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Urban Governance Decentralization in India A Review

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National Institute of Urban Affairs
Core 4B, I & II Floor, India Habitat Centre, Lodhi Road
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Preface

The Constitution 74th Amendment Act, 1992, has marked the beginning of a historical reform to decentralize power at the grass root level in urban areas of the country. This Act has provided a constitutional form to the structure and mandate of municipalities to enable them to function as an effective democratic institution of local-self-government. One of its important objectives is to promote people's participation in planning, provision and delivery of civic services. It introduces some fundamental changes in the system of municipal governance with a new structure, additional devolution of functions, planning responsibilities, new system of fiscal transfers and empowerment of women and the weaker sections of the society. It has been more than a decade since the Act was enacted. However, the progress in the implementation of the various provisions of the Amendment Act has been rather slow. While some states have made significant progress others are lagging behind.

This study on "Urban Governance Decentralisation in India: A Review" was designed to analyse the facilitating and hindering factors responsible for achieving expected outcomes of the urban decentralization process in the country. Analysis presented in the study is based on a critical review of the policy documents, reports of various committees and commissions, research study conducted by different institutions and discussions with the experts in the field.

The study has suggested that the efforts to move towards decentralized urban governance has been at best fragmented and uncoordinated, largely due to absence of a broad macro framework. Despite most of the states passing the laws conforming to the Amendment Act, for ensuring regularity of elections, representation, and reservation etc. the process of empowerment of local bodies has been extremely uneven across states and cities. It would, therefore, be unrealistic to expect any major improvement in the nature of planning and administration at the local level, as a consequence of the Amendment Act and linked changes at the state level. This study report includes a series of recommendations to make the urban decentralization process in the country a success.

We gratefully acknowledge the support from United Nations Development Programme (UNDP) for sponsoring the study under their programme of supporting the Economic Reforms of Government of India with a view to provide policy advise to the Government for effective implementation of Constitution (74th) Amendment Act and other reform measures initiated to improve the quality of life of urban residents. Dr. Mukesh Mathur coordinated and designed this study and Dr (Mrs) Debolina Kundu, Consultant to the study undertook the responsibility of conducting the study with the support from Dr O P Bohra. Valuable inputs were provided by a number of experts who participated in the presentation workshop organized by the UNDP in its Delhi office in October 2003 as a part of the study. We are thankful to Mr. Pradeep Sharma and Ms. Happy Pant of UNDP, Dr. George Mathew, Institute of Social Sciences, New Delhi and other experts for their valuable comments on the draft report.



Vinod Tewari
Director

CONTENTS

	Page No.
Project Team	i
Abbreviations	ii-v
List of Tables	vi-vii
Executive Summary	viii-xvi
Chapter- 1	Introduction
	1-2
Chapter- 2	Constitutional and Legal Issues of Urban Decentralization
	3-9
Chapter- 3	Relationship of Urban Local Bodies with other Agencies
	10-29
Chapter- 4	Issues in Fiscal Decentralization: Aspects beyond Budget Analysis
	30-36
Chapter- 5	Issues of Accountability
	37-44
Chapter -6	Sectoral Decentralization and its Impact on Delivery of Services
	45-61
Chapter -7	Local Economic Development and Poverty Reduction: Case Studies
	62-77
Chapter - 8	Indices of Decentralized Governance: Regional Variation
	78-83
Chapter - 9	Involvement of International Organisations in Decentralization
	84-89
Chapter- 10	Conclusions and Recommendations
	90-98
REFERENCES	99-103
REFERENCE TABLES	104-155
ANNEXURE A	156
ANNEXURE B	157-158

PROJECT TEAM

Principal Investigator	Dr. Vinod K. Tewari
Project Coordinator	Dr. M.P. Mathur
Project Consultant	Dr. (Mrs.) D. Kundu
Project Assistant	Dr. O.P. Bohra
Research Support	Mr. Satpal Singh
Processing and Printing	Mrs. Aradhna S. Beghal Mr. T.C. Sharma Mr. H.P. Pandey Mr. Usman Khan

ABBREVIATIONS

ADB	Asian Development Bank
AICM	All India Council of Mayors
ALM	Advanced Locality Management
AMC	Ahmedabad Municipal Corporation
AMDA	Association of Metropolitan and Urban Development Authorities
AMDU	Ahmedabad Metropolitan Development Undertaking
AP	Andhra Pradesh
ATRs	Action Taken Reports
BOT	Built Operate and Transfer
BPL	Below Poverty Level
CAA	Constitutional Amendment Act
CAE	Country Assistance Evaluation
CBOs	Community Based Organizations
CDS	Community Development Society
CEPT	Centre for Environment Planning and Technology
CMA	Chennai Metropolitan Area
CMDA	Calcutta Metropolitan Development Authority
CMDA	Chennai Metropolitan Development Authority
CMWSSB	Chennai Metropolitan Water Supply and Sewerage Board
CRISIL	Credit Rating Information Services of India Limited
DAs	Development Authorities
DDA	Delhi Development Authority
DDRC	District Development and Review Committees
DFID	Department for International Development
DPCs	District Planning Committees
DVB	Delhi Vidyaat Board
DWCUA	Development of Women and Children in Urban Area
DWSSDU	Delhi Water Supply and Sewerage Disposal Undertaking
EFC	Eleventh Finance Commission

FIRE	Financial Institutions Reform and Expansion
GMC	Guwahati Municipal Corporation
GWSSB	Gujarat Water Supply and Sewerage Board
HUDCO	Housing and Urban Development Corporation
IDA	International Development Assistance
IDFC	Infrastructure Development Finance Company
IGP	Income Generation Programme
IIT	Indian Institute of Technology
IL&FS	Infrastructure Lease and Financial Services
IMC	Indore Municipal Corporation
ISDP	Integrated Settlements Development Programme
ISP	Integrated Sanitation Program
KMA	Kolkata Metropolitan Authority
KMDA	Kolkata Metropolitan Development Authority
KMPC	Kolkata Metropolitan Planning Committee
LED	Local Economic Development
LIC	Life Insurance Corporation of India
LMC	Ludhiana Municipal Corporation .
MA	Metropolitan Authority
MAPP	Municipal Action Plan for Poverty Reduction
MCBM	Municipal Corporation of Brihan Mumbai-
MCD	Municipal Corporation of Delhi
MCGB	Municipal Corporation of Greater Mumbai
MJP	Maharashtra Jeevan Pradhikaran
MLAs	Members of Legislative Assembly
MM	Mahila Milans
MOUD&PA	Ministry of Urban Development and Poverty Alleviation
MPCs	Metropolitan Planning Committees
MPs	Members of Parliament
MSC	Mohallla Sanitation Committee
MSDP	Mumbai Sewage Disposal Project (MSDP)

MSW	Municipal Solid Waste
MUTP-II	Mumbai Urban Transport Project II
NAAI	National Airport Authority of India
NDMC	New Delhi Municipal Council
NGOs	Non-Governmental Organizations
NHGs	Neighbourhood Groups
NIUA	National Institute of Urban Affairs
NMMC	Navi Mumbai Municipal Corporation
NSDP	National Slum Development Programme
O&M	Operation and Maintenance
PHED	Public Health and Engineering Department,
PPP	Public -Private Partnership
PRIA	Participatory Research in Asia
PRIs	Panchayati Raj Institutions
PSP	Private Sector Participation
PWD	Public Works Department
RECs	Regional Engineering Colleges
RLBs	Rural Local Bodies
RMC	Rajkot Municipal Corporation
RMK	Rashtriya Mahila Kosh
RWAs	Residents Welfare Associations
SBM	Sakhi Bachat Mandal
SCP	Savings and Credit Programme
SCs	Scheduled Castes
SDOs	Structured Debt Obligations
SEWA	Self – employed Women’s Association
SFC	State Finance Commission
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SMM	Sakhi Mahila Mandal
SMTs	Small and Medium Towns
SPARC	Society for Promotion of Area Resource Centres

SPVs	Special Purpose Vehicles
SSP	Slum Sanitation Programme
STs	Scheduled Tribes
SWM	Solid Waste Management
TCMC	Tirunelveli City Municipal Corporation
TFC	Tenth Finance Commission
TN	Tamil Nadu
TNSCB	Tamil Nadu Slum Clearance Board
TNUDF	Tamil Nadu Urban Development Fund
TNUDP-II	Tamil Nadu Urban Development Project-II
TNWSDB	Tamil Nadu Water Supply & Drainage Board
UDAs	Urban Development Authorities
ULBs	Urban Local Bodies
UMP	Urban Management Programme
UNCHS	United Nations Centre for Human Settlement
UNIAWG-D	United Nations Inter Agency Working Group on Decentralization
USAID	United States Agency for International Development
VMC	Vadodara Municipal Corporation
VMC	Vijayawada Municipal Corporation
WB	World Bank

