies, which clarify and stress the responsibilities for effective management, deserve proper attention and necessary reforms. Though Municipal Personnel Administration is primarily the domain of the municipal bodies, the State Government can make significant contribution in this field by discharging its statutory responsibilities in a professional manner and by taking various promotional measures. The purpose of the present paper is to explore the areas where state intervention in municipal personnel administration will

be meaningful. For a scientific municipal personnel management system of administration, the following are the imperatives:

- *Recruitment and Maintenance of Municipal Personnel.*
- *Manpower Planning, Municipal Capacity Building and Training.*
- *Flexibility in Staffing Arrangement.*
 - *Reform Strategies for Municipal Personnel.*

4.1 Recruitment and Maintenance of Municipal Personnel

A United Nations study on local government personnel suggested in the 1960s a number of features of a good local government personnel system. These features included

- Posts in local government must be comparable in attractiveness with posts under state and central governments or in the private sector in terms of pay, service conditions, security and career prospects.
- Selection should be based on merit by open competitive examination followed by personal interviews.
- There should be reasonable career prospects.
- Transfer of personnel from one municipality to another would help the personnel to enrich their experience of different contexts of municipal management.
- There should be adequate arrangements of in-service training.
- Municipal personnel should have loyalty to their municipal authorities and tender honest and courageous advice. They should be responsive to their elected councils.

*Apparently, this study visualised a municipal personnel system, which is a judicious mix of three types of municipal personnel systems- **separate, unified and integrated.***

4.1.1 Advantages and Disadvantages of Three Systems of Municipal Personnel

In '*separate*' personnel system municipalities are empowered and responsible for recruitment and maintenance of their own personnel. In '*unified*' system certain categories of personnel constitute a statewide municipal cadre raised and controlled by the state government. In the '*integrated*' system the personnel are transferred between national, state and municipal governments. Theoretically speaking, each of the three personnel systems has advantages and disadvantages. It would be instructive to analyse the arguments for and against these three types of personnel systems, because such an analysis would help set the theoretical backdrop of evaluating particular municipal personnel system.

4.1.1.1 Separate Personnel System

A separate municipal personnel system has the following distinctive *advantages*:

- a) **Municipal bodies have the power needed to ensure the loyalty and effective performance of their employees.**
- b) Employees, when locally recruited, are likely to know the local conditions better and develop more interest in community affairs than would the employees recruited from elsewhere.
- c) Since the local authority has control over its entire staff, the problem of different status for different categories of staff doesn't exist.
- d) The opportunities for continuous employment in their own communities may induce some of the talented young persons to seek a career in the service of the local municipal government.

- e) The separate municipal service is likely to be relatively economical because the compensations for some municipal employees need to be competitive only with other opportunities for employment in the local economy.
- f) The basic advantage is that a separate system contributes to local 'self-government' by allowing local authorities to exercise power in an important field, i.e., recruitment and management of its own manpower resources.

The realisation of these advantages depends upon the ability of local authorities to introduce other requisites of a sound personnel management within the framework of a separate personnel system. As against these advantages, there are some strong disadvantages of separate municipal personnel system.

A separate personnel system has the following disadvantages:

- Left to them, local authorities may not be able to fulfil all the requisites of a good personnel system. Except big and rich municipalities, it may be too much to expect the smaller municipalities to reach *minimum standards* and to attract *competent people*. The catchment area for recruitment and the ability to pay are both restricted in respect of particular municipalities.
- The main disadvantage is that the separate system unduly restricts opportunities for promotion, especially for higher-level officers. Municipal administration usually does not have large number of higher posts. Any brilliant officer employed in the service of a municipality is likely to find that he does not have many higher posts, which he could reasonably expect to enjoy during his service career. Frustration resulting from absence of promotion prospects seems to be a strong argument against separate municipal personnel system.
- **Since under separate system the personnel recruited by the municipal authority spend their entire working life in the**

locality, local vested interests are likely to influence their performance. Moreover, the officers generally are likely to develop some kind of personal allegiance to particular local political leaders or group interests. This feeling of personalised allegiance may not allow the municipal officers to discharge their duties in an impartial manner.

4.1.1.2 Unified Personnel System

The idea of *unified personnel system* involves an area basis for recruitment as wide as the area covered by the unified service. Under unified personnel system, objective criteria and methods are to be applied in recruitment, appointment and promotion. Common conditions of service comparing favourably with state services are established. Transfers are made easy between municipalities without any jeopardy to the transferred employee's career or employment rights or the interests of local authorities. The staffs are protected against arbitrary disciplinary measures adopted by the local authority. Provision of pre-entry and post-entry training is to be centrally planned to the needs of the personnel in the unified service.

The probable *advantages* of the unified personnel system are as follows:

- It may facilitate the creation of a statewide career service founded on the merit principle.
- It may enable municipalities, especially the smaller ones; to obtain the services of more qualified persons than would be attracted to them under a separate system.
- It may prevent, or greatly lessen, nepotism and favouritism in appointment, promotion and other personnel matters.

- It involves a certain degree of centralised control over municipal personnel matters but also provides for delegation of personnel functions to municipal authorities to the maximum extent practicable and may thus facilitate the devolution of development functions to local authorities.
- Responsiveness of employees to local councils may be a problem at the initial stage, but those who make local government service a life-time career are more likely to develop skills and attitudes conducive to sound relationship with their council.
- Despite the problems connected with it, a unified service nevertheless provides a more rational basis than may otherwise be possible for dealing with the municipal government staffing problems.

Like its advantages, the *disadvantages* of unified personnel system are also many and formidable.

(a) It does not solve all the personnel problems of local authorities.

In fact, some new problems may arise because of the need for trained staff:

- To administer the service;
- To orient all those concerned in the new relationship of personnel, councillors and centralised agencies concerned;
- To foster the development of negotiating machinery representative of local authorities and their staffs;
- To develop procedures governing personnel actions, standards for job classification and pay scales; and
- To devise disciplinary measures, and other elements involved in a unified service.

(b) Where unified service covers only a part of the staff, new problems arise in relationship between employees who belong to the unified service and those who do not.

- (c) Even after introducing the unified personnel system, some of the old staffing problems may persist: for example, shortage of staff, particularly at the middle and higher levels due to continued disparities in salary levels between the municipal service and the state service; and lack of promotion opportunities for higher-level officers because there are not many large municipalities which can afford to maintain high level posts.**
- (d) Problem of inadequate funds for training may be aggravated where municipal councils are expected to pay for the training of staff in the unified service.**
- (e) Political interference in personnel matters continues to exist, at least at the district or state levels.**
- (f) There are possibilities of conflict between the unified service agency and municipal councils. The agency's powers over appointment, promotion and discipline somewhat weaken the traditional basis for responsiveness of staff to municipal councils. Members of the unified service are also likely to be confused as to their relationship with the local authorities they serve and the unified service agency. Where there is a strong desire of municipal councillors to assert their powers, officers may be asked to do things that are not allowed under the rules, and the unified service agency may not be able to protect them from attack by councillors.
- (g) A unified service may also raise special problems in training, e.g.

 - (i) Provision of substitute employees to small municipalities to replace persons who may require a long period of training off the job;
 - (ii) Financing of the training of members of the unified service; and
 - (iii) Reluctance of local authorities to train persons who are to be transferred elsewhere in course of time.

4.1.1.3 *Integrated Personnel System*

An *integrated service* covering both national/state governments and municipal government is based on merit principles. Its distinctive feature is vertical as well as horizontal transferability of personnel. It has the following advantages:

- (a) It ensures the same salaries, conditions of service, and retirement benefits for civil servants regardless of the level of service.
- (b) It permits the most extensive area basis for recruitment.
- (c) It provides the widest possible career opportunities in public service. It is advantageous to the staff for the greater opportunities it affords; to local authorities for the high quality of personnel it makes available to them; and to all levels of government and the nation as a whole for the understanding of local needs that the staff carry with them to higher levels of government and for the contribution this system makes to national integration.
- (d) It facilitates the estimation of national manpower needs and the organization of educational and training programmes to meet them.
- (e) It facilitates the optimal use of trained personnel and permits the use of centralised personnel service and uniformity in personnel rules and practices to the extent advisable.
- (f) It facilitates the decentralization of development functions and thereby increases the participation of the people in the administration of those functions. Where there is a shortage of qualified municipal personnel, competent community leaders and experienced councillors, an integrated service facilitates the rational distribution of qualified staff and therefore the use of local government to foster social and economic development.
- (g) It gives the central/state government a greater stake in the improvement of living conditions in small towns and rural areas**

in order to make life there more attractive to qualified personnel and, incidentally, to other residents as well. As a result, it may both accelerate local development and stimulate the growth of local government institutions.

- (h) The staff is likely to be more insulated than in other systems from local politics and personal pressures, although they may be less responsive to local elected bodies.

Integrated personnel system suffers from some serious *disadvantages* from the point of view of municipal government. These include:

- (a) The staff may not be as responsive as they should be to the local council.
- (b) The most capable staff are likely to be promoted to higher levels of government just when they acquire the experience needed to deal effectively with complex local government problems.**
- (c) The integrated personnel system is geared to meet the central /state government needs; as a consequence, the distinctive elements of local government personnel management, including. Special requirements in classification, examination and training, may not be met.
- (d) The danger of excessive centralization of authority with its resultant delays and lack of adaptation to local needs would be ever present.
- (e) There is a danger of paternalism, and even authoritarianism, in relationship between municipal councillors and the staff belonging to the integrated service. Of course, suitable training can be organised to rectify this disadvantage, or even joint training of elected and permanent officials may be tried.

For evaluating the usefulness and suitability of municipal personnel system, it is necessary to get rid of doctrinaire ideas and mechanical comparison. If any personnel management system is found to be injuring the basic value of municipal autonomy, fresh thinking on personnel development is urgently called for.

Integrated Personnel System is followed in the states of Tamil Nadu, Andhra Pradesh, Orissa, Bihar and Madhya Pradesh. The states of U.P. and Rajasthan have adopted a most comprehensive scheme of unified service covering superior and subordinate categories of employees from the highest administrative and technical posts down to the posts of head assistant, overseer and sanitary inspector. Punjab and Haryana also follow the unified system whereas Gujarat and Maharashtra partially follow it. West Bengal follows the separate system but is considering the partial introduction of the unified system.

Over the years experience has shown that each of the three municipal personnel systems (separate, unified, integrated) has both plus points and minus points. As suggested by the UN study, while designing municipal staffing pattern, it would be appropriate to have a judiciously mixed personnel system with enough flexibility to receive full benefits of municipal autonomy and efficient service delivery.

In 1963 the Central Council of Local Self Government preferred provincial administrative, public health, engineering and town planning services of municipalities in the interest of better and more efficient municipal management.