LIST OF TABLES

Table 1.1	State Municipal Legislations in conformity with 74 th Constitutional Amendment Act
Table 1.2	A. Criteria for formation of Municipal Corporation across major states
Table 1.3.1	Elections held in post decentralization period in different classes of Urban Local Bodies across major states
Table 1.3.2	Elections to ULBs in accordance with 74th CAA across states
Table 1.4	Criteria Adopted for delimitation of wards by the Urban Local Bodies in major states
Table 1.5	State-wise reservation of seats and the criteria adopted for reservation
Table 1.6	Mode of Election of Mayors/Chairpersons and their Term across major states
Table 1.7	Procedures for Removal of Mayors/Chairpersons of Municipal Corporation across major states
Table 1.8.1	Functions assigned to Urban Local Bodies in the State Municipal Acts <i>vis-a-vis</i> the Twelfth Schedule (all states)
Table 1.8.2	Functions transferred to Urban Local Bodies by Rules/Notifications/Orders of the respective State Governments (all states)
Table 1.9.1	Taxation powers assigned to the Urban Local Bodies as per their State Municipal Acts (all states)
Table 1.9.2	Taxes actually levied and collected by Urban Local Bodies
Table 1.9.3	Date of Constitution and submission of SFC Reports and the Report on Action Taken by the respective governments (all states)
Table 1.10	Per capita revenue and expenditure of Urban Local Bodies (at current prices) in pre (1990-94) and post (1994-98) decentralisation period of select states
Table 2.1	Share of Urban Local Bodies in central devolution (Central Finance Commission- Tenth and Eleventh) - all states
Table 2.2	State-wise criteria and allocation of grants for Urban Local Bodies- as per the Eleventh Finance Commission
Table 2.3	Devolution of Resources to the Urban Local Bodies (ULBs) based on Global Sharing (Sharing of Tax Revenue only)
Table 2.4	Devolution of Resources to the Urban Local Bodies (ULBs) based on Global sharing (Total Revenue = Tax and Non-tax Revenue)
Table 2.5	Sharing of Specific State Taxes in Gujarat and Maharashtra
Table 2.6	Devolution of Grants to the Urban Local Bodies as per First State Finance commission
Table 2.7	Key Recommendations of the SFCs on Augmentation of Own Resources of ULBs
Table 3.1	Details of the Structure of Municipal Bonds Issued By Corporations

Table 5.1	Type of Private Sector Participation (PSP) in Some Select Cities
Table 5.2	Details of Solid Waste Treatment and Disposal Projects initiated by Municipal Corporations
Table 5.3	PSP/NGOs – Resource Recovery Projects – Waste to Vermin Compost
Table 5.4	PSP – Resources Recovery Projects – Waste to Energy Biomethanation)
Table 5.5	Nature and Status of Private Sector Participation in water supply and sanitation during the Nineties
Table 5.6	Nature and Status of on-going Private Sector Participation Efforts in the present decade
Table 6.1	CBOs formed by SAATH
Table 6.2	SWM’s Physical Areas of Intervention
Table 7.1	Index of Decentralisation- Urban Local Bodies
Table 7.2	Allocation to States for Urban Local Bodies according to the Index of Decentralisation

Executive Summary

The study, sponsored by UN Inter Agency Working Group on Decentralization (UNIAWG-D) undertakes a review and a critical analysis of the decentralization measures in an attempt to identify the hurdles in the way of empowerment of the urban local bodies (ULBs) and also the facilitating factors. It further assesses the implications of these in terms of perspective and priorities set by various UN agencies, operating in the urban sector. The study focuses on the constitutional and legal aspects of urban decentralization, relationship of urban local bodies with other agencies, fiscal and sectoral decentralization, accountability, local economic development, and the role currently being played by UN agencies in strengthening the process of decentralization in the country.

The analysis is based on a critical review of the policy documents, reports of various committees and commissions on urban governance, published and unpublished research studies brought out by institutions or individuals on the subject. Further, qualitative as well as statistical information on various aspects of urban governance has been analysed for 25 towns in the state of Tamil Nadu, two largest cities, Mumbai and Pune, in Maharashtra and the largest city in Gujarat, that is Ahmedabad. The reason for selecting the states and the cities are here the measures of decentralization are believed to have made a dent on the system of governance, which also has led to greater transparency in their functioning and data availability. The propositions or assertions made in different government reports and policy documents have been cross-checked with secondary data and by putting probing questions to officials and representatives of concerned agencies.

An overview of the developments in the decade after the passing of the 74th Constitutional Amendment Act (CAA), presented under different terms of reference reveals that the efforts to move towards decentralized urban governance has been at best fragmented and uncoordinated, largely due to absence of a broad macro framework. Despite most of the states passing the laws conforming to the Amendment Act, for

ensuring regularity of elections, representation, reservation etc. the process of empowerment of local bodies has been extremely uneven across states and cities. Further, transferring all the eighteen functions, enlisted in the 12th Schedule of the Amendment Act, has been an exception rather than the norm. It would, therefore, be unrealistic to expect any major improvement in the nature of planning and administration at the local level, as a consequence of CAA and linked changes at the state level. Importantly, the stipulation in the Act regarding creation of wards committees in cities having population over three hundred thousand has also been interpreted and incorporated in the administrative orders differently in different states, mostly to meet their political convenience.

It may be argued that given the openness of the economy of the cities, it is impossible for the ULBs to prepare a development plan without a regional perspective, proposed at a higher level such as region or district. Unfortunately, though most states have taken the steps to constitute the District Planning Committees (DPCs) not much information is available on their functioning. The situation is much less encouraging as far as the Metropolitan Planning Committees (MPCs) are concerned. In the absence of a larger perspective, provided by concerned authorities at the regional level, the ULBs have been forced to take decisions in an institutional vacuum. It can be argued that, barring exceptional cases, local bodies neither have the technical competence nor information base to take decisions with regard to location of industrial unit, its technology and production links. These do not have the capability to assess the long-term cost implications of the contractual arrangements, they are entering into with private companies, for the people or urban economy. There has been no effort on the part of the state government to create an information base or provide technical assistance to ULBs for assessing, for example, the long-term implications of land deals and helping the latter in enforcing appropriate environmental safeguards.

A critically important hurdle in decentralization, which has come in the way of innovative urban management practices are the well entrenched special purpose parastatal

agencies. Considerable (developmental) funds are still being routed through these agencies and the ULBs have little possibility to intervene in that process.

Another aspect, which has a critical bearing on the functioning of the local bodies but has not received attention of the state governments or the State Finance Commissions (SFCs) is the number and duration of the Standing Committees (SC), responsible for day-to-day decision making. Neither the 74th CAA nor the supporting legislations at the state level stipulate certain minimum number of such committees or their period of existence, that may be considered desirable for their effective functioning.

The most significant criticism of the decentralization model is that financial resources are being devolved without envisaging a perspective of urban development. It has been pointed out that the SFCs have taken up the issues of financial devolution without examining how the functions will be assigned to and carried out by local bodies and what will be their implications.

A review of the finances of the ULBs in the pre and post amendment period reveals that in a few of the states, improvement in the finances of the ULBs have been marginal, even at current prices. The per capita income have improved substantially for the developed states whereas the poorer states have registered either a decline or nominal increase, thereby increasing the inter state disparity. Given the difficult financial situation of local bodies, especially in the backward states, it is unlikely that they will be able to strengthen their planning departments by recruiting technical and professional personnel for taking up the challenge of development planning. Due to the functioning of the ULBs in an institutional vacuum, as noted above, the only choice for them has been to depend on financial intermediaries and credit rating agencies. However, imposition of stringent conditionalities by these agencies on the local bodies in determining their project priorities and even disbursal of their own budgetary resources raise more questions than provide answers, in the context of a policy of balanced regional development.

The policy makers both at the centre and state level are not very pleased about transferring powers and funds to local bodies as also the with their initiatives in generating revenue resources. Further, the local bodies or ward committees (within the cities) providing basic amenities, as per the paying capacity of the residents, in consonance with the new policy package, is likely to lead to lowering down the norms and standards of the services, compromising on their level and quality, thereby jeopardizing the health of the people.

With the introduction of the economic reforms and decentralised governance in the country, capital market borrowing, privatization, partnership arrangements and community-based projects have emerged as favoured options for undertaking infrastructural investments and provision of basic amenities. Planners and policy makers have, in recent years, made a strong case to make the para-statal agencies as also the local governments depend increasingly on their internal resources and institutional finance with the objective of “bringing in efficiency and accountability in their functioning”. Unfortunately, not many of the small and medium towns, particularly those located in backward states, have an economic base to levy taxes and generate resources internally. Also, much of the institutional funds and subsidised amenities, provided through the governmental programmes during seventies and early eighties, have gone to a few large cities, benefiting mostly the high and middle-income colonies. There is no way that these can continue in a more liberalised regime. However, there are distinct signals that withdrawal of government support and relegation of provision of the services to the market or sub-contracting arrangements with private companies, as envisaged under the new system, are resulting in accentuation of inequality across regions and size class of urban settlements.

Indeed, a few large cities, with reasonably strong economic base, have been able to mobilise additional resources using the “new opportunity”, opening up owing to the 74th CAA. A few of them have been able to introduce certain new taxes, increase the rates of the old ones and at the same time tap the capital market by floating the Structured Debt Obligations (SDOs) or through borrowings from international organisations. The small

and medium towns, on the other hand, that have a much higher percentage of households not having access to basic amenities, unfortunately have not been able to benefit from it in a similar fashion.

The community-based projects like Slum Networking Project in Ahmedabad (SNP) have earned unprecedented acclaim nationally and a few of these are cited as examples of best practices at international level. Unfortunately, these have been taken up only in a few cities that too restricted to a few localities. Their replicability at the national level has remained questionable, due to absence of organizational structure for community mobilization and non-commitment of supportive funds.

Recommendations

The financial position of most of the ULBs remains extremely poor even after CAA. They have not been able to get the Tenth and Eleventh Central Finance Commission grants since they require their matching contribution. Further, the inability to generate matching contribution has stood in the way of taking up many of the governmental schemes. As a result, the ULBs have laid emphasis on linking the functional domain of municipalities with their financial resources, insisting on broadening their tax base. In view of these problems, it is recommended that the key issue at the local level, under the decentralised regime, should be promotion of balanced development and increasing the coverage of basic amenities, besides ensuring higher efficiency in administration and greater cost recovery.