4.1.1.4 The Rural Urban Relationship Committee Report

The Rural-Urban Relationship Committee (RURC), 1966, was the first official committee, which made some serious study of municipal personnel. RURC preferred an integrated municipal personnel system for the executive and technical (public health, medical, engineering, town planning and accounting) posts, because unified state cadre would attract properly qualified persons to municipal service. It preferred unified cadre for administrative officers, revenue officers and assessment officers. The RURC's main concern was attracting qualified and competent personnel for municipal service. It rejected municipalities' unfettered right to appoint and remove their employees. It favoured a

combination of direct recruitment and promotion from lower grades on merit. To bolster up the morale and promotion prospects of municipal officers, it recommended that unified service should be recognised as a feeder service for appointment to the posts of municipal commissioners and other senior posts.

The RURC preferred efficiency in management. The type of cadre system emphasised upon by the RURC needs considerable thought in today's situation. Whether or not its idea of efficiency through a cadre system of bureaucracy would achieve efficiency in municipal management needs serious debating

Before the RURC report could be properly considered, the Committee on the Service Conditions of Municipal Employees (1967-68) championed the case of an integrated personnel system and recommended a setting-up of the statewide cadre of municipal employees. It expressed strong opinion against municipal autonomy and took a legalistic- bureaucratic point of view.

However, to follow any of the above systems or a combination of systems, it is also necessary to look at some essential ingredients of personnel management.

4.2 Manpower Planning, Municipal Capacity-Building and Training

4.2.1 Manpower Planning

Manpower planning in the organizational context is concerned basically with two inter-related functions: to review the existing manpower of the organization, and to anticipate the future requirement. The ultimate purpose of manpower planning is to make available to the organization the right kind of personnel at the appropriate time and to ensure optimum utilization of manpower.

The first task in manpower planning would be the drawing up of manpower inventory of individual municipalities in terms of position, age, qualification, pay scale etc. The next step would be to make analysis of manpower in terms of availability of skilled personnel, age group, salary ranges, career paths, etc. The results of this analysis can be used to formulate policies. Analysis of skills available in the organization will lead to policies with regard to training, future recruitment, fixation of qualifications for recruitment etc. Analysis of personnel in terms of age and salary ranges will help in taking decisions on promotion, manpower acquisition plans, revision of pay and allowances, projection of establishment expenditure etc. Since one of the major purposes of manpower planning is optimum utilization of manpower, review of existing manpower should also include analysis of terms of utilization. Manpower norms for different kinds of municipal personnel can be developed through work-study, as have been explained in the next section. If such norms are available then analysis may be made with fair amount of objectivity about the manner in which manpower is used. Such a review of deployment of existing manpower may then be used for indicating steps for optimum use of manpower.

Another aspect of manpower planning is forecast of future manpower requirement. Though the nature of municipal activity is liable to change either due to a change in the functional domain or due to change in technology, the various functions performed by local bodies can be broadly grouped under four heads-service delivery (obligatory functions), regulation (like building bye laws), extraction (like collection of taxes) and assigned functions (like scheme implementation and management). The designation of a municipal body into a planning authority in pursuance of the Town and Country Planning Act will require expertise in town planning within the municipal body. Again changeover from service privies to sanitary latrines will require a different kind of work force within the conservancy department. Further, construction of a new water-supply system or a crematorium will bring a new dimension in maintenance management and create the need for skilled professionals not presently available within the municipality. Hence the necessity of manpower forecast. Once this forecast is available, plans for acquisition could be drawn up. Such acquisition plans should aim at least-cost solution and avoidance of strains in employer-employee relations. These considerations are important, because introduction of new works create redundancy in some departments and generate new works in others. Quite often, it is discovered that utilization of surplus manpower in new kinds of works after imparting adequate training to them, is a better solution from the point of view of cost or employer-employee relations than resorting to open market recruitment. Unfortunately in the absence of manpower planning, such solutions are not attempted. One of the causes of overstaffing in Government institutions is a virtual absence of manpower planning.

It requires professional skill to undertake an exercise in manpower planning. The State Government may assist the municipal bodies to draw up their manpower plans, by undertaking directly such exercises for some selected municipal bodies.

4.2.2 Manpower Norms

Manpower norms can be developed through work-study. The techniques of work-study – i.e. method study and work measurement or time study – can be used for various purposes, even though their primary use is for achieving greater productivity through rearrangement of worker and his tools. For developing staff norms for municipal bodies, work-study is a potent instrument. Most of the typical works are repetitive in nature. Both method study and time study can be easily conducted to analyze such works. The techniques can also be applied without much difficulty on the office works. It is possible to develop a set of norms for determining manpower requirement in various kinds of Municipal work by conducting work-study in a sample of municipalities. Without applying such scientific method of observing and analyzing the work, it is not possible to develop any objective criteria for determining manpower requirement. In the absence of criteria based on hard facts and systematic analysis, one has to depend on guesses and hunches. This is what is being practiced in assessing requirement of municipal manpower.

4.2.3 Work Study

Apart from developing yardsticks for post creation, work-study can make useful contribution in other fields of personnel management. Method study can suggest easier and more productive methods of organizing work by eliminating unnecessary work, avoiding delays or other kinds of waste. Such suggestions may be used for rationalizing distribution of work among individuals, units and departments. Internal structure of the organization may thus be reoriented to suit the requirement of organizational task. Another product of work-study is job description of individual workers. For

ensuring accountability of individual worker and for facilitating clarity of organizational rules, job description is a 'must'.

Work-study may also contribute in administrative management by suggesting better office layout and by rationalizing use of forms, stationery, equipment etc.

An administrative policy is designed for implementation. If scientific norms can be developed for optimum deployment of manpower resource of municipal bodies, then it is necessary to see that those are implemented. It is therefore necessary to conduct manpower audit. Such audit may concentrate on the following:

- (i) Whether the municipal bodies follow the statutory requirements in respect of creation of posts and recruitment thereto.
- (ii) Whether the norms developed for determining staff requirement are followed.
- (iii) Whether there is redundancy in a department and understaffing in another.
- (iv) Determining rate of absenteeism
- (v) Whether recruitments have been made in expectation of future work, and if so, how many.
- (vi) Difficulties, if any, faced in the matter of recruitments

One of the inspectorial duties of the Directorates of Local Bodies may be to conduct manpower audit on above lines.

4.2.4 Conduct

Municipal Government is basically a political institution. Being closest to the people, politics is highly manifested in functioning. Hence formulation of conduct rules for municipal personnel must reckon with this stark reality. If conduct rules are framed with the naïve assumption of a political work environment, then those are likely to be observed more in violation than in observance. Moreover, the municipal bureaucracy,

unlike its counterpart in State or Central Government, cannot always afford to seek refuge in 'glorious anonymity'. They have to work – especially in small towns, face-to-face with the community. Hence, the qualities of aloofness and impersonality – the two well-known attributes of classical model of bureaucracy are absent from municipal bureaucracy in India. However, these are neither feasible nor desirable in the context of local government. At the same time, the municipal officers have to be kept away from the arena of politics. A lot of introspection and intimate knowledge of municipal work – environment should go into the exercise of drafting conduct rules for the municipal employees, which in turn demands designation of responsibilities for each job type. The conduct rules should also emphasize upon employer-employee relationship. This is being discussed in Performance-Based Personnel Management.

4.2.5 Municipal Capacity Building

The task of developing a sound municipal personnel management system is part of the larger domain of municipal capacity building for achieving efficiency and excellence in handling organizations of urban management. Till now, in India, attempts for toning up municipal management have been partial and sporadic, and generally sectoral.

Capacity building needs to be demand-based and dynamic in its content. It should cover not merely the technological upgradation of office procedures and record-keeping like the use of computers but also improving the qualification and capability of the personnel directly engaged in municipal management and service-delivery as well as of the stakeholders in civil society who have some connection with, or impact on, municipal management. In view of limited resources, the need of an optimum use of resources through a well-designed capacity-building programme can hardly be overemphasized. Such a programme should

take into account from categories of workers prevalent in the local governments.

- Very efficient and willing.
- Very efficient and unwilling.
- Willing but without skill.
- Unwilling and unskilled.

It so happens that those belonging to first category are overburdened with work and responsibilities. The unwilling and the poor performers are left to themselves. This piles on negativism on the other categories who loose out on their will and motivation and motivation levels to perform.

Some other factors, which also impeach upon the staff's attitudes towards work, are:

- The absence of a democratic way of functioning.
- Respect for individuals and their work.
- Transparency.
- Accountability (See Box No. 1)

Box No. 1 Case Study: Halisahar Municipality

1) One of the staff responsible for payment of electricity bills did not do so in time for a particular month. As a result the Calcutta Electric Supply Corporation (CESC) charged the municipality with a heavy fine, in place of a rebate, which the municipality had been enjoying for years for paying bills before the due date. The chairperson hauled up the staff member responsible for the lapse. He was made accountable by having to pay the fine through deduction from his monthly salary. Having learnt a lesson, the concerned employee realised that he was accountable for his work and since then he has never defaulted in his duty.

2) An employee of the Conservancy Department had made it a practice to work a maximum of one hour. After which he would be in a state of stupor because of heavy drinking of liquor. Thus absenteeism and intoxication became the cause of his unpopularity with others. He was not accepted by any councillors in their wards. Finally, the Municipal Chairman took up the responsibility of helping the defaulter to reform himself. It required patience and tact on the part of the Chairman to tackle him. Sometimes the employee was counselled and sometimes

Parallel entry of qualified personnel from private sector into municipal management would definitely improve municipal capacity building in respect of accounts, public health, assessment and valuation, and engineering departments in the municipality. Outsourcing of technical personnel would prove crucial in municipal capacity building. The experiences of Ahmedabad and Coimbatore municipal corporations and of many other municipalities in Maharashtra, Gujarat, and Tamil Nadu are cases in point.

Incentives, including promotion prospects, are a valuable means of personnel development, but care must be taken to prevent promotion of personnel from becoming the be-all and end-all of service career. The issue of promotion should avoid creating administrative problems and tensions in municipal management. A case study illustrates the promotion problem in a small municipality under the “unified” personnel system. It shows that management failure in this matter negates one of the objectives of personnel development, viz. motivating the personnel for better municipal management by proper and timely promotion (see Annexure 1).

4.2.6 Training of Municipal Staff

Any plan for increasing the performance level of an organization must have a component of Training. Apart from developing yardsticks for post creation, work-study can make useful contribution in other fields of personnel management.

Training itself cannot lead to improved performance of the organizational tasks. The latter is a complex function of various factors individual skills, “motivation of the employees”, work procedures of organization, access to resources, general climate of organization etc. Training helps in the process of better performance by developing systematically among the employees’

attitudes, knowledge, skills and behaviour patterns required for performing adequately a given task or job. Training therefore is an essential ingredient of sound personnel.

Training is a specialized activity. Excepting large corporations, it is difficult for the small or medium sized municipal bodies to retain training professionals within their own organizations. Hence, it is the State, which has to create opportunities for training in municipal affairs.

Training facilities should accordingly reach the highest as well as the lowest levels of employees. The need for training of the elected representatives of the urban local bodies has of late started receiving the attention it deserves, though there have been institutions to impart training to the elected representatives of the rural Panchayats for years.