Large cities in the country have become financially vulnerable in recent years and are likely to be trapped into the problem of long-term debt servicing because of their tools of resource mobilisation. The states must ensure that the autonomy of the local bodies and their capacity to take up routine activities as also slum improvement and social development projects do not get compromised because of the conditionalities imposed by credit rating agencies and other financial intermediaries.

Growing dependence on private initiatives for provision of basic amenities, without a perspective of covering larger sections of population, is likely to enhance disparity in accessing basic amenities, even within large cities. The city governments, therefore, must monitor the trends in intra-city disparity, ensure that programmes are launched to increase the coverage of poor under basic amenities and make the trends in coverage public, at regular intervals. Also, the SFCs may recommend specific grants, tied to provision of services to poor and slum colonies.

Financial institutions like Housing and Urban Development Corporation of India (HUDCO), that have been set up with the explicit objective of promoting balanced urban development, must pursue their schemes to provide concessional funds for infrastructural investment in backward regions, particularly in small and medium towns and make larger sums available for the purpose. They should not go by the credit rating criteria, similar to those used in the capital market, for determining the viability of projects and should lay emphasis on meeting social objectives. It must design its lending policies with a view to achieve balanced urbanization and therefore, must seek viable ways of funding smaller ULBs, that have higher levels of income poverty and deprivation in terms of amenities. For shouldering this responsibility, they must get commensurate support from the central or state government.

At the city level, it would be important to ensure that the inequalities do not increase as a result of location of infrastructural projects or contractual agreements for service delivery with private sector. Specific clause must be built in the new capital projects and contractual agreements with private agencies (that are entering the field of basic amenities), so that the coverage of unserved households is increased. Central and state government schemes must be designed for slums and poor colonies with an explicit subsidy component, for implementation within a participatory framework. The scope and coverage of SNP or similar projects need to be increased to gradually cover larger segments of unserved urban population.

A Regulatory Authority may be set up at the state level to overview private sector/partnership projects involving sale or leasing out of land or municipal assets on a long term basis.

Implications in terms of Actions and Priorities of concerned UN Agencies

For the success of decentralization in promoting balanced development in the country, interventions are essential from all stakeholders, namely, the local councillors, the electorate, the non-governmental organisations (NGOs), community based organisations (CBOs), different tiers of the government, financial institutions and the international agencies. Emphasis should be laid on bottom-up planning, decentralized decision-making, participatory appraisal and timely release of funds among others. Capacity building among officials, non-officials and community leaders, complemented by transparent decision-making and accessible information system, would contribute to greater awareness and participatory environment at local level. An effective communication strategy is vital for all community-oriented programs. Dissemination of best practices and sharing of success stories, including the reasons for success and failure, together with incentives and disincentives, are likely to motivate the functionaries and communities and instill confidence in them, leading to their active participation and effective program implementation.

In order to make urban decentralization a success, municipal reforms should focus on the following aspects:

- Capacity building of urban local bodies, specially in the smaller and medium towns;
- Standardization and computerization of municipal accounts;
- Delinking local initiatives from political motives through involvement of community;
- Unbundling of services especially for small towns should be taken up;

- Raising the general rates of tariff to a level that a small surplus is generated to cross subsidize programmes in slum colonies, besides meeting their operation and maintenance costs;
- Relaxation in conditionalities of various international and national level financial-cum-development agencies in view of the special situation of small and medium towns and also slum colonies within large cities, while financing infrastructural projects.

The relaxation of old regulatory/ supervisory arrangements and controls of public agencies to facilitate ULBs enter into contractual agreements with private or joint sector companies, is a move in desired direction. However, even under the old system of state control, the public agencies in the city had failed in meeting the social obligations and catering to the needs of the poor. Designing and implementing the regulatory controls over the private companies in a liberalised regime would, therefore, be a challenging task. This would require significant institutional restructuring. In doing this, the local bodies, must explicitly recognize the provision of basic services to slum and poor population as one of their major responsibility. This ought to be explicitly mentioned and penal provisions for failing to meet this obligation needs to be incorporated, while drawing up contracts or agreements with private companies for providing water or solid waste facilities. The would have to be done despite a few of the private companies becoming lukewarm about these subcontracting arrangements because of the incorporation of social clauses, bringing down their short term profitability. This has indeed happened in both water supply and solid waste management, as a number of private companies have withdrawn themselves from these sectors during the past couple of years. They are coming up only for O&M jobs, instead of making capital investment for development of the facilities, as was the case in the nineties.

To facilitate ULBs enter into contractual agreements with private or joint sector companies, the old regulatory/ supervisory arrangements and controls of public agencies are being relaxed. However, even under the old system of state control, the public agencies in the city had failed in meeting the social obligations and catering to the needs

of the poor. Designing and implementing the regulatory controls over the private companies in a liberalised regime would, therefore, be far more challenging. This would require significant institutional restructuring. In doing this, the local bodies, must give weightage to the objective of increasing the coverage of slum population. This ought to be explicitly mentioned with penal provisions, while drawing up contracts or agreements with private companies for providing water or solid waste management. The private companies, on the other hand, may become lukewarm about these subcontracting arrangements because of the incorporation of social clauses, bringing down their profitability.

CHAPTER 1

Introduction

The study is sponsored by UN Inter Agency Working Group on Decentralization (UNIAWG-D) to examine the extent of urban decentralization in India after about a decade of the passing of the 74th Constitutional Amendment Act (CAA)¹. The Act provides for devolution of powers and responsibilities to urban local bodies (ULBs). It envisages, besides the strengthening of the ULBs, involvement and active engagement of non-governmental organizations (NGOs), community based organizations (CBOs), women's groups etc in launching development activities and management of projects. Keeping this in view, the present study undertakes a review or a critical evaluation of decentralization measures and attempts to identify the facilitating factors as well as the hurdles in the way of empowerment of the ULBs. It is hoped that the findings of the study would be useful inputs for the UN agencies in restructuring their programmes and other schemes of intervention to maximize their impact on the process of decentralized urban governance in the country.

The study broadly focuses on the following issues:

1. Constitutional and legal issues of urban decentralisation, highlighting state-specific differences in conformity legislation.
2. Relationship of urban local bodies with higher levels of government (state, centre); among various arms of local governance (local level parastatal bodies and coordination mechanisms between them); with parallel organisations (e.g., user groups, self-help groups); and with other civil society organisations and private sector.
3. Issues in fiscal decentralisation-beyond budget analysis linking it to the structure of local economy.
4. Issues of accountability.
5. Sectoral decentralization (including privatisation of services) and its impact on delivery of services.

¹ 1992.

6. Achievement of the goal of local economic development and poverty reduction.
7. Indicators for assessment of decentralization interventions with special focus on participation by women and marginalized.
8. UN agencies involvement, lessons learnt and less way ahead to further the decentralization agenda in India.

Methodology, Data base and Scope of the Study

The analysis begins with a critical review of the policy documents and reports of various committees and commissions on urban governance, set up by central and state governments. It reviews published and unpublished research studies brought out by institutions or individuals on the subject. Data on revenue and expenditure of all ULBs of the major states², gathered from Eleventh Finance Commission (EFC) have also been analysed for the period 1990-91 to 1997-98 to assess the impact of the 74th CAA on the finances of ULBs. An attempt has been made to determine the nature and pattern of change in per capita revenue for the major states in India during the same period. Furthermore, quantitative and qualitative information on aspects of urban governance has been gathered from Ahmedabad in Gujarat, Mumbai and Pune in Maharashtra, and 25 towns of different size classes in Tamil Nadu. These states and cities have been selected as decentralization measures are reported to have been initiated here in a big way. The propositions or assertions made in different government reports and policy documents have been cross-checked with secondary data and by putting probing questions to officials and representatives of concerned agencies. Further, the study draws upon the research findings of other scholars, including those of the present author. Finally, discussions with officials in the concerned with urban sector (in service and retired) at different levels have been helpful in assessing changes relating to non-quantitative dimensions of urban governance.

² Maharashtra, Uttar Pradesh and West Bengal have not been incorporated for the state level study due to data discrepancy.

CHAPTER 2

Constitutional and Legal Issues of Urban Decentralization

In this chapter an attempt has been made to bring about the differences in conformity legislation at the state level. An analysis of municipal earnings and expenditure has also been done for the pre and post decentralization period, taking the major states as the units of analysis. This has been done to analyse the impact of the Constitutional Amendment, if any, on the finances of the ULBs. The issues pertaining to the Constitutional and legal aspects of the Amendment have been discussed in the following sections.

1.1 Enactment of conformity Legislation

In conformity with the 74th CAA, each state is expected to amend their existing Municipal Acts or introduce new municipal act at different levels of municipal governance. This is to be done in line with spirit of CAA, to bring in desired changes in policy environment to facilitate implementation of new measures introduced by the Government of India towards decentralization of urban governance. Accordingly, most of the states has initiated the measures for strengthening the urban governance at local levels. The promptness of the states in implementing these measures can be treated as the very first step towards decentralised governance. Table 1.1 brings out the state specific differences in conformity legislation.

In conformity with the 74th CAA, most of the states have amended the existing municipal Acts or enacted new municipal acts, within a year of the passing of the 74th CAA. Andhra Pradesh, as for example, introduced a new act within 6-9 months. In Gujarat, the relevant Act was amended within three months whereas another act has been enacted January 1997. Similarly, West Bengal has introduced a new Act after one year. The details of these supportive legislative changes are given in Table 1.1.

1.2 Criteria for Municipalisation of the ULBs

Three types of ULBs have been classified under the provision of Article 243Q of the 74th CAA. These are Municipal Corporation, for larger urban areas, Municipal Councils for smaller urban areas, and the Nagar Panchayats for transitional areas. No quantitative dimension for area or population has been specified for their identification. The 74th CAA lists five criteria for constituting the ULBs, namely, (i) population (ii) population density, (iii) revenue generated per annum, (iv) percentage of employment in non-agricultural activities, and (v) economic importance of the local body. In addition, several states have specified their own criteria for the purpose¹, the state legislatures setting up the criteria while amending their Acts. The others have left the interpretation of the Rules to their respective governments. As a result, state specific differences emerge in the conformity legislation. This is brought out more clearly in Table 1.2.

1.3 Composition of ULBs

The Acts stipulates that the seats in all the constituencies in municipalities shall be filled in by persons chosen through direct election. The CAA, however, provides for representation of members of Parliament (MPs), members of Legislative Assembly (MLAs) and persons having special knowledge of municipal administration, according to the discretion of the state legislature.

1.4 Elections held in ULBs

Under Articles 243K and 243ZA, the preparation of electoral rolls is the responsibility of the State Election Commissioner. Under the provision of the 74th CAA, it is mandatory for the states to hold elections every five years. Article 243U confers a clear tenure of five years for the ULBs. Accordingly, all states have conducted their first round of elections. The second round of election, too, has been completed in almost all the major states under consideration. The details of the position of elections are presented in Tables 1.3.1 and 1.3.2.

¹ For example, Karnataka has stated that all the Taluka Head quarters are given the status of Nagar panchayats irrespective of their population whereas, the Uttar Pradesh has specified that density, revenue and share of non-ag. Workforce can be notified, as the government may deem fit.

1.5 Delimitation of Wards

For the constitution of municipalities and conduct of election delimitation of municipal wards become necessary. The criteria for delimitation of wards, and the responsibility of delimitation have been illustrated in Table 1.4. In the States of Andhra Pradesh, Haryana, Karnataka, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh, the task of delimitation of constituencies rest with the state governments whereas in Gujarat, Kerala, Maharashtra and West Bengal the state election commission is vested with this power.

1.6 Reservation and Rotation

Under Article 243T, it is provided that there shall be reservation of seats for the weaker sections of the society and women in ULBs. Seats shall be reserved for Scheduled Castes (SCs)/Scheduled Tribes (STs) in every municipalities and the number of seats so reserved shall bear the same proportion to the total number of seats to be filled by the direct election in that municipality as the population of the SCs/STs in the municipal areas bears to the total population of that area. The same principle may be followed for different constituencies in a Municipality. The status of rotation of seats is given in Table 1.5. All the states enlisted in the table have provided for reservation for SC/ST in proportion to total population of the municipal area and $1/3^{\text{rd}}$ of seats so reserved for women belonging to SC/ST.

1.7 Modes of Elections of Mayors/ Chairperson

The manner of election of Mayors/ Chairpersons is provided in Article 243R. Under this provision, the states are empowered to do so. In the states of Gujarat, Haryana, Karnataka, Kerala, Punjab, Rajasthan and West Bengal, the Mayors/Chairpersons are elected from amongst the elected councillors, whereas they are directly elected by the people in Andhra Pradesh, Madhya Pradesh, Tamil Nadu and Uttar Pradesh. Table 1.6 presents the manner of election across the states.

1.8 Removal of Mayors/Chairpersons

Table 1.7 brings out the procedures for removal of the Mayors/Chairpersons in the states under consideration. The power of removal is vested with the state government through a no confidence motion. Table 1.7 indicates that the provisions of removal vary across the states. For instance, tabling of motion cannot be done before six months of assumption of office in the states of Kerala and West Bengal, in Rajasthan it cannot be before one year, whereas in Madhya Pradesh and Uttar Pradesh it is not before two years. Further, the notice of requisition is made by not less than half of the councillors in the same states, whereas it is passed by not less than one third of the councillors in Kerala, Rajasthan and West Bengal.

1.9 Transferring of Functional Responsibilities

Most of the states while amending the Municipal Acts included the list of functions enlisted in the 12th Schedule of the Constitution under the provision of Article 243W. These functions were supposed to be reviewed by the states before introducing in their respective Acts. It was observed that only a few states have carried out this exercise comprehensively, before the amendment. The states of Kerala, West Bengal and Tamil Nadu have transferred these responsibilities to the ULBs. These states have not restricted to the subject matters as envisaged in the 12th Schedule but also devolved some additional functions to the ULBs. The details regarding devolution of functional responsibilities for the states under consideration are illustrated in Tables 1.8.1 and 1.8.2.

1.10 Devolution of resources (taxation powers) to the ULBs

The ULBs have been empowered to levy certain taxes and fees with the introduction of 74th CAA, in an attempt to make the ULBs financially strong to perform certain additional functions listed in the Twelfth Schedule. The state governments have brought in these taxation provisions for the ULBs either through introduction of new Municipal Acts or amendment of the existing ones.

1.11 Transfer of taxes as per the constitutional provisions

In conformity with the 74th CAA (Article 243 H), every state has made provision in the Act to transfer certain taxation powers to ULBs, along with the provisions to levy certain new fees/tolls etc. The major taxes, fees and tolls to be levied by the ULBs, as per the provisions of the Acts in major states are presented in the Table 1.9.1. It may, however, be pointed out that despite these provisions, ULBs are empowered to impose very few taxes, fees or tolls. This is due to non-issue of relevant Government Orders. This implies that taxation powers actually given to the ULBs (in practice) are much less than what is provided for in the Acts. As a consequence, the ULBs are not able to generate the required resources to meet the requirements of the enhanced responsibility in the provision of civic services. For instance, in Uttar Pradesh, the ULBs are empowered to levy as many as 15 taxes, fees, tolls etc, as per the Act. In practice, however, these bodies have been empowered to impose only 7 taxes, fees, tolls etc. The taxes, fees, tolls, etc. levied actually by the ULBs are shown in Table 1.9.2.

1.12 Devolution of Resources to the Urban Local Bodies through the State Finance Commission

Under the provision of Article 243 Y, every state government has to constitute its State Finance Commission (SFC), every five year. Accordingly, 20 states² have completed their first round of setting up of the SFCs. Barring Bihar³, all the SFCs have submitted their reports to the Governor in their respective states. Furthermore, the state governments have brought out the Memorandum of Action Taken Reports (ATRs) suggesting the acceptance of the recommendations of the SFCs. The state-wise position of the constitution of SFCs and the details of the actions taken on their recommendations are presented in Table 1.9.3.

² Except Meghalaya, Mizoram and Nagaland, where the 74th CAA is not applicable and the states of Arunachal Pradesh and Jammu & Kashmir have not constituted the SFC)

³ The SFC of Bihar has submitted the Interim Report and accepted the major recommendations.

1.13 Analysis of Financial Position of ULBs in pre- and post decentralisation period

An attempt has been made here to analyse the financial position of the ULBs in pre and post decentralization period across the major states. Data on local finances have been analysed from 1990-91 to 1993-94 as also for the period 1994-95 to 1997-98 to find out the impact of the 74th CAA, if any, on the revenue raising capacity and expenditure on core services of the ULBs (Table 1.10). The share of own revenue (tax and non-tax revenue) and transfers from the state governments in total revenue have worked out for the ULBs in the major states. It may be seen that in the case of Assam, Gujarat, Orissa, Punjab, Tamil Nadu, Goa, Jammu & Kashmir and Manipur, the share of own revenue to total revenue has increased in the post decentralisation period, whereas in Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh and Uttar Pradesh, the share has decreased. One would thus infer that in case of the latter category of states, the dependency on transfers has increased in the post decentralization period. The position as regards internal revenue generation and transfer of resources has remained the same in the states of Rajasthan and Tripura. The importance assigned to the provision of core civic services, measured in terms of proportion of expenditure on core services in total expenditure, have been analysed. It is noted that in the states of Gujarat, Haryana, Jammu & Kashmir, Karnataka and Rajasthan, the share of expenditure on core service has increased. In Orissa, Punjab and Uttar Pradesh, the figure has declined, whereas it has remained the same in case of Goa and Tamil Nadu.

Per capita earnings and expenditure of the ULBs has also been worked out for the same period to analyse the impact of the reforms on their revenue generating capacity (Table 1.10). It may be observed that both income and expenditure has improved in the post decentralisation period for most of the study states. It may, however, be noted that the figures have been worked out at current prices. In real terms, the increase is much lower for all the states.

It may be noted that per capita own revenue has increased for all the states except Madhya Pradesh where it has registered a decline even at current prices. Gujarat and Punjab are the two states where the increase in the own revenue has been very high. This may be attributed to the increase in the share of tax revenues in these states as a result of the reform measures.

Scholars⁴ analysing the recent trend in earnings and expenditures are not very optimistic regarding fiscal decentralisation increasing the revenues, expenditures or fiscal autonomy of the local bodies in near future. In fact for several states, a deterioration in the critical decentralisation indicators has been predicted.