Pay-off from training can be expected if training is related to the specific problem - areas of organization. Unless training needs are carefully assessed through observation and analysis of the deficiencies in professional and human skills of the target group, training programmes will become sterile. Both the content of the programme and the pedagogy should be related to the specific needs of the target group. All these aspects are very often ignored rendering investment on training infructuous.

The general experience with municipal management in India has been that there is a vast army (about two million) of municipal employees but most of them lack proper education and training for doing justice to their functional responsibilities. Compared to the developed countries, municipal capacity building is at a low level in India. Today management of complex urban living is a stupendous task requiring a host of qualified personnel. Effective management depends upon adequate availability of administrative, professional and technical personnel.

The Committee on Training of Municipal Employees (Nuruddin Committee), in its Report (1963) appreciated the need of training municipal employees and recommended setting up of training institutes

at the central and regional/state levels for imparting comprehensive advanced training to all levels of municipal employees as well as to elected political leaders of municipal bodies, and also for setting training standards and conducting research in municipal management and other related problems. The Committee's recommendation was accepted in a modified form. Training centres and institutes have since been established in New Delhi and also at Lucknow, Hyderabad, and Mumbai. In course of time several other institutes have been established in other parts of India for imparting training on a regular basis.

The Training for municipal personnel in India was first initiated by the Local Self-Government Institute (later renamed All-India Institute of Local Self-Government) in Bombay in the year 1926. Later some universities started diploma courses in municipal administration. Indian Institute of Public Administration, New Delhi, came in a big way in training of municipal personnel since the 1960s. This was followed by the regional centres in Bombay, Lucknow Hyderabad and Calcutta in the 1970s and 1980s. Currently municipal training is organized by a number of specialised organizations in different parts of India. (See Box 2).

Box 2 Organizations of training municipal personnel in India

1. All India Institute of Local self-government, Mumbai.
2. Indian Institute of Public Administration, Centre for Urban Studies, New Delhi.
3. National Institute of Urban Affairs, New Delhi.
4. Housing and Urban Development Corporation (Human Settlement Management Institute) New Delhi.
5. Institute of Local Government and Urban Studies, Kolkata.
6. Institute of Urban Management, Kolkata Municipal Corporation.
7. Tamil Nadu institute of Urban Studies, Coimbatore.

Occasional training courses for municipal officers are also organised by:

- **National Institute of Public Finance and Policy (New Delhi).**

- **National environmental Engineering Research Institute (Nagpur).**
- **All- India Institute of Public Health and Hygiene (Kolkata).**
 - **Indian Institute of Management (Kolkata).**
 - **School of Planning (Ahmedabad).**

In India top-level municipal executives are generally deputed from various all-India and state personnel cadres, and the result is that municipal training for such deputed officers lacks organizational relevance, leading to wastage under the limited tenure system. On the other hand, purely municipal personnel occupy only junior positions in the municipal organizations where training has also to sub serve their human resource development. Training of municipal personnel, to be meaningful, needs to be organised within the context of municipal organizational development, supplemented by a plan for municipal human resource development. Hence assessment of municipal training needs is a derived task for improving municipal effectiveness, and not an initial exercise for creating municipal training capacity by external providers. Viewed in this light, training of municipal personnel has to be related to the objectives of specific municipal organizational development strategies and cadre-based HRD programmes.

The implementation of the 74th Constitution Amendment will have resultant political fall-out calling for reforms in municipal personnel management. In the wake of political decentralization and economic liberalization municipal system re-adjustment has to be supplemented by management improvement at the municipal level. Consequently, training of municipal personnel would have to be demand-driven to meet institutional and operational needs, instead of provider-based municipal training as found till now in India. The present emphasis on national-level municipal training has to be replaced by national efforts towards training for capacity building to support municipal development and autonomy.

Both pre-entry and post-entry training is necessary, but in most States of India in-service training is not regularly arranged. The strength of demand coming from municipal employees is poor and disjointed. The municipal authorities are always not willing and eager to impart professional in-service training to their employees.

It seems logical that the State government or any association of municipal professionals take the initiative and responsibility for imparting professional training to municipal personnel on a systematic and continuing basis. It is absolutely necessary to meet the challenges of developing human capital through regular training in order to confront successfully the challenge of good urban governance. Dissemination of “best practice” information about urban governance and municipal management in the country and abroad should be an important task of municipal training programmes. Gujarat has made some efforts towards this objective.

4.3 Flexibility in Staffing Arrangement

Complete security of service tenure and assured promotion by seniority rule have been found to contribute to defiance of authority and self-aggrandisement by municipal personnel. The colonial cadre system of personnel management in government is protectionist in nature and, therefore, inefficient, and not to be adopted in municipal management. There is a case for position classification for routine tasks, but at the management level a result-orientation is called for. Transferring executives and managerial staff from one municipality to another under the unified municipal personnel system is no happy solution for managing tension over authority and control.

The virtues of administrative hierarchy should not be overemphasised lest the political authority of elected leadership is frontally challenged and municipal authority's self-governing status is made redundant. The

authority structure in an autonomous body develops over years and becomes deep rooted whereas municipal management pattern develops its own local tradition. Officers enjoying well-secured tenure of service feel tempted to challenge the well-established management pattern that has been tested over time. Direct administrative conflict between the elected leadership and council-manager enjoying security of service tenure very often produces tension and stalemate in municipal management and thereby adversely affects effectiveness in service delivery and also ruins municipal efficiency and autonomy.

Policy consequences of economic liberalization at the municipal level would affect the scope and style of municipal functioning through privatisation, public-private partnership, and contracting-out of municipality's market-related functions and exploring alternative modes of service delivery. As a result, municipal organizations are expected to be lean, facilitative and client-sensitive. The eventual actualisation of economic liberalization at the municipal level would lead to flexible staffing arrangement.

4.3.1 Private Sector Participation

Taking advantage of private sector participation (PSP) in municipal management and functioning, technical personnel from private sector may be involved in municipal personnel management on contract basis. This kind of management innovation would, however, need

- a) Strong financial support base,
- b) Favourable political environment allowing political leadership to take full benefit of superior management, and
- c) Response of the private entrepreneurs.

Private sector participation in municipal management has recently been found to be successful in Gujarat, Maharashtra and Tamil Nadu but not in economically poorer states like Tripura. The municipality may gain

financially through such participation. This topic is being dealt with in more detail in Theme VI on Urban Environmental Services.

4.4 Reform Strategies of Municipal Personnel

Reform of municipal personnel management should have two principal goals, namely,

- Promoting municipal management autonomy, and
- Making municipal personnel efficient and accountable to political Managers, administrative managers, citizens as consumers of municipal services and professional ethics.

Peter Drucker, the management *guru*, argues: ' The synonyms for control are many. Control is direction, control pertains to means, control aims at an end, and control deals with facts, that is, with events of the past. Control deals with expectations, that is, the future. Controls are analytically concerned with what was and is. Control is normative and concerned with what ought to be.' (Drucker, 1974).

Control is a critical managerial dimension, since it enforces conformity to administration with pre-determined plans, instructions and policy guidelines. It makes concern for high standards possible and influences the actions of employees in order that performances conform to established schedules, allocated funds and pre-determined standards of work.

4.4.1 Role Of State

The urgency to reform municipal personnel policies and practices is the immediate need to balance municipal staff cost and municipalities' own revenues. The current situation in India is characterised by the non-affordability of maintaining a large work force by the municipalities for street-level services while suffering from inadequacies in senior management staff.

The State plays an important role in framing recruitment rules and staffing pattern for the local governments. This responsibility of the state is a neglected one. If undertaken, it is not disclosed to the local bodies. In

the absence of definite, scientific staffing criteria determination and laxity in framing rules, the local bodies take advantage of the situation. This leads to indiscriminate appointments on political grounds and encourages corruption as well as malpractice. This situation is further aggravated by the fact that there is no definite agency for recruitment. Interventions by state in these areas will improve municipal management determining

1. Staffing norm
2. Definite agency for Recruitment.
3. Framing Recruitment Rules.
4. Manpower Development (Training).

This problem can be overcome by considering a mix of integrated and unified cadre system. It would allow high-level managerial and technical staff to provide valuable services at the local level and the local government with 'quality' personnel would be able to manage their cities better. The personnel in the integrated cadre would have a career path before them-beginning from the smallest municipality and graduating to Corporations or State / National Governments. The personnel in the Unified cadre would move amongst municipalities from the lower to the higher rungs of the ladder. This would check lower level overstaffing. These two systems could provide professional management staff in engineering, accounts, finance, administration and other specialised jobs.

5.0 Summing Up

After going through this session the trainees will be able to weigh the different personnel systems in terms of relative advantages. They will be able to clearly identify the role of state in determining staffing norms, recruitment policy and manpower development for facilitating municipal personnel management. Proper municipal personnel management will enhance functioning of local bodies and in turn impact better city management.

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UNIT 2: PERFORMANCE-BASED PERSONNEL MANAGEMENT

Performance based Personnel Management is a relatively new concept in the context of Urban Local Bodies. Its inclusion in the system necessitates an understanding of the concept and its implications for management.

1.0 Training Objectives

- Explain the importance of Performance Appraisal in the organizational context.
- Discuss critical issues of Performance Appraisal.

2.0 Enabling Objectives

At the end of the session, the participants will be able to

- Describe the importance of Performance Appraisal.
- Describe the organizational context of Performance Appraisal
- Relate performance appraisal with job responsibilities.
- Identify crucial issues in Performance Appraisal.
- Describe the role of state in Performance Appraisal

3.0 Introduction to Performance Appraisal

Performance appraisal (PA) is a process that involves determination of how an employee is performing his job and communicating the same to him. It is a diagnostic tool, which may be used to identify the strengths and weaknesses of the employees of an organization. As such it can focus on the changes required in behaviour, attitude, skill and knowledge of an employee for improvement of performance. The PA system thus can be very helpful in identifying the educational, training and development needs of an organization. However, the conventional PA system is usually designed to serve administrative purposes and as such, it ignores the growth and developmental prospects of the employees.

This old style of management is changing and will change very fast in the years to come due to significant changes that are taking place in the composition of the labour force with increase in the proportion of educated people in it. The evolving approach to management is a 'team concept' based on cooperation between management and subordinates where the managers cooperate with subordinates to identify and resolve problems. "The management needs to guide and assist his subordinates in the setting of performance standards and objectives rather than impose them unilaterally". The new "Participative Appraisal System" developed by Kujawski and Young appears to be a more conducive system.

The management cannot impose development, it being a universal process of self-development. What management does in the system is that it helps the subordinates to check their own performance and draw up the plan for most effective use of their talents while keeping in view the objectives which have been mutually agreed upon the individual motivations.

3.1 Importance of Performance Appraisal

As elaborated above, Performance Appraisal is an influential part of human resource management and it has come to be viewed as an integral part of day-to day management.