⁴ (Oomen, 1998; Singh, 2000)

CHAPTER 3

Relationship of Urban Local Bodies with Other Agencies

There have been significant changes in the institutional structure for the financing and management of basic services in the post decentralization period. In this chapter an attempt has been made to bring out the functional relationship between the ULBs and various agencies focusing on the following institutional linkages: relationship of urban local bodies with higher levels of government (state and centre); among ULBs and local level parastatal bodies and coordination mechanisms between them; with parallel organizations (e.g., user groups, self-help groups); and with other civil society organizations and private sector.

2.1 Relationship of Urban local bodies with higher levels of government (The Case of Central Government)

Prior to 1994, the central government was not involved in any transfer of resources to the ULBs. This provision was inserted at the time of introduction of 74th CAA. Under the provision of Article 280(3) (bb) and (c)¹, the centre (the Central Finance Commission) is obliged to make recommendations regarding the measures needed to augment the Consolidated Fund of the States for supplementation of the resources of the panchayats and the municipalities (for all the three levels). The criteria/norms on which the central transfers to ULBs are based have been discussed below.

(i) The Tenth Finance Commission (TFC)

The Tenth Finance Commission (TFC) had recommended the transfers of resources to the local (both, urban and rural) bodies in India. It recommended an amount of Rs 1000 crore for the municipalities for the period 1996-2000. The *inter se* allocations were made on the basis of the ratio of slum population to urban population of the seventies (Table 2.1). This transfer (grants) was conditional upon the municipalities making matching contribution and was useable for properly identified projects (maintenance of core civic services). Understandably, this approach gave more funds

¹ Article 280(3) (bb) for Panchayats (all the three tiers).and 280(3)(c) for the Municipalities (all the three levels).

to the states that had a high share of slum population. It may be noted that the use of these grants for the purpose of salaries and wages was not permitted.

(ii) The Eleventh Finance Commission (EFC)

The EFC has recommended a grant of Rs 2000 crore for the urban local bodies for the period 2000-2005. This would supplement the funds flowing from the states to the ULBs (Table 2.1) as also the resources accruing to municipalities, as a result of the implementation of the recommendations of SFCs. It has allocated the grants to the states on the basis of a set of multiple criteria, which includes (a) urban population based on (1991 Population Census) (40%), (b) index of decentralization² (20%)³, (c) distance from highest per capita income (20%), (d) revenue effort⁴ (10%) and (e) geographical area (10%) (Table 2.2). While designing the transfer of resources to states for urban local bodies, the EFC had underlined the importance of strengthening of decentralization initiatives at the state level.

The principle underlying the framework is that apart from size, which is represented by population and geographical area, grants should be allocated on the basis of complementary criteria of efficiency, measured by the revenue-raising effort of ULBs, as well as of equity, represented by the distance of the state's average per capita non-agricultural SDP from the highest figure among the states. Importantly, the EFC grant, like that of TFC, is dedicated to improving the maintenance of civic services and can not be used for payment of wages and salaries. The grant also includes a certain share for creation of databases relating to the finances of ULBs and upkeep and maintenance of their accounts and their auditing. It may, however, be noted that the EFC grant is also tied to matching contribution made by the ULBs. Understandably, it is only the strong ULBs which have access to the funds, thereby resulting in widening of the disparity across size class of ULBs.

² The index is based on 10 indicators of decentralization considered by EFC.

³ This issue has been dealt in detail in chapter 7.

⁴ Measured in terms of ratio of own revenue of local bodies to the state's own revenue (5%) and the ratio of own revenue of local bodies to non-primary GSDP of the state.

Recognizing that financial requirements of ULBs are phenomenal and cannot be met by the grant component alone, the EFC has suggested measures for augmentation of the consolidated funds of the states which could supplement the resources of the ULBs. The measures for augmenting the consolidated fund include: levying of land taxes by states, property tax reform, substitution of octroi by a buoyant tax, introduction of user charges for O&M of services, etc. Importantly, it is mandatory for the Twelfth Finance Commission to devolve funds for the augmentation of the consolidated fund of the states to supplement the resource of the urban local bodies.

2.2 Relationship between urban local bodies and the higher level of governments (The case of State Governments)

Prior to the passing of the 74th CAA, there was no constitutional recognition of the ULBs. It was also not mandatory for the state to devolve any resources or functions to the ULBs. The relationship between the states and the local bodies in terms of transfers of resources and functional responsibility were defined for the first time in the 74th CAA. Under the provision of article 243 Y, the state has to constitute the state level finance commission (SFC) every five year, as noted above. The SFCs are to recommend the distribution between the state and the municipalities of net proceeds of taxes, duties, tolls and fees leviable by the state. The devolution package as recommended by the SFCs consists of transfer of resources to the ULBs by way of (a) sharing of a pool of state resources (taxes only)- (Table 2.3), and total revenue (tax and non-taxes) in Table 2.4, (b) sharing of specific state taxes in the case of Gujarat and Maharashtra (Table 2.5) and (c) a system

Box : Increasing Disparity in size class distribution of grants: A case study of Gujarat

A recent study (Kundu, 2001) on local finances in Gujarat, shows that the small local bodies are unable to access even the grants under the poverty alleviation schemes like Nehru Rozgar Yojana, of the Central government. This grant is routed through the Gujarat Municipal Board to the ULBs. Unfortunately, about 50% of this amount has remained in the credit balance board due to the inability of the ULBs to obtain matching loans from the Banks.

grants-in-aid (Table 2.6).⁵ In addition, the SFCs have also recommended increase in the share of grants-in-aid. However, the condition of matching contribution attached to devolution of resources (taxes, non-taxes and the grants), have made it difficult for the smaller ULBs to access these funds, as these mostly are financially weak. This has resulted in accentuating disparities in per capita revenue across size class of urban centres. Some of the SFCs have also made recommendations for augmentation of own resources of ULBs through reforms in property tax. The summary of recommendations in this regard is presented in Table 2.7.⁶

2.3 Relationship among various arms of local governance- (the case of parastatal bodies)

It is important to analyse the situation with regard to the relationship of ULBs and parastatals before and after the adoption of the measures of decentralization since this constitutes the key to the new system of governance. The detailed discussion of the system prevailing before 1993 is also important because there has not been much change in many of the states, as is indicated below.

The functional relation between ULBs and parastatals in pre-decentralisation period:

Provision of basic services such as water supply, sewerage, sanitation, solid waste disposal and street lighting has traditionally been the responsibility of the local governments. The state governments had, however, assumed these responsibilities and were providing the services through their own departments, state level boards, corporations etc. Many of the state governments had set up semi-independent and autonomous corporations and boards in their respective states in the sixties, to undertake the preparation of long term plans for urban water supply and carry out capital works that were until then undertaken by the State Governments' own public works departments.

⁵ The states of Assam, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal Goa and Manipur, have recommended devolution of revenue from taxes only. The states of Andhra Pradesh, Himachal Pradesh, Karnataka, Kerala and Madhya Pradesh have, on the other hand, recommended devolution of revenue from both tax and non-tax sources.

⁶ Importantly, All India Council of Mayors (AICM) has proposed sharing of the revenue earned by the union and /or state governments by way of income tax, etc among the cities. It has thus suggested an alternative system of direct taxation, under a new name, if octroi can not be levied. The council is demanding its share in income tax because, it claims, currently the municipal corporations are not paid their lawful share.

Box : Increasing Disparity in Tax Revenues in post decentralization period.

A recent study on the finances of ULBs in Gujarat (Kundu, 2001) reveals that the small ULBs have not benefited from the increase in the share of taxes as a fallout of the 74th CAA. It further attempts to explain for the uneven distribution of resources. For instance, the grants against entertainment tax are generally sanctioned by the Gujarat Municipal Finance Board for capital investment on basic amenities. These are given to the ULBs for capital works in instalments after reviewing the progress of the work. During the past few years the Board has found the progress reports submitted by most of the ULBs to be unsatisfactory. As a result the schemes for which the fund were earmarked have not been sanctioned. It is unfortunate to find that even when the schemes were sanctioned, the instalments were not released due to unsatisfactory progress. A large part of the entertainment tax thus remains with the board every year which is actually earmarked for capital investment by the ULBs. Further, the amount transferred to the ULBs are less than what is allotted. This phenomenon is repeating year after year which is resulting in increase in disparity in per capita income and expenditure on capital works even in a developed state like Gujarat.

Creation of Water Supply and Sewerage Boards are the examples of efforts in this direction. This has been done in the states of Karnataka, Maharashtra, Kerala and Punjab. These boards at times take up developmental work on their own but mostly on behalf of the state government, local bodies, slum boards, public organizations, semi-government organizations like universities etc. Sometimes, it undertakes capital projects for private organizations as well Capital works were undertaken mostly by the state government through their departments such as Public Health and Engineering Department (PHED), Public Works Department (PWD), Urban Development Department, Department of Local Self Government etc. through their divisional and district offices. The capital investment in water supply and sanitation in small towns was taken care of by these state level boards. In certain other states, authorities had been created at the level of the cities to take up capital projects that functioned under the state government. These occasionally were entrusted with the responsibility of day to day management, collection of user charges etc. as well. The metro cities – having million plus population - because of the vast area and large population generally have a different organisational structure. In Mumbai and Ahmedabad, for example, the local bodies are financially strong to undertake capital expenditure. They also maintain the services. In Ahmedabad, in addition to the AMC, there exists the Ahmedabad

Metropolitan Development Undertaking (AMDU) which is responsible for city planning. Of late, however, it is taking up capital works in the western part of the city. It may however be noted that local bodies are able to take up capital investments mostly in the states of Maharashtra and Gujarat, where per capita earnings are high due the levy of octroi by the respective local bodies. In Delhi, in addition to the DDA, there is the Delhi Water Supply and Sewerage Disposal Undertaking (DWSSDU) under the Delhi Municipal Corporation (MCD). In 1998, the DWSSDU has been renamed as the Delhi Jal Board and takes care of provision of water supply only. Sewerage facilities in Delhi city are provided by the MCD. In Bangalore, Hyderabad and Chennai, there are Metro Water Supply and Sewerage Boards, their structure and functions being similar to the state level boards. In Calcutta, a number of agencies are responsible for water supply and sanitation. In addition to the Calcutta Municipal Corporation, there are the Calcutta Metropolitan Development Authority (CMDA), Calcutta Metropolitan Water and Sanitation Authority, Calcutta Improvement Trust etc., which take up capital projects. The state Housing Board and State Government departments are also responsible for capital works within the CMDA (Kundu 1993). Interestingly, in Visakhapatnam city, the Municipal Corporation has the total responsibility of capital works as well as maintenance. In Jaipur the responsibility lies only with the PHED. However, in most of the other states, the PHED is responsible for capital works in small cities and towns only (Kundu 1993).