Personnel management reforms need to be linked with improvement in effective service delivery by the municipal authority. Performance-based management is a key element in an inter-related set of processes aimed at improving the performance of work units and organization as a whole. The focus is on using appraisal to raise performance levels and develop employees to their full capacity in order to achieve organizational goals.

Performance-appraisal, if not properly carried out, increases dissatisfaction of employees. This dissatisfaction often arises from a systems failure to achieve the outcomes for which they are established. In case of municipal management this dissatisfaction often proves responsible for inefficient service-delivery and loss of image and credibility of municipal management to citizens as consumers of service.

It is important to consider the organizational settings in which performance appraisals are conducted. It is also necessary to consider adequately the motivations, capacities and relationships between managers and the employees whose performance must be rated by managers.

In the 1950s, performance appraisal ratings were used almost exclusively for such administrative decisions as promotion and salary revision. During the 1960s performance appraisal interviews began to be used for employees' counselling and feedback. During 1970s and 1980s performance appraisal processes became incorporated into 'Management by Objective' (MBO) system. In the 1990s, performance

appraisal has come to be viewed as integral part of the day-to-day activities of managers.

3.2 Organizational Context

If performance management system is to have a lasting effect, it must be consistent with the way organization is managed, especially with its structural features and organizational strategies. In India municipal organizations vary on a complex range of factors including size, technology, degree of bureaucratisation, nature of staff, strategies pursued, and work culture. They affect the managerial system and style of management. (See Annexure 1)

In actual experience ideas like participative work culture, teamwork, and empowerment through delegation sound rhetoric in municipal management. Municipalities generally do not have high selection standards; hence appraisal system has to be realistic in reference to the organization.

The relationship between performance appraisal and the dominant management style of an organization has to be taken into account. If high involvement of employees is emphasized by the organization, self-appraisal may be resorted to in order to de-emphasize the role of hierarchical structure. Peer appraisal may also be practised for tasks, which involve high levels of interdependency.

Understanding the relationship between the organizational context and the effectiveness of performance appraisal is an important step in achieving strategic integration of human resource management system. The Municipal Corporation of Ludhiana has benefited immensely by instituting a monthly performance appraisal system for all its employees irrespective of the hierarchy of the employee as illustrated in Box No. 3

Box No. 3

Monthly Performance Appraisal for Employees of Municipal Corporation of Ludhiana

Earlier, The Municipal Corporation of Ludhiana (MCL) had an Annual Confidential Roll (ACR) system. However the proforma was generic and based on individual subjectivity. Moreover the appraisal being annual was neglected and became activated only during the instances of promotions etc. All this had adversely affected the accountability and transparency in the municipal system.

Monthly Performance Appraisal System was introduced where every employee was given a job chart according to his placement in the hierarchy. Each job carried certain weighted marks and at the end of every month, his performance was judged. Based on the cumulative monthly scores, annually the final marks are awarded.

Now the employees are more accountable, competitive and conscious about

3.3 Purpose of Performance Appraisal

In municipal management in India it was previously widely believed that performance appraisals were not worth the efforts. But as the stakes of the people and government in improving the quality of municipal services are increasing and substantial improvements are being made in urban development, performance appraisal becomes an important element in municipal personnel management.

The purposes of appraisal reflect the interest of different parties such as personnel department, individual manager, and appraised ratepayers, and are therefore central to considerations of politics and conflicts that may arise around the performance management process. Considering the state of trade union politics in municipal organizations almost in every State in India, it would be necessary for municipal managers to devise an appraisal system and an appraisal format, which would be easy to use and would motivate the staff. Clearly defining the purposes of an appraisal system and designing the system to meet those purposes would enhance the

system's effectiveness if the actors involved understand and accept the stated organizational purposes.

However, there can be some conflicts in purposes from an organizational perspective and from the individual manager's perspective (see Box 4). The reality of the political situation within a municipal organization cannot be ignored.

Box 4 Purposes of performance appraisal viewed from the Organizational and Managerial perspectives

Organizational Goals

- Distinguish good from poor performers
- Provide development feedback
- Document and justify decisions
- Provide input for other personnel decisions

Manager's Goals

- Avoid interpersonal tension in workgroup
- Motivate poor performer
- Maintain current level of motivation in good performer
- Achieve or restore equity in workgroup
- Use ratings to convey manager's effectiveness as a supervisor

The suitability of performance appraisal as decision-support system is limited by the imperatives of municipal legislations and labour laws prevailing in the country. For resolving conflicts, it may be suggested that appraisal activity for purposes such as counselling be separated from performance ratings used for decisions on matters of promotion and pay. As experience shows, employees want to discuss pay during appraisal interviews while managers often do not.

4.0 Critical Issues for PA Practice

As mentioned at the beginning, it is a tool “*to appraise how an employee is performing his job*”. By the definition itself, it is evident that any PA exercise is critically linked to the following issues of:

- Job Description.
- Career Path Planning.
- Staffing Structure
- Politicisation.

Each of these issues is being discussed here to establish their importance in performance evaluation.

4.1 Job Description

A job description is of prime importance for a PA exercise, without which an appraiser will not have any basis for evaluation. A common malady in present day government organizations is the absence of 'who should do what' in black and white. The matter is very often left to conventions and individual understanding of one's own task within the organization. Very often vagueness about the job content leads to confusion and conflict among the jobholders and non-performance of some essential tasks. The exercise of preparation of job description charts for the employees is not prevalent in the local bodies. It is true that there are some tasks – especially managerial tasks at higher levels –, which cannot be described concretely. However, much of the municipal task at the clerical or field level is repetitive in nature and can be easily described and quantified.

“The purpose of a job description is to define exactly for a worker, fellow-worker and supervisors:

- What is he/she expected to do?
- What standard is he/she expected to reach?
- To whom is he/she responsible?
- Whose work does he/she supervise?

A job description chart should include job title, job summary, job duties, performance level in quantitative terms, reporting channel, “relation to other jobs,” material resources to be used, authority over organization's resources, i.e. man, material and money, etc.

The advantages of job description charts are many. It makes the organizational roles clear to the role player and others connected with him in sharing the organizational tasks. It becomes easier for the Supervisor and the Manager to fix responsibility for non-performance of task. It also helps in making rational distribution of work among the jobholders by preventing both gaps and overlaps. However, such charts should be used with some amount of flexibility. Extraordinary situations need to be reviewed at regular intervals, “because an organization as a social system is always in need of adjustment with its internal and external environment and in such a context no job chart of an organization can be final and conclusive”.

The State Government may render useful service to the municipalities by drawing up job description charts, by rationalizing distribution of work among departments and by reviewing them at regular intervals.

4.2 Career Management Plan

This does not exist in most of our municipal systems. Performance appraisal can only serve as a constructive tool if it is able to identify strengths and weaknesses of its employees. These in turn have to be linked to career management and planning through training and capacity building. Strengths identified have to be capitalised upon by the employer and sufficiently rewarded. Weaknesses identified in PA have to be upgraded through adequate training / capacity building measures. PA exercise would play a positive role in the employee’s career development and benefit the local government.

4.3 Staffing Structure

As municipalities in most of the states do not possess a proper staffing structure and norms, performance appraisal becomes a hindrance. Take the case of a Finance Officer in an integrated cadre, deputed to a local body for a certain period. He faces, the problem of dual accountability as he draws his salary from the parent department and is responsible to the chairperson (an elected representative) of the municipality for day-to-day management. There is resistance from the cadre to accept the appraisal forwarded to the parent department through the chairperson of the deputed officer.

4.4 Politicisation

Performance may be adversely affected if political affinity is the basis. Many a times, the immediate boss, who happens to be an elected person, influences performance and its appraisal. So performance gets tainted and takes a back seat. In such cases employees perform to please the superiors to get a high rating during appraisals. However, this is contrary to the principle of appraisal and it defeats the whole purpose of scientific personnel management.

5.0 Summing Up

It is expected that the trainee participant will be able to identify the problems existing in performance appraisal and exercise ways to achieve a scientific method for personnel management.

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A Case Study of Promotion

Mr. 'X' was appointed as executive officer in a class IV municipality on June 19, 1962. No Service Rules were framed initially for regulating the recruitment to the Unified Municipal Service at the time of his appointment. The relevant Service Rules came in 1963. The Rules of 1963 made a provision for integration of the service of various classes of employees already working in the municipalities and it was made incumbent upon the competent authority to undertake the process of integration of the various employees. However, instead of acting upon the rules, the process of integration was much delayed and it ultimately came to be materialised in 1969.

At the time of integration, Mr. 'X' was holding the post of EO of a class IV municipality. He was subsequently promoted to class III, and later to a class II post of Executive Officer on November 13, 1973.

The concerned Municipalities Act 1959, read with the Rules of 1963, provide for year wise determination of vacancies. However, no step was taken by 'the competent authority' to determine the vacancies.

Rule 10 of the Service Rules (1963) is couched in mandatory form and does not leave any room for waiving this rule. The determination of vacancies is also necessary for the reason that the posts of EO in different classes are required to be filled up by promotion. Although the promotion posts had not been filled up right from 1963, the State Government's Department of Local Self-Government resorted to the practice of adhocism in making promotions.

In 1981 Mr. 'X' had been holding the post of Executive Officer (class II) for the last eight years, but he was not confirmed in that class of municipal service. If all the vacancies had been determined year wise, he would have been confirmed as EO (class II) in 1970.

On the one hand, the promotion quota was not filled in and, at the same time, the Department proceeded to advertise the post of EO (class III) and

selected persons by direct recruitment. Such persons were recruited from the open market and shown against the quota of direct recruitment; hence they were confirmed after the expiry of the period of their probation.

Thus, there was a partial implementation of the Rules of 1963 inasmuch as direct recruitments were made and persons were appointed through that method of recruitment. However, the method of recruitment by promotion was given a complete go-by. Mr. 'X' had to suffer the rigour of default on the part of the competent authorities in the State government. A seniority list of the personnel belonging to Unified Municipal Service was notified on June 19, 1981. This list clearly demonstrated that persons who had been directly recruited between 1973 and 1980 had been placed senior to Mr. 'X'. The reason probably was that the new entrants enjoyed 'substantive appointment' but the appointment of Mr. 'X' was shown as EO class IV, although he had been holding the post of EO class II even before the direct entrants to class III were recruited.

Even if the vacancies had not been determined in any year earlier to 1973 but the promotion quota of 1973 was filled in through Departmental Promotion Committee, by virtue of the operation of proviso (1) to Rule 28 of the Service Rules of 1963, Mr. 'X' would have ranked senior to the direct recruits of 1973 and of subsequent years.

Thus, Mr. 'X' was relegated to a lower position only on account of the inaction on the part of the State Government's Department of Local Self-Government and not on account of any disqualification of, or any adverse confidential report against, Mr. 'X'. That is to say, being in the unified municipal service under the state department of LSG for twenty years, Mr. 'X' faced the prospect of stagnation inasmuch as his juniors would get a march over him for all time to come.