The responsibility of maintaining the capital assets, providing water supply and sewage disposal facilities and of collecting water taxes, user charges etc. was with the local governments. The latter maintained these facilities through their departmental staff. In some cities, where the local bodies were financially or organisationally weak, state government departments or parastatal organisations took up this responsibility, as noted above. In the states like Maharashtra and Gujarat, however, the municipal corporations were financially strong. Consequently they could undertake the responsibility of both building the water and sewerage systems and maintaining them for the areas falling under their jurisdiction. However, in the smaller towns Maharashtra Jeevan Pradhikaran in Maharashtra and Gujarat Water Supply and Sewerage Board (GWSSB) in Gujarat took care of the capital works respectively (Devoy and Ghorpade, 2000). In most of the states, the responsibility of

building capital assets and maintenance of basic services was, thus, separated out and given to different agencies.

Box : Institutional Arrangement for the provision of services

Among the diverse institutional arrangements with respect to the capital investment and maintenance of basic services, the following four dominant typologies can be identified in the pre-reform period:

- i) Parastatal agencies or the state government departments like the PHED undertake the responsibility of capital works while the local bodies operate and maintain the facilities. ULBs perform all day to day functions related to provision of water supply and sanitation, including maintenance, repair, providing individual connections and administrative functions such as billing, charging etc. This was the most common system prevailing in the country.*
- ii) City-level, autonomous water supply and sewerage boards and corporations are entrusted with the responsibility of making both capital as well as current expenditures related to the provision of water supply and sanitation. This was often the case of the metro cities.*
- iii) In large cities, the local bodies undertook the capital works as well as operation and maintenance of the water distribution.*
- iv) Both development and maintenance responsibilities of the facilities are entrusted to state level institutions, under a single Act for all the towns of the state. This was the case in a number of states, the most prominent among these being Uttar Pradesh.*

The functional relation between ULBs and parastatals in post decentralization period:

With the passing of the 74th CAA, Metropolitan Planning Committees (MPCs) and District Planning Committees (DPCs) have been formed to take up developmental activities in the concerned region in place of the parastatals. The ULBs have also been empowered to take up developmental functions. As a result, the existence of the parastatal agencies, which have been functioning since the sixties/ seventies have come into question.

The Association of Metropolitan and Urban Development Authorities (AMDA), the apex agency for the parastatal bodies linked with metropolitan and urban development envisages the following role of these bodies in the post CAA phase:

- Integrate growth and expansion of multiple local bodies within the framework designed by Metropolitan Planning Committee (MPC) or District Planning Committee (DPC);
- Designing investments programmes within its jurisdiction;
- Co-ordinating policies and programmes of development for all agencies falling within its jurisdiction;
- Monitoring/evaluation of regional development projects and providing management information services to the elected bodies. The parastatals may have to be reconstituted to include both experts and elected representatives on the line and pattern of panchayats and Nagar Palika Bills (73rd and 74th CAA) to enable them to act as technical/planning/development secretaries of the municipality;
- Execution of special urban projects where special agencies do not exist.

Keeping in view the above mentioned roles, it is necessary that all the existing urban development authorities are designated and start functioning as the “technical/development secretaries for local self-government at city/metropolis/district levels to evolve development plans and programmes, and to implement and monitor them.

States have responded in a diverse manner with regard to the status of *parastatal* agencies in the post decentralization period. The All India Council of Mayors in its memorandum has recommended the merger of Development Authorities with ULBs. In a large number of states, however, the reform did not bring forth much change in the organizational setup of the parastatal agencies. The SFCs established in the first round did not make any recommendation with regard to the status of these agencies or their relationship with the ULBs. The SFCs in the second round in a few states have made important recommendations in this regard. Many state governments as well as their SFCs like Kerala and Karnataka have recommended the abolition of the parastatals while some have recommended for a change in their functional role like in Tamil Nadu, Uttar Pradesh, Maharashtra, West Bengal and Andhra Pradesh. It would be important to note that in Chhattisgarh, a newly formed state in the present decade, parastatals have been dissolved and their functions have been assigned to ULBs. In view of the wide variation

in the arrangement across the states, the present section makes an attempt to discuss the important cases.

Relation of Parastatals and ULBs in Tamil Nadu

The second SFC has made recommendations regarding the functional relationship between the parastatals and ULBs in the post decentralisation era in the state. The commission has recommended that Tamil Nadu Water Supply & Drainage Board (TNWSDB) needs to function as the executing agency. Accordingly, the SFC is of the view that funds should be routed through the heads of departments and not directly given to TNWSDB. Provisions for water supply may be made in the budgets of Chennai Metropolitan Authority, Commissioner of Rural Development and Director of Town Panchayats in regard to respective local bodies. It is important to note the role of Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB) has become important in the post decentralisation era as SFC funds are to be devolved through this agency.

The Commission has further recommended setting apart 10% of the devolution payable to Chennai Corporation towards the share of CMWSSB for strengthening and streamlining the distribution system till it is made foolproof. This devolution, however, is subject to induction of a few elected representatives and ward councilors as mentioned below:

- (a) Mayor of Chennai Corporation as a deputy chairman of CMWSSB
- (b) two ward councilors of Chennai corporation
- (c) one Municipal chairman from among the towns falling in the Chennai Metropolitan Area (CMA)
- (d) one chairman of town panchayat falling in CMA

The SFC has further recommended that the Chennai Metropolitan Development Authority (CMDA) should confine itself to pursuance of resource allocation, determining priorities, capital budgeting, coordination and monitoring and should not take upon itself any execution role or become a line agency. CMDA may be used as a secretariat of the committee for metropolitan planning of Chennai. The MPC should formulate realistic

and effective urban development planning system, incorporating resource mobilisation plans, formulation of new projects, designing institutional mechanisms for implementation etc., for all the ULBs and PRIs in the metropolitan area. The MPC needs to be made responsible for integrating all the activities of the line agencies to provide quality services.

The 2nd SFC has further recommended that Section 152 of TN Housing Board Act may be either deleted or amended in such a way that the local body is taken into confidence and its approval obtained before notifying or proposing a new scheme under Housing Board Act. With regard to Tamil Nadu Slum Clearance Board, the Commission has suggested that it may continue with its assigned role of constructing tenements for slum dwellers in Chennai corporation only. However, the approach roads to the slums as well as basic amenities must be provided by the concerned local bodies. The present practice of TNSCB remitting property tax and getting it reimbursed from the government may continue. However, to ensure that there is effective co-ordination between the corporation and TNSCB, the Commission recommends induction of elected representatives (Minister in Charge of TNSCB to act as the Chairman and Mayor of Chennai Corporation as deputy chairman) on the slum clearance board.

Relation of Parastatals and ULBs in Uttar Pradesh

The Commission is of the opinion that there is practically no place for independent *Jal Sansthans* in the State after the 74th CAA. The Commission recommended merger of *Jal Sansthans* with the ULBs. It is of the view that such a merger will lead to cost reduction, improvement in revenues and will provide a single window system of delivery to the consumers. If this is not done immediately, then in the first instance, the Chief Executive of the local body concerned should also be made in-charge of the *Jal Sansthans* in areas wherever they exist at present.

The Commission recommended that the development authorities and the *Jal Sansthans* operating in a municipal area should be brought under the umbrella of ULBs. Also the power to sanction building plans in the area falling in the jurisdiction of ULBs, should

vest in the ULBs and not in the DAs, so that the ULBs are able to administer in a better way, the levy and collection of property tax.

Relation of Parastatals and ULBs in Karnataka

In Karnataka, significant steps have been taken in certain towns for implementing decentralized governance. The water supply system in Karnataka was executed and maintained by KUWS&DB since this agency came into being in 1975. However, the function of operation and maintenance of water supply is passed on to the ULBs after the passing of the 74th CAA. However, as regards the functional relationship of DAs with ULBs, no step has been taken to bring these agencies under the municipal corporations, in spite of the recommendations by the high powered committee on urban management. Further, in a review of seven towns and cities in Karnataka, it was found that in the 21 member Management committee of the DA, there were only two elected members. There was, moreover, no representation from the panchayats, although it was their land that was notified for acquisition and planned development. Since DAs play the most important role in the development of rural fringes, the absence of representation of panchayats must be viewed as a serious omission.

The Commission, however, recommends for the abolition of Hyderabad-Karnataka Area Development Board, Malnad Development Board, Maidan Development Board and any other regional Development Board constituted by the State Government.