Earlier in a case in 1978 the High Court had held that Rule 10 of the Service Rules of 1963 was mandatory and 'the competent authority' was

under obligation to make year wise determination of vacancies. The court further held that any subsequent change in the Rules cannot adversely affect the rights of the persons who were eligible at a particular point of time for promotion. This view was endorsed by the High Court in another case in 1977. The Rules that were the subject-matter of interpretation in this judgment are couched in a language similar to the language used in Rule 10 of the Service Rules of 1963. Hence Mr. 'X' was entitled to be promoted in a year earlier than 1973 or at least in 1973, and was, therefore, entitled to a position in the seniority list above the direct recruits of 1973 and subsequent years.

Mr. 'X' made a representation to the Director of Local Bodies asking for cancellation of the seniority list and expressing his intention to go to the court of law if his grievances in respect of promotion he was entitled to were not redressed. Ultimately he had to go to the court of law, and finally got his due promotion but again on a temporary basis. Mr. 'X' technically won his point but remained bitterly frustrated. The lesson of the case is that temporary appointments made by the Director of Local Bodies create stagnation in the unified municipal service.

The glaring default of Department of LSG and Directorate of Local Bodies lay in the fact that there had been no meeting of the Departmental Promotion Committee since 1960. Such standard of management of a unified personnel system practically negates one of the important objectives behind creating a unified municipal personnel system, namely, to produce contented and better motivated personnel for municipal administration by timely promotions.

THEME VI

URBAN ENVIRONMENTAL SERVICES
AND
FINANCING THEREOF

UNIT 1: URBAN ENVIRONMENTAL
SERVICES AND THEIR
MANAGEMENT

UNIT 2: FINANCING OF URBAN ENVIRONMENTAL
SERVICES

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THEME VI: URBAN ENVIRONMENTAL SERVICES AND FINANCING
THEREOF

The ambit of Urban Environmental Services is very large and it would be too ambitious for this course. Therefore, a selective emphasis on some critical services is being considered which have an immediate impact on the quality of life of the citizens. Such urban environmental services are local level municipal management concerns. However, these are being discussed in this module in order to present the critical issues of planning, delivery, financing and management to the urban managers at large with respect to those

**services. This consists of two
units namely:**

UNIT 1 Urban Environmental Services and Their Management

UNIT 2 Financing of Urban Environmental Services

UNIT 1 URBAN ENVIRONMENTAL SERVICES AND THEIR MANAGEMENT

This unit describes the three dimensions of urban environment and their interlinkages. Urban environmental planning and management of critical services have been focused upon in this section. It also explores the participatory approaches to urban environmental management.

1.0 Training Objectives

After the training the participants will be able to

- Explain urban environmental planning and management
- Establish the importance of user participation in management

2.0 Enabling Objectives

After the session the participants will be able to:

- Define the urban environment.
- Discuss the critical issues related to service delivery and management.
- Describe the participatory process in management of services
- State need for management reforms

3.0 Urban Environment

The benefits of urbanisation and agglomeration are accompanied by urban environmental problems like lack of access to drinking water and sanitation, air and water pollution. The environmental problems can be traced back to urban areas and urban life styles. Broadly the urban environment has three dimensions-natural, socio-economic and built environments.

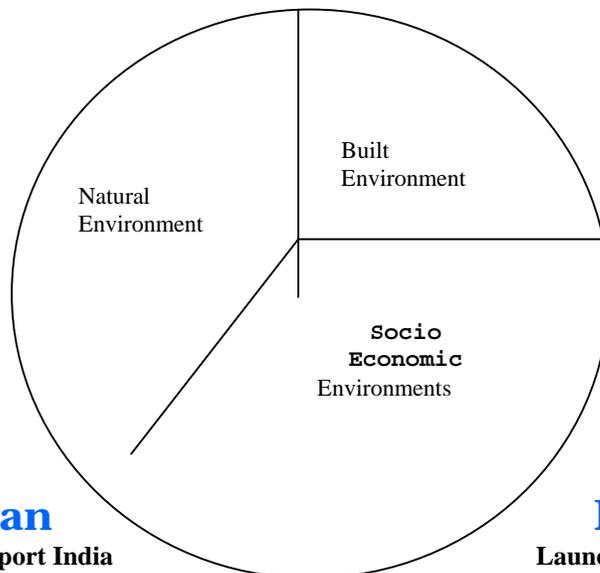


Fig 1: Urban
Source: GUGC Report India

Environment
Launch, UNCHS (HABITAT)

Natural Environment: Resources, processes and effects related to Flora and Fauna, human beings, minerals, water, land, air, etc.

Built Environment: Resources, processes and effects related to buildings, roads, railways, electricity, water supply, gas, etc.

Socio-Economic Environment: Resources, processes related to human activities, education, health, arts and culture, economic and business activities, heritage, urban lifestyles in general.

It is the interrelation and overlay of these three dimensions that constitute an 'Urban Environment'. The interdependency and interdisciplinary nature of the three dimensions, have to be fully understood in the development of coherent and sustainable policies and programmes for the urban environment. This is particularly true with the multiplicity of actors and activities in existence in the urban scenario.

3.1 Three Components Of Environmental Planning

Environmental Planning seeks to improve and protect environmental quality for urban residents – both through controlling the generation of pollution and through segregation of activities that are environmentally incompatible.

Effective environmental planning requires the effective interaction and overlay between three components – Hardware, Software and Heart ware.

- **Hardware:** Consists of the physical fabric of a city-infrastructure, buildings, railways, roads, ports, etc.
- **Software:** Consists of set of rules, regulations, Laws and Legislation, Ordinances, including habits, ethics, and traditionally established code of conduct.
- **Heart ware:** An individual's emotional mechanism, behaviour and conduct, which determines his or her needs, wants and wishes. It also determines the processes by which the individual's interaction with the surrounding environment takes place.

It is now widely recognized that cities play a vital role in social and economic development in all countries. Urbanization builds diversified and dynamic economics, which raise productivity, create jobs and wealth, provide essential services, absorb population growth, and become the key engines of economic and social advancement. Thus, efficient and productive cities and towns are essential for national and economic growth and welfare. Strong urban economies generate the resources needed for public and private investments in infrastructure, education, health and improved living condition.

A common focus of many innovative and effective ideas and approaches being worked out today is a central concern with the actual process of urban environmental planning and management.

3.2 Urban Environmental Planning and Management

With myriad problems and many tools for dealing with them, each city will need a process for determining the most appropriate mix of action and investments that respond to its environmental priorities. When confronting environmental problems, cities exhibit different degrees of awareness, political commitment, and capacity to mobilize resources. The strategic approach to urban environmental planning and management should be based on enabling participation and building commitment. It is a viable approach for cities working toward setting up local versions of the urban component of Agenda 21. The approach can involve several activities, each of which should emphasize strengthening local capacity:

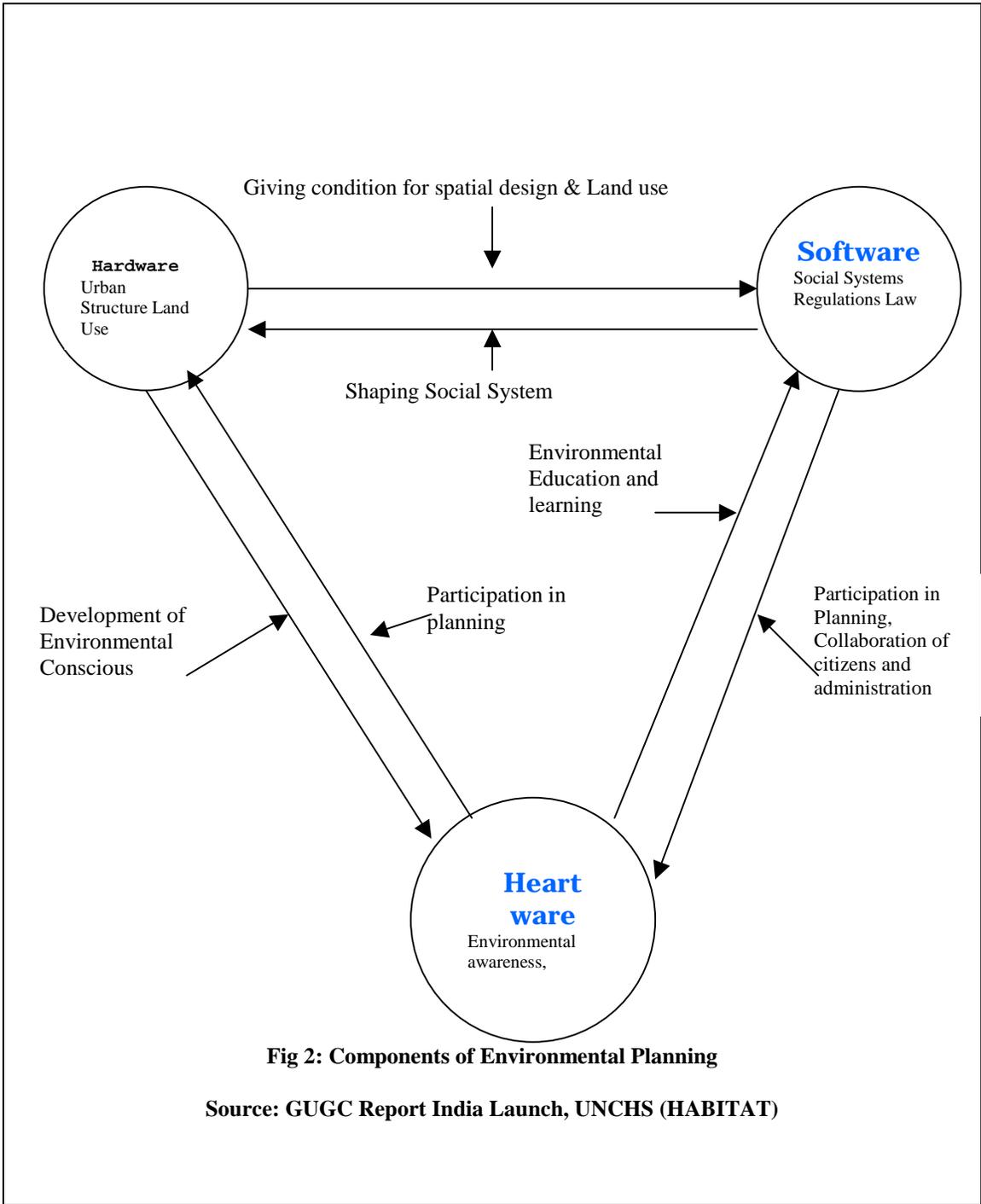


Fig 2: Components of Environmental Planning

Source: GUGC Report India Launch, UNCHS (HABITAT)

Urban environmental planning and management aims to identify urban environmental issues (ideally before they turn into costly emergencies), to agree on strategies and actions to resolve these issues among all those whose cooperation is required, and to implement these strategies through coordinated public and private actions. Over time the process should improve health and productivity in cities, reduce environmental hazards, and protect natural resources so as to sustain economic and social development.

Experience in both developed and developing countries demonstrates that an effective

Box 1: Innovative Environmental Promotion in Indore

This case study presents a series of innovations on promoting safe environment in the city taken up by Indore Municipal Corporation (IMC) with the help of other stakeholders. These include a variety of plantation and social forestry schemes namely Pitra Parvat (in memory of parents/forefathers), Ayushman Project (on the eve of Birthday), Parinay Van (to remember marriage anniversaries) and Parks/Gardens Adoption Schemes. There are several other schemes too, which have improved the city environment through elements of water harvesting, recharging, sewage treatment and garbage collection. IMC is also accessing primary capital market to raise funds for environmental improvement.

Source: Good Urban Governance Campaign (UNCHS (Habitat))

approach for confronting urban environmental issues is to formulate an urban environmental management strategy and action plan. For small towns and intermediate cities, a common strategy may cover several cities and address a single issue. For example, a regional Solid Waste Management Plan. The key policy messages that inform this approach centre on:

- Institutional Capacity
- Service Delivery
- Participation
- Policy Interventions
- Deficiencies in the Urban Environment
- Strategic Planning

Some of the above policy issues are being dealt with in the module, like institutional capacity building figures in the Theme III on Decentralization of Urban Governance and Theme V on Municipal Personnel Development and Management. Discussion on Urban

Service Delivery is followed by Participation in this section. The aim is to address the critical and most immediate problems facing cities in the developing countries. These relate to the health impacts of urban pollution that derive from inadequate water, sanitation, and drainage and solid waste services poor urban and industrial waste management and air pollution. This is collectively dubbed the “*brown agenda*”. As this involves upgrading the management of local environmental infrastructure and services for which cities are directly responsible, we will discuss it in detail with respect to water supply, sanitation, drainage and solid waste management.

4.0 Management of Urban Environmental Services

The quality of infrastructure and services provided in the city is not only important for the quality of life and sustainability of the city but has an impact on its economic development and is directly related to the capacity of the city to attract investment (See discussion in Theme I). Governments have to improve infrastructure and services in a city both to improve the quality of life of the population and to promote urban economic development. Many local governments lack the capacity to raise finances, prioritize investment, price services and maintain infrastructure to meet these two goals (ESCAP, 2001).

Management of urban services has to be viewed in the backdrop of a changing urban context:

- **Decentralization:** The 74th CAA recognizes the ULBs as the third tier of government. It provides to replace the former discretionary and unpredictable system. Measures to improve the financial health of the local bodies is recommended by the State Finance Commission, set up every five years as stipulated in the Act.
- **Economic Reforms:** An offshoot of the financial sector reforms was the emergence of the capital market as an important source of funds for public and private sector entities. State Finance Commissions of some states recommended accessing capital market through municipal bonds for urban infrastructure financing.

- **Private Sector Participation:** Most state governments are adopting private sector participation (PSP) in delivery of urban services
- **Willingness to Pay:** Need to operationalize this expressed willingness to pay (WTP) through its reflection in the pricing structures.

4.1 Service Delivery and Management Issues

Particularly important types of municipal infrastructure and services are water supply, drainage, sanitation and solid waste management. These are obligatory services in the municipalities in most of the states. Some of the basic issues that need to be addressed are in relation to availability of alternatives, appropriate technology and management of assets. These issues are being elaborated below for each function.

4.1.1 Water Supply

The provision of clean water is one of the most critical needs confronting developing country cities. The source of water supply in a town/city may be a river, an underground source or a reservoir. While river source requires elaborate treatment and a high capital cost, it is centralized and provides continuous supply. In contrast, ground water source is short lived and a number of such sources are required to provide an adequate supply. However it is cost effective, as it doesn't require elaborate treatment. The choice of source and appropriate technology will depend on the given situation. Various operational problems interrupt supply. Regular operation and maintenance activity will not only overcome this problem increasing consumer satisfaction but also check wastage. Nearly 20-25 percent of water produced is wasted through leaky mains, stand posts and overuse and abuse. Public awareness, vigilance, pricing of water, withdrawal of stand posts from affluent areas may go a long way in checking wastage.

Regular monitoring of quality must be ensured particularly at source and various points within the municipality to survey both chemical and bacteriological quality. Both surface water and ground water may get contaminated during storage and transmission, which may cause all types of water borne diseases. It is therefore necessary to monitor the quality at different stages of the distribution system. Chlorine is widely used as a disinfecting agent and the practice is to have a residual chlorine content of 0.2 parts per

million. In times of outbreak of any water borne diseases this may be increased to 0.4 to 0.5 parts per million. Portable kits are available and there should be trained personnel who should monitor the quality at selected and vulnerable points. This is not only very important from public health point of view but it also ensures better quality much to the satisfaction of the customers. This in turn will enhance the community's willingness to pay for the services. Cross subsidization to meet the demands of the poor may be resorted to.

Water supply management requires effective pollution control systems (for both surface and ground water supplies), pricing strategies that encourage both household and industrial conservation; and where appropriate targeted subsidies, including cross subsidies to provide expanded coverage to low income populations.

4.1.2 Sewerage, Sanitation And Drainage

Like water supply, sanitation is a critical aspect of modern living. Water borne sewerage system is the best possible method of disposal of liquid waste. However, it is too capital intensive to be affordable by many. Sanitary latrine connected to sewers or septic tank may be the other alternative. There should be a soak pit to avoid discharge of septic tank effluent to open surface drains. Where land is not available or costly, two pit pour flush latrines may well serve the purpose. This is cheap and almost maintenance free. The treatment option may also be cost effective. While conventional treatment is costly and requires skilled operation, low cost options like aerated lagoons or three-pond system can be adopted if land is available. Investment in sewerage/sanitation requires parallel investment in piped water supply. Arrangement needs to be made for sewer cleansing through proper equipments and for disposal of septic tank sludge.

Supply of water is pressure based, but sewerage and drainage is gravity based. Therefore, sewerage for any area requires proper road network, adequate water supply as also proper contour map. Moreover, compared to water supply, sewerage and sewage disposal is costlier. Depending on the topography and other considerations, choice of liquid waste disposal system should be made. The norms and standards of a scientific system, though highly desirable, may be difficult to achieve within a definite timeframe and a given cash flow. Demand based sanitation planning recognizes that some parts of the city will be serviced by conventional sewerage while other parts will be serviced by lower cost systems. Conventional sewerage is advantageous in large cities and towns of economic importance, high-density areas and their peripheries on the ground of easy adaptability and ease of operation and maintenance. Other areas depending on (low cost system) onsite sanitation can continue as such till the community can afford to have water borne system.

Storm water drainage should be an integral component of any wastewater disposal or pollution control system. Due care is required to ensure that local drains tie into the citywide drainage systems. Drainage improvements need to be coordinated with road construction and land-use planning to prevent new developments from blocking off natural drainage patterns. Also, in all cities drainage services need to be coordinated with

the municipal solid waste management system to ensure that uncollected waste does not end up in open drains blocking the drain-flow, causing flooding and health problems.

It is easier to impose user charges for water supply, as it is measurable, which is not the case in drainage and sanitation. In areas having sewerage network, there may be municipal regulations for house connections but insufficient enforcement often lead to investments lying idle. Even for septic tank installations, de-sludging of tanks and disposal of sludge to rapidly vanishing trenching grounds pose a problem. For old cities and towns, having house connections at house owner's cost is a difficult proposition as it is costly and does not compare favourably with cost of periodic desludging and payment of user charges. Again effluent from septic tank, which has a high nuisance value, is discharged into open drains causing health hazards and polluting both ground and surface water sources. In West Bengal, in a number of cases sewage treatment plants do not run to rated capacity because of lack of organic load for want of house connections. As such, it may be worthwhile to impose charges starting first with industries and then gradually extending the same to cover domestic users.

There is lack of acceptability about different modes of sullage disposal and treatment. Community awareness with the help of NGOs and CBOs needs to be created. Very often on site sanitation is done without adequate care for offsite integration. Considering the topography of a region, a number of contiguous local bodies may have a trans-municipal project. This requires proper planning, coordination and political acceptability.

Box 2 : Drainage in Kolkata Metropolitan Area

In many local bodies, the drainage is addressed in an ad-hoc manner. It is provided in an isolated manner for a ward or a number of wards without proper integration. In Kolkata Metropolitan Area, while the drains and Nikashis (large drains) are owned and maintained by local bodies, the outfall channels are owned and maintained by state government departments. Lack of coordination between the two creates serious problems. In any case, the construction of tertiary and secondary drains without constructing primary drains (and vice versa) either makes the investment lie idle or remain infructuous.

A live example is the topographical situation of the three local bodies of Naihati, Halisahar and Kanchrapara within Metropolitan Kolkata where the land slopes away from Naihati down to Halisahar and then to Kanchrapara ultimately leading to 'Bager Khal'. Unless the problem is address on trans-municipal scale and the outfall properly maintained, the drainage problem cannot be overcome.

Since quantification of storm water is a bit complicated, it would be wiser to take help of "drainage index". Areas having chronic water logging problem need to be identified. For such areas forced discharge of water may have to be resorted to.

4.1.3 Solid waste management

Municipal solid waste management in most cities needs urgent attention. One of the basic issues is to segregate the waste at point of generation, which will help recycling, and facilitate disposal arrangements. The necessity is to avoid double or multiple handling of garbage. Choice of transport equipment and vehicle has a large bearing on management and will depend on quality of garbage in terms of volume, weight and moisture content. Indiscriminate dumping will affect aesthetics, create pungent odour, fly nuisance, choking of drains and pollution of both surface and ground water. While sanitary landfill is generally resorted to, in the absence of adequate land, manual composting of the organic part of the waste may help proper disposal, and at the same time may be a remunerative proposition. Many local bodies have employed private operators for primary collection much to the satisfaction of users. This practice will also create local level employment. Local bodies should themselves arrange for normal maintenance of transport equipments but all major repairs should be contracted out for economy and efficiency. For bio-medical waste the guidelines given by Ministry of Environment; Government of India need be followed. Leasing out garbage dumps by a single

municipality or a group of contiguous municipalities for production of manure will put less pressure on transportation, disposal and ensure a cleaner environment.

Of all the services delivered by the local bodies, Solid Waste Management (SWM) is the costliest and most labour intensive. This is a neglected service and local bodies do not have proper management systems developed for it.

Box 3: Transformation of Surat City

Surat is known for a complete transformation from one of the filthiest cities to one of the cleanest cities in the country. Surat's experience in a short span of 18 months, shows such constraints could largely be overcome through basic tenet of democracy, 'rule of law'. Urban management systems in Surat were geared to bring in decentralization with accountability. Management of information – for decision support, evolving methods to service and empower the citizens, bring about transparency in various activities through inculcating public awareness and civic participation and putting into place early warning system to effectively control the outbreak of public health diseases. This systematic endeavor of Surat Municipal Corporation has provided a charismatic face-lift to the erstwhile decaying administration and management setup of Surat – making it a forerunner among the cleanest cities of India.