Relation of Parastatals and ULBs in Maharashtra

Prior to 74th CAA, the Maharashtra Jeevan Pradhikaran (MJP) was responsible for the design, construction and maintenance of water supply schemes in the state. The Committee (Sukhtankar, 2001)⁷ which was set up to prepare a road map for improved provision of water and sanitation services in the state for sectoral reforms, is of the opinion that under the 74th CAA (Twelfth Schedule), ULBs should be responsible for the provision of basic service. In this regard water supply schemes should be transferred to

⁷ Report on Operation and Maintenance and Management of Rural and Urban Water Supply Schemes, Government of Maharashtra, (2001), February.

the local bodies, along with the functionaries and the capital support. In certain cases if the ULB desire that the MJP should operate the scheme, the later should established independent corporate entities. Over a period of time these entities may have private sector partnership both in ownership and management.

Relation of Parastatals and ULBs in West Bengal

After the enactment of the 74th CAA in 1992, West Bengal is one of the few states in the country to have carried out all the compliance legislations, be it in the form of new laws or amendments of the existing ones. The West Bengal Municipal Act 1993 (including the formation and functions of Borough Committees, and reservation of seats), the District Planning Committee Act 1994, The Metropolitan Planning committee Act 1994 Municipal Ward Committee Rules 2001, have been enacted. Recently the Metropolitan Planning Committee have been constituted in 2001⁸. KMDA is the technical secretariat of the MPC and Secretary KMDA is the Secretary of the MPC.

Relation of Parastatals and ULBs in Kerala

A government order has been passed in the state of Kerala to abolish the development authorities and to bring planning and development functions under the municipal body. This is an important development as most of the other states are silent on this issue. The exceptions are three UDAs: Trivandrum, Kochi, and Calicut, that have been maintained after the CAA. Even in these three cases, the responsibilities of Development Authorities are to be federated out of lower level municipal and panchayats organizations through the representation of the latter in the governing board of the authorities. This is radically different from the conventional structure of Development Authorities where their governing board has minimal local representation – mostly having representatives from political and administrative cadre of the central or state government.

⁸ It is a 60-member body 40 of whom are elected by and from amongst the elected representatives of urban and rural local bodies in KMA whilst 20 are nominated. The private sector is not represented in the present composition (this is a serious omission that needs to be rectified). The Chief Minister is the Chairman and the Minister UD and MA is the Vice-chairman of the MPC.

Another idea under review in Kerala is that the Development Authorities will be project specific and not permanent in nature. This too is significant since a common problem with Development Authorities (shared by many other parastatal and autonomous institutions) has been that once set up they tend to take on functions that are financially lucrative rather than those that require them to fulfil public mandate. A very significant point here is that land regulation in urban peripheries would now largely fall within the purview of the Revenue Department rather than that of Development Authorities. The latter had a review role within the municipal area, which presumably would now belong to the ULB. The exact relationship however between the ULBs/RLBs and the Revenue Department is not clear. Similar to the governing committee of the Urban Development Authority, the Revenue Department comes under the control of the state government. Thus, representation of the panchayats and also of the municipal bodies still remains a significant issue in urban governance.

Given the very powerful interests built behind development authorities, dealing with them in the new policy environment will not be a simple task. And yet Kerala seems to have made a significant beginning. The important point here is not only the nature of the Development Authority per se but its linkages with a wide range of institutions. Instead of abolishing the Development Authorities, an attempt has been made in the state to bring them under the ULBs. Kerala has also attempted to bring various line agencies under the ULBs or Rural Local Bodies.

Relation of Parastatals and ULBs in Andhra Pradesh

There are six urban development authorities (UDAs) in AP.⁹ The State Government nominates the chairman and members of these UDAs, with a Government administrator as an ex-officio member. The Vice-Chairman from an administrative rank rather than an elected official is also the Chief Executive Officer of the UDA. Similarly, the Directorate of Town Planning under the State Government, plays a key managerial role. This structure has been maintained even after launching the measures of decentralisation in the state.

⁹ These are in Hyderabad, Vijayawada, Visakapatnam, Putapathi, Tirupati and Warangal.

The government of Andhra Pradesh, however, is considering an amendment to its Town Planning Act to constitute a DPC. A proposal for a similar amendment to its Urban Development Authority Act is being finalised for creation of MPC. However, unlike other states, AP has set up “District Development and Review Committees” for all the districts that function under the direct control of the State Government and the Chief Minister. The government nominates one minister as the Chairman of this committee. All the MLAs and MPs of the district are members, with the District Collector as the Convener. Originally the objective of this committee was to review developmental works taken up within the district.

With this highly centralized structure in place in the state, creation of DPC or MPC would obviously conflict with the existing set up and specifically, the functioning of DDRC. More critically, the promotion of the DDRC goes against the spirit of the 74th CAA, and might reduce the effectiveness of local bodies and their autonomy over investments. There are overlapping areas between that of the district committees and that of DPC or MPC as well that need to be resolved.

2.4 Functional Linkages of Urban Local Bodies with Civil Societies and User Groups-Select Case Studies

In the post reform period, civil societies, user groups and self-help groups have come up in a big way, particularly for operating and maintaining the civic services. In this section, a review of some of the initiatives launched in select cities have been documented and analysed critically in the following section.

(i) “*Bhagidari*”- The Citizen – Government Partnership

The ‘*Bhagidari*’ or “citizen’s partnership” in governance is a programme for facilitating city wide changes introduced in Delhi. The programme utilises processes and principles of multi-stakeholders collaboration, through the application of ‘Large Group Dynamics’ for developing “joint” ownership of the process by both citizens and civic agency officials.

The initiative seems to have taken off the ground during the last two years of its existence. The “*Bhagidari*”, has generally been viewed as successful in not only solving day-to-day problems but also in providing help to public utility Departments in maintenance and upgradation of services. A few of the successful initiatives are (a) ‘Clean Yamuna project’, (b) campaign for saying no to plastic bags & crackers (on Diwali), (c) Switching on/off of streetlights by RWAs, (d) Meter reading by RWAs in their residential colony, (e) Traffic regulation in the colonies, (f) Clean Delhi: “Green Delhi” Campaign (g) Tenant verification in the colonies, (h) Rain-water Harvesting, (i) Conservation of water by checking misuse of water, (j) Water Bill collection and payments by RWAs, (k) Desilting of sewers, (l) Co-ordination with DVB for handling load shedding and power breakdown, (m) Prevention of power-theft, (n) Door to door collection of garbage, (o) Maintenance of community parks and halls, (p) Crime prevention and successful implementation of neighbourhood watch scheme, (q) Prevention of encroachment.

(ii) Integrated Sanitation Programme through Community Networking, Tamil Nadu

Inadequate sanitary facilities in urban areas lead to unhygienic living condition for the poor, specially women. Considering the above conditions as well as to deepen the beneficial impact of improved sanitation, as part of the Tamil Nadu Urban Development Project-II (TNUDP-II), a comprehensive integrated Sanitation Program (ISP) was evolved in consultation with the community, CBOs and NGOs. This program provides a well designed sanitary complex with a package of public sanitation facilities, namely toilets for children, women, men bathing and washing areas with adequate arrangement for water supply, proper waste water disposal, lighting, garbage bins enabling the availability of all the sanitary facilities under one roof for the community within their reach.

**(iii) Environmental Management & People's Participation Innovations By
Tirunelveli City Municipal Corporation (TCMC), Tirunelveli, Tamil Nadu**

This case study discusses various innovations undertaken for improving Tirunelveli to make it a clean, green and lively city. This was achieved by bringing about a change in organisation culture and people's participation and empowerment. Sanitation in colonies has been privatised through Residents Associations at compensation from TCMC of Rs. 5/- per month per household for payment to the private worker. Subsequent transportation and disposal of garbage will be the responsibility of TCMC. 55 Tipper Autos @ one per ward would collect garbage and will be paid on the basis of weight of the garbage collected. 55 families of corporation's sanitary workers got self-employment under this scheme. The annual saving to Corporation works out to \$0.1 million.

(iv) Advanced Locality Management (ALM) Movement (Community Participation in Civic Issues), Mumbai.

ALM stands for Advanced Locality Management. The concept has its origin in the initiative taken by the residents of Joshi Lane in Ghatkopar area in the year 1996-97. The residents formed a street committee and resolved to improve the filthy surroundings in their lane. They started a voluntary contribution of Re. 1/- per day, which amounts to Rs. 3000/- per month as a common collection. Their initiative was equally matched by the MCGM and it was decided to work jointly for segregation of garbage, cleanliness, *vermiculture* and beautification in the lane. The concept was recognised by the MCGM as an effective model for citizens' participation in the waste management and was given the name, Advanced Locality Management. Starting formally in July 1997, the total number of ALM societies has reached a figure of 666, as of the year 2000 in Greater Mumbai.

(v) Participatory Community Initiative in Solid Waste Management At Asiad Village, New Delhi

The residents of Asiad Village in New Delhi decided to take up a special drive to keep the neighbourhood clean and tidy. After several rounds of discussion, it was decided that the domestic garbage would be stored in two separate bins and these would be collected separately by waste workers, who are actually ragpickers organised into a closely knit group, trained and provided with protective gear and specially designed collection vehicles (cycle carts). Shops in the three small community markets were also to be provided with larger bins for segregated storage. HUDCO was approached for techno-financial assistance for this scheme.