Source: Good Urban Governance Campaign – UNCHS(Habitat)

Box 4: Innovative Solid Waste Management in Cuttack

This study presents innovations in the management of solid waste as taken up the Cuttack Municipal Corporation in recent months. The Corporation has adopted 8-pronged strategy to restructure the solid waste management system in Cuttack. These includes training and exposure of staff, political and executive functionaries; on-the-job training of sanitary workers; initiating pilot project of house to house water collection, which is being extended to 13 other wards; provision and supply of basic equipment; installation of compost plant; and social audit of solid waste management services. The strategy as above has improved SW significantly and promoted decentralization, optimum collection and resource generation from the activity.

Source: Good Urban Governance Campaign – UNCHS (Habitat)

Most of the local bodies either have no dumping grounds or what exists is inadequate. Unscientific and indiscriminate dumping is pervasive. Land use control has a role to play here for preserving open vacant lands for the purpose. The expenditure on collection, transportation and disposal is normally in the ratio of 75:20:5, which indicates that little attention is paid to disposal of waste.

With rising prices of oil and fuel and high cost of urban land, shared disposal ground for a number of contiguous local bodies may prove to be economical. With local bodies providing the land on lease rent and supplying organic garbage, private operators may be employed for composting which will help (a) reduction in volume of garbage for disposal and thus, less pressure on dumping ground (b) reduction in transportation cost and (c) earning revenue. Kolkata Municipal Corporation has taken an initiative in this direction. On joint venture basis, KMC and a private firm have installed a plant of 50 MT per day for preparing compost manure from garbage.

To provide more efficient services, attention needs to be directed to financing capital investments and to covering recurrent costs of the solid waste service. Municipalities should attempt to recover the maximum amount through user charges. In most cities institutional strengthening and sound management practices are needed to achieve expanded coverage for low-income groups, efficient service provision, and environmentally sound disposal operations.

4.2 Improving the Delivery and Management of Urban Environmental Services

Emphasis should be placed on upgrading the coverage and management as well as increasing the efficiency of local investments in environmental infrastructure and services. Ensuring efficiency and effectiveness often requires complementary services. The introduction of piped water supply generally requires parallel investment in sanitation; improvements in solid waste collection should be accompanied by corresponding investment in safe disposal. To promote efficiency in service provision governments should consider:

4.2.1 Innovative Financial Mechanisms

Innovative financial mechanisms are required to increase investments in this sector. These increases can be achieved by accessing capital markets and financial institutions. However, this will require a discipline of commercial viability and or development of bankable projects with efficient project management systems. In this perspective, commercially viable projects would essentially be those that would be able to raise resources from the capital and financial markets largely on the basis of revenue streams

from specific service linked user charges and dedicated sources (such as property tax and Octroi). Commercial viability requires that there is (a) adequate return on investment; (b) appropriate institutional structure; and (c) a risk assessment and mitigation plan. Moreover, project development in a commercial format is a very complex and time-consuming process, which requires dedicated political and administrative leadership. (See Unit II of this Theme)

4.2.2 Commercial Orientation for Existing Institutions

Urban utility boards and urban local bodies providing water supply and sanitation services in the country are, generally, not operating on commercial basis. In the context of the changed economic situation of the country, there is a need to restructure these boards to operate on a commercial basis and improve customer service and satisfaction. Water supply and sanitation departments of urban local bodies could work separately on a profit-centered basis. In this regard, the Chennai Metropolitan Water Supply and Sewerage Board, which was formed as a statutory board by act of the state legislature, has proposed to restructure the organization and is considering three options (CMWSSB, 1998). Under option one, its act could be amended so that the board could work on a commercial basis. Under option two, the board could be reformed as a company under the Companies Act. Over time, it would be possible to gradually divest the equity of the Company. Under option three, water and sanitation services in the metropolitan area may be given on concession and management contracts to private companies and the board could act as a regulator rather than a provider of the services. (See Unit II of this Theme)

4.2.3 Appropriate Pricing

This is the most crucial issue for urban local bodies and the utility boards. Present prices don't reflect the actual costs or willingness to pay for services. Some states such as Karnataka and Tamil Nadu have undertaken steps to introduce economic water charges at the local level. (See Unit II of this Theme)

4.2.4 Regulatory Framework

There is also need to develop a state level regulatory framework for the level, quality and price of the services provided as well as criteria and rules for private sector participation (PSP) in the water supply and sewerage sector.

4.2.5 Project Development

The process of developing urban projects in a commercial format is relatively a new trend in India. Unlike conventional projects, this type of project development requires considerable efforts in project documentation, developing institutional arrangements for project structuring, getting approvals, financial structuring, selection of contractors and management of project implementation. Detailed risk assessment and mitigation measures will need to form part of the project development process. This process is also time consuming and costly. ULBs often don't have the necessary human resources to carry out these tasks. It is in recognition of this critical role that the State Government has set up the Gujarat Infrastructure Development Board and a project development fund, and adopted a legal framework for infrastructure investment. Utilization of this framework and fund for development of urban infrastructure projects will only increase as the state's water supply and sanitation sector evolves toward commercial viability. The Governments of Rajasthan and Andhra Pradesh also have set up infrastructure project development funds. (See Unit II of this Theme)

4.2.6 Issue of Inter Agency Coordination

Within the jurisdiction of an Urban Local Body, there may be utilities owned and operated by different agencies like National Highway Authority, Public Works Department, Municipal Bodies, Irrigation Department, Electricity Board, Telecom Department etc. Inter-departmental coordination is therefore of prime importance.

If a local body properly maintains surface drains and nikashis, even then it may not prove to be effective as another agency responsible for maintenance of outfall drains or channels may not execute its responsibility. Underground services like water line, sewer line, telephone cables, electric cables are likely to be adversely affected if the agencies responsible for these tasks are not aware of the need for prior planning and intimation to

the appropriate organizations. For new projects and even for repair and maintenance works serious problems arise due to sheer lack of agency coordination. The problems may be –

- Damaged road condition due to digging for service mains
- Damaged telephone cables causing large scale faults
- Damaged electric cables causing loss of life, property & power failure.
- Damaged water mains causing leakage, loss of water and contamination
- Damaged sewer pipe causing ground and water pollution
- Damaged gas pipe causing fire hazards.

It is, therefore, necessary that an underground services Coordination Committee is set up so that coordinated programmes can be chalked out.

5.0 Participatory Management of Infrastructure

Infrastructure users contribute in many ways to the provision and operation and maintenance of infrastructure systems. In the context of development projects, the benefits of participation derive not only from cost reduction and resource mobilization during implementation, but also from more effective targeting of project measures to the real needs of the people. Participation enhances user “ownership” of facilities thus helping to ensure fuller and more efficient use, better maintenance, and more reliable operation. Participation is essential to demand-oriented infrastructure service delivery.

User contributions to service provision take many different forms, ranging from the purchase of electrical generators by enterprises to the construction of on-site pit latrines by poor, unserved household. In the conventional sense of participation, users often contribute to the planning and implementation of infrastructure development projects. Even more important than project-based activities are contributions made by residents of informal settlement, who join with their neighbors to construct footpaths, drains organize community level services, and petition the government for improvements in infrastructure.

5.1 The Participatory Process

Every inhabitant of the city is an infrastructure service user: Households, private enterprises and institutions are all in this category. While important in economic terms, enterprises are less numerous and with regard to many forms of participation, less relevant than residential users.

Governments are responsible for providing infrastructure to all urban residents. Because low-income residents suffer more failing public facilities, and embody the greatest potential for participatory development, it is to their roles and interests that the main attention of this discussion is directed.

Beneficiary contributions to development project, informal processes of services improvement and people's co-operation in infrastructure management are forms of popular participation. Infrastructure users are primarily concerned with reliability and quality of services and level of access. In other words, they are concerned with cost and affordability. Infrastructure users are also interested about appreciation of their properties due to impact of infrastructure. Very often, access to services through municipal service connection may carry a sense of official recognition of irregular settlement. Such participation makes community based organizations vocal, evolves leadership for interaction with development authorities.

Box 5: Lessons in Urban Services' Management from Andhra Pradesh

Own Your Tap Scheme

- Slum dwellers are willing to make payment provided, they are convinced that connection will be provided and water will be available.
- Orientation of municipal functionaries is required for giving tap connection to the poor.
- Preparatory steps are required to provide connections without delay.
- Implementation should be people centered.
- Many prefer individual connections to public stand post.
- Slum dwellers may be permitted to pay connection charges in $\frac{3}{4}$ installments.
- Reasonable time target for implementation is desirable.

Community Contracting

- Need for appropriate Govt. support and guidance.
- Community's involvement in infrastructure provision leads to ownership.
- Quality, timely completion of works by CDS depends on supervision and guidance.
- Proper understanding of the process by the municipal leadership including councillors is essential.

Participation may be voluntary contribution of people towards success of a project and may be in the implementation stages or ensuring community involvement in minor operation and maintenance activities. Participation at the same time allows target groups to take part in decision-making and strengthens the feeling of ownership and belongingness of the community towards the project.

**Box 6: Calcutta Slum Improvement Project - A
Participatory Impact Assessment**

The Calcutta Slum Improvement Project (CSIP) was based on the basic philosophy of community's participation in planning, delivery and management of services. A participatory framework adopted in CSIP had the following salient features:

- Initiation of Micro planning process for need assessment increasing awareness.
- Plan intervention and capacity building.
- Involvement of community in O and M of sanitation, solid waste management and drainage.

Experience has shown that projects which have ensured participation of the stakeholders in planning, implementation, operation and maintenance, have improved project efficiency in terms of development of demand driven projects, prioritization, adoption of appropriate technology and use of local level materials and labour. Community supported initiatives are not substitutes for government actions but complementary to them.

5.2 Need For Management Reforms

The central point of infrastructure management is to orient service delivery processes more clearly toward the demands of service users. The institutions responsible for infrastructure provision should be managed as service delivery enterprises, which are responsive to the demands of service users and ultimately accountable to them. Demand-oriented service delivery implies that activities of service providers would be increasingly guided by incentives. To bring incentives to bear on infrastructure management three conditions are important:

- Service providers need to operate according to commercial principles.
- Competition should be introduced into the supply processes.

Infrastructure users must acquire a stronger voice in management processes, including the means to express service demands and relative satisfaction and dissatisfaction with service delivery (World Bank 1994).

Service user participation constitutes an essential aspect of demand-oriented approaches to infrastructure service delivery, and to indicate the specific roles that participation can and should play with regard to the main instruments of management reform: commercial principles, competition and voice.

6.0 *Summing Up*

After the participants have read this, they will be able to discuss the critical issues involved in delivery and management of essential municipal services. They will also gain from the case studies of participation for better management. It will also be clear that effective and efficient service delivery is dependent upon proper management and functioning of local governments.

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UNIT 2: FINANCING OF URBAN ENVIRONMENTAL SERVICES

Public financing concepts are well understood by the financial community and are becoming broadly familiar to the local government sector. This unit discusses the various alternatives accessed by ULBs in India in response to the financial reforms initiatives for infrastructure development. It highlights the experiences of local bodies, which are gaining credit worthiness for availing the capital markets.

1.0 Training Objectives

After the training, the participants will be able to

- Assess the various options available for accessing market borrowing

2.0 Enabling Objectives

After the session the participants will be able to:

- Describe the various options available for financing of urban services
- Identify the preconditions necessary for innovative financing/accessing market borrowing

3.0 Innovative Financing of Urban Environmental Services By Urban Local Bodies In India

The 74th Constitutional Amendment gave Urban Local Bodies (ULBs) the responsibility to provide for the growing demands of services, but the sources of revenue devolved to ULBs are not sufficient. They still depend on higher levels of government for funding. Traditionally, urban infrastructure has been financed mainly through budgetary allocations. Other financing has come from financial institutions like Housing and Urban Development Corporation (HUDCO) and limited investments by the ULBs themselves (see Theme IV) through their internal resources. Financial resources from all these sources are significantly short of the urban sector's estimated investment requirements. Since public funds for the services are inadequate, ULBs have to look for alternative sources for financing their infrastructure costs. In addition, private sector participation (PSP) is also emerging as another way to finance urban infrastructure. This unit describes the, options like accessing capital markets through municipal bonds; tax free bonds; pooled financing; borrowing from Commercial Banks and private sector participation that have emerged for ULBs to finance urban infrastructure needs.

3.1 Accessing Capital Markets

The Government of India (GOI), recognizing infrastructure's key role in the development process, set up the Expert Group on the Commercialization of Infrastructure, often known as the Rakesh Mohan Committee, in 1994. The Committee recommended private sector participation in urban infrastructure development and accessing capital markets through issuing municipal bonds (GOI, 1995). Most state governments have now accepted PSP in delivery of urban services.

There are several reasons why a local government would seek to finance projects through loans or bond issues. First, some projects are so large that allocating the amount needed to pay for them in one year would be difficult. Setting aside funds from annual budget surpluses over several years to finance a future project would result in a substantial amount of funds being unutilized for several years. On the other hand, project financing accelerates infrastructure development, creates jobs, and improves the quality of life of a region. By spreading the costs of a project over its useful life (10 to 30 years) the costs of infrastructure improvements are distributed more equitably among generations and more fairly among project benefactors.

Box 1: The Ahmedabad Municipal Corporation (AMC)

The Ahmedabad Municipal Corporation (AMC) was the first ULB to access the capital market in January 1998. It issued Rs. 1,000 million in bonds to partially finance a Rs. 4,393 million water supply and sewerage project. This was a remarkable achievement since it was the first¹ municipal bond issued in India without a state guarantee and represented the first step toward a fully market-based system of local government finance. The AMC had previously instituted significant fiscal and management reforms, including improved tax collection, computerization of the accounting system, strengthening of AMC's workforce and financial management, and development of a comprehensive capital improvement program. Due to these measures, AMC was able to turn around its financial position from a cash deficit municipal corporation and achieved a closing cash surplus of Rs. 2,142 million in March 1999. These reforms laid the necessary groundwork for AMC's bond issue and the successful implementation

The debt market in India for municipal securities has grown considerably since the issuance of Ahmedabad bonds. (See Box 1). Since 1997, the cities that have accessed the capital markets through municipal bond without state government guarantee include, Nashik (Rs. 1000 million), Nagpur (Rs. 500 million), Ludhiana (Rs. 100 million), Indore (Rs. 100 million), and Madurai (Rs. 300 million) have similarly raised resources for their urban infrastructure projects. In most cases, bond proceeds have been used to fund water and sewerage schemes. The city governments have thus raised about Rs. 5823 million from the capital

market through municipal bonds. The bond issued by the Municipal Corporation of Madurai was different from all other issues by ULBs because it was issued to refinance an existing project.

3.1.1 Pre-requisites for issuing municipal bonds

The success of these issues demonstrated that local governments could access the capital market for resources for efficient delivery of civic services. The ability of municipalities to take advantage of these opportunities, however, depends on their presenting themselves as viable financial entities. ULBs must demonstrate credit worthiness and obtain an investment grade credit rating. This forces them to improve their revenue base by introducing reforms, including improved cost recovery and financial management, as well as better management of service delivery systems. Another pre-requisite for issuing municipal bonds is development of commercially viable projects, projects that can recover full costs, including the cost of debt service.

3.2 Tax Free Municipal Bonds

The Income Tax (IT) Act provides tax preferences for investments in infrastructure projects. These provisions, however, have not been generally available for municipal financing. To boost the municipal bond market, the Government of India decided to provide tax-free status to municipal bonds (See Box 2). During his budget speech of 1999-2000, the Finance Minister announced the GOI's intention to permit ULBs to issue tax-free municipal bonds. Subsequently, the central government amended the Income Tax Act (1961 vide the Finance Act 2000), whereby interest income from bonds issued by local authorities was exempted from income tax. The GOI issued guidelines for issue of tax-free municipal bonds in February 2001. Creating tax incentives for municipal securities would provide a national government subsidy for ULB bond

offerings by substantially reducing the interest cost of financing local infrastructure projects. It would also provide an incentive to local governments to improve their fiscal management sufficient to meet the demands of the investment communities.

Box 2: Municipal Corporation of Hyderabad

Besides Ahmedabad, the Municipal Corporation of Hyderabad also issued a tax-free municipal bond in May 2002, for Rs. 825 million. The MCH has thus become the second city to issue tax-free municipal bonds. The money raised by MCH through municipal bonds is to be used for providing urban infrastructure in the city especially in slums. The tenure of the bond is seven years with a rate of interest of 8.5 per cent. The income accruing to the investors in the municipal bonds from the rate of interest will be exempt from Income tax. At the same time, the GOI increased the limit of municipal tax-free bonds from Rs. 2000 million in 2001-02 to Rs. 5000 million in 2002-03.

3.3 Pooled Financing

Only financially strong, large municipal corporations are in a position to directly access capital markets. Most small and medium ULBs are unable to do so on the strength of their own balance sheets. Also, the cost of the transaction is another barrier. In the United States and elsewhere, small local bodies can pool their resources and jointly access the capital market. The GOI decided to create a similar vehicle that enables capital investments to be pooled under one borrowing umbrella (See Box 3). The objective is to provide a cost-effective and efficient approach for smaller and medium sized ULBs and to reduce the cost of borrowing. (See Theme IV).

Box 3: Indo-USAID FIRE Project

In this context, Indo-USAID FIRE project is working with the GOI to set up a state-level pooled finance mechanism for smaller and medium-sized ULBs to access the capital market. The recent GOI budget proposed setting up a Pooled Finance Development Fund (PFDF). The objective of this fund is to support initiatives taken by states to establish pooled financing structures, provide technical support, credit enhancements, and leverage for urban reforms. Tamil Nadu Urban Development Fund is planning to issue a bond by pooling 14 municipalities for a commercially viable infrastructure projects.

3.4 Borrowing from Commercial Banks

The Vadodara and Surat Municipal Corporations decided to finance their urban infrastructure projects by commercial bank loans. The first was for a Rs. 40 million project to revamp existing sewerage treatment plants (STPs). No Security was offered except general lien on the investments of VMC in the Corporation Bank. After the success of the first loan, VMC decided to go ahead with more loans from various commercial banks for its various urban infrastructure projects.

The Surat Municipal Corporation (SMC) also obtained commercial bank loans to finance its urban development in last three years. Prompted by the success of first loan, the SMC decided to use this source for its water supply and sewerage service capital works and has drawn down Rs. 400 million till date.

These efforts amply prove that this source can and will play a very important role in financing urban infrastructure projects.

3.5 Private Sector Partnerships

Private sector participation (PSP) is emerging as another way to finance urban infrastructure. Private Sector Participation (PSP) in the management of the urban services can reduce costs, improve operational efficiency and increase customer satisfaction. It also helps municipalities meet the need for improved technologies. Various cities have adopted different options for PSP in the sector. The main options can be distinguished by how responsibilities are allocated regarding ownership of assets and capital investment.

Box 4: PSP for a Water Supply and Sewerage Project

Tiruppur accounts for over 75 percent of the country's knitwear exports. Water is key to the operation of the industry and private tankers currently supply most of it since adequate supply of piped water is not available. Realizing the need for water to survive in a highly competitive international market, the Tiruppur Exporters Association (TEA) supported by the state and local government took the initiative to involve the private sector in meeting the needs for water. As a result, a public limited company with private sector participation, the New Tiruppur Area Development Corporation (NTADCL), was formed to implement the project.

When operational, the water project will supply Tiruppur with 185 million liters of water per day and serve nearly 1,000 textile units and over 1.6 million residents in Tiruppur and its surrounding areas. The project is being implemented on BOOT basis. Under this, all the assets created by the project company will be handed over to the government free of charge at the end of the 30-year concession period.

4.0 Preconditions for Innovative Infrastructure Financing

The main lessons learned from the above innovations are similar to those concerned with good municipal governance.

4.1 Administrative / Political Leadership and Support

Strong administrative and political support from the urban local body is necessary to successfully introduce local reforms and policy changes required to finance urban infrastructure projects. Successful financing and implementation of commercially viable projects requires continuous leadership and involvement of the local community. It is necessary to increase the awareness of local leadership and encourage it to support such projects.

4.2 Improved Municipal Management

The most critical factor for obtaining market finance is a healthy municipal revenue base. To support these initiatives ULBs will have to initiate appropriate pricing of services, improved cost recovery, improved

accounting and financial management systems, professionalism of the workforce, improved service delivery systems, and preparation of a capital investment plan.

4.3 Appropriate Pricing

This is the most crucial issue for urban local bodies. Present prices do not reflect the actual costs or willingness to pay for services. Some states such as Karnataka and Tamil Nadu have undertaken steps to introduce economic water charges at the local level. (See Themes IV, VI).

4.4 More Rigorous Project Development

Developing urban projects in a commercial format is another prerequisite for accessing funds from the capital market. This type of project development requires considerable effort in preparing project documentation, developing institutional arrangements for project and financial structuring, obtaining approvals, selection of contractors, and management of project implementation. Detailed risk assessment and mitigation measures are also a required. The prospectus should identify milestones and provide assurances that the project will be fully operationalized. The capacity to implement projects should be developed to avoid time delays and cost overruns. The Governments of Gujarat, Rajasthan and Andhra Pradesh have set up infrastructure project development funds.

4.5 Regulatory Framework:

The prevailing policy environment and legal framework governing municipal corporations should provide sufficient clarity in borrowing powers and debt-servicing arrangements to support an active market-based system of local finance. There is also need to develop a state level regulatory framework for the level, quality and price of the services provided.

4.6 Capacity Building

The capacity to implement projects has to be developed at the local level to avoid time delays and cost overruns.

5.0 Summing Up

After having read this, the participants will be in a position to establish the various options for bringing about financial reforms and the preconditions for accessing the many options available for financing of urban services.

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