After survey and consultation with the members of Asiad Village Society, it was finally decided that each resident would be given two bins of different colour – one for the wet organic garbage and the other for the dry recyclable such as paper, plastic, glass, metal etc., the segregated garbage would be collected separately and the wet organic waste would be composted in trenches dug in a identified area. The dry recyclable items, such as, scrap paper, plastics, glass, metal etc. would be given to the waste workers who could sell these items to scrap merchants. This small amount would be an incentive apart from their regular salary. Subsequently, a facility for segregated storage of different components with a decorated façade was also built up for anybody wishing to bring the waste directly to the disposal area. This facility would work as a back-up support for the door to door collection system. The residents, *Vatavaran*, an NGO, the waste workers, the shopkeepers were involved in establishing the priorities in consultation with HUDCO.

(vi) Development and Upgradation of Lanes and By-laws through Public Participation Indore, Madhya Pradesh

The IMC initiated a drive to enlist communities, which were willing to contribute financially to the tune of one half of the costs for laying and developing lanes and by-

lanes in the city. Launched in 2000-2001 this process has gained acceptance by the communities and sixty-six stretches have been completed.

2.5 Select Cases of Non Governmental Organisations (NGOs) and Community Based Organisation (CBOs) Engaged in Delivery of Civic Amenities

NGOs and CBOs involvement in Select Cities

NGOs/CBOs are increasingly supporting the incorporation of micro-enterprises and informal waste recycling groups. In Ahmedabad, the Self – employed Women’s Association (SEWA) has played an important role in helping organize women rag pickers. Once organized these groups have improved access to training for waste collection and segregation, and micro-credit. Likewise, PRIA’s efforts in 40 small and medium towns (SMTs) have shown that through sustained interaction and knowledge sharing efforts with the elected representatives and citizens/groups has resulted in a marked difference in effective self governance at the grass root level. In Chennai, one of the most successful cities in terms of service coverage by informal organizations, NGO’s like Exnora, DBAI, AYC, Asha Nivas, Neesakaran and IIT are involved in solid waste collection, whereas Exnora and IIT are involved in the segregation and composting of solid waste. The following section gives synoptic view of the some select initiatives taken in this direction.

EXNORA – Chennai

Community Participation for Clean Surroundings

The city of Chennai is facing problems related to water contamination, sewage and informal garbage dumps. In 1989, EXNORA International intervened and developed “Civic Exnoras”, of independent resident committees affiliated with the parent organization each comprising of 75 to 100 families. The Civic Exnoras operate not only in middle and upper class neighbourhoods, but also in slums, where residents are provided with free tricycles and youth are involved.

Muskan Jyoti Samiti – Lucknow

Since 1994 Muskan Jyoti Samiti, a Non-Governmental Organisation has been providing solid waste management services related to street cleaning, waste collection, sorting, and transportation to about 20000 households, including 22 slums, in peripheral areas of lucknow city (estimated 2001 population of Lucknow – 2.9 million). In March 1999, they also started a vermin – composting unit and a research center on a 65 acre site on city outskirts.

The NGO recovers its operation and maintenance cost from user charges collected from beneficiary households served. The monthly garbage collection rates are as follows: slum dwellers Rs.10, economically weaker section Rs.15 middle income households Rs.20, and high income households Rs.25.

Involving Community Groups – Vijayawada Municipal Corporation Sanitation by Women's Group

The Vijayawada Municipal Corporation has constituted a scheme called DWCUA (Development of Women and Children in Urban Areas) to promote the participation of poor communities and women in sanitation. Under the scheme the corporation facilitates the formation of areas based community groups comprising Women and Children. These groups are then allocated the responsibility of sweeping, cleaning, collection and transportation of garbage.

Under the scheme VMC supports these groups by arranging finance for sanitation vehicles and implements. Each garbage vehicle unit, consisting of a tractor and a trailer is financed as follows: corporation subsidy of 50 percent drawn under the SJSRY program, 45 percent bank loan and 5 percent paid contribution by the group. The VMC acts as an intermediary to facilitate the above bank borrowing. The loan is further secured against guaranteed future income of these groups from the corporation's rental of Rs.350 per day for each vehicle unit. Of this rental amount the corporation directly deducts Rs.150 per day as loan repayment amount and repays the bank on behalf of these groups.

Each group member is paid Rs.55 per day. This includes Rs.50 per day towards labour charge and Rs.5 per day towards a groups corpus fund. The corpus fund is used for meeting incidental charges such as cost of the uniform (Jacket), shoes, implements etc.

As of August 2000, there existed a total of about 12 such groups, including 3 night sanitation groups. These together covered about 20 percent of the town area. The scheme has resulted in cost savings for the corporation as well as better service performance because of local community involvement. Interestingly the scheme has helped challenge traditional caste bias regarding sweeping and such activities and women from various communities are increasingly coming forward to participate in the same.

Involving Neighbourhood Groups – Ludhiana Municipal Corporation

The Ludhiana Municipal Corporation was able to provide sanitation services (solid waste collection and cleaning of drainage) to only 40 percent of the city's area and therefore constituted a scheme to promote community participation in service delivery.

Under this scheme, a Mohallla Sanitation Committee (MSC) consisting of a President, General Secretary and Cashier is elected by local people and registered with LMC. Following this the sanitary inspector of the area inspects the locality and estimates the need for sanitation workers.

The MSC employs the sanitation workers and supervises their work. Each sanitation worker is paid Rs.1600 per month, which is shared equally between the corporation and the MSC. The MSC essentially raises this amount from the households served. About 101 such committees have been formed which have 1950 workers.

2.6 Functional Linkages between ULBs and the Private Sector

There are a large number of projects launched jointly by ULBs and private sector basically for the provision of basic amenities. These have been discussed in some detail in Chapter 5, to avoid duplication.

CHAPTER 4

Issues in Fiscal Decentralization: Aspects Beyond Budget Analysis

Fiscal decentralization encompasses transferring of (a) functional responsibilities to the local bodies and (b) devolution of financial resources (taxation powers) to the lower level of governments. In addition, budgetary analysis focussing on the revenue and the expenditure of the ULBs also helps in understanding the strengths and weaknesses of local economy. These issues have been dealt in the previous chapters and hence have not been discussed here to avoid duplication. In this chapter, an attempt has been made to identify the factors in fiscal decentralization beyond budget analysis to understand their impact on their structure of local economy in the post reform period. Aspects pertaining to tapping of capital market by the ULBs through credit rating, generating capital income through sale of land and other municipal assets, assigning contracts to private agencies and thereby saving budgetary resources etc. would be extremely relevant in this context.

3.1 ULBs tapping the capital market through credit rating and undertaking Planning Responsibilities

The 74th Constitutional Amendment has been welcomed as it has transferred administrative and financial powers and created an enabling environment for the local bodies to undertake planning and development responsibility. It may be that the local bodies are simply not equipped to take up the responsibility of planning, especially of launching capital projects. Indeed, considerable expertise is required to identify the infrastructural and industrial projects, appropriate for the growth of the city or town, assess their environmental implications and mobilise resources for these. Given their difficult financial situation, it is unlikely that these bodies will be able to strengthen their planning departments by recruiting technical and professional personnel in immediate future. This assistance is unlikely to come from the state government departments since they, too, have serious financial problems and may not be able to augment their professional staff. The only choice that remains with local bodies is to resort to the financial intermediaries and credit rating agencies. A number of these agencies have

come up in recent years in the private sector with assistance from certain international organisations.

Understandably, the major considerations in the preparation of such project are the concerns of the companies likely to provide the finance, commitments made by the borrowing agencies to ensure cost recovery, legal and administrative restructuring for attracting private participation. The criteria canvassed by the credit rating institutions, thus, impose certain kind of financial perspective and discipline for the functioning of the local bodies. These also ensure that the project document assigns critical importance to cost recovery parameters and proposes appropriate legal and administrative restructuring for its commercial viability. These are likely to restrict the choice of the projects for the local bodies.

In an era, wherein obtaining funds for investment from private sector or capital market has become the critical factor, it is not surprising that the exercises of preparing grandiose Master Plans has been thoroughly discredited. Indeed, the city level Master Plans in recent years have been referred more for violation than for compliance since no fund is available for their implementation. Given this emerging scenario in the nineties, the option of going for project preparation in formal or informal consultation with interested companies or the “stake-holders” through the intermediation of the financial institutions, seems to be an easy way out. This, the local governments in large cities have found hard to resist.

Ahmedabad is one of the few lucky cities that have been able to mobilise funds from capital market in the mid nineties, through credit rating done by CRISIL. The high rating that the city Corporation obtained assured the investors, buying the municipal bonds, a high degree of certainty regarding timely repayment¹. But it was possible for the Corporation to receive this rating only after its financial performance improved dramatically after 1993-94. One, however, has to be cautious in projecting cities like

¹ Ahmedabad project received an initial rating A+ for the general obligation bond. Subsequently, IL&FS (the investment banker for the debt portion of the financing, appointed by the Corporation) and the Corporation revised the

Ahmedabad as a great experiment, ready for replication elsewhere in the state or country, since many among the urban centres are struggling to get out of the quagmire of budgetary deficits without much success.

It may be noted that the local bodies (like AMC) have been able to raise funds through Bonds, Structured Debt Obligations (SDOs) etc. by pledging or escrowing certain buoyant sources of revenue like octroi at predetermined collection-points for debt servicing. By this, the repayment obligations have been given priority and kept independent of the overall financial position of the borrowing agency. Bonds and SDOs have, thus, been designed in a manner that repayment of loan is ensured through committed revenue sources, irrespective of the overall budget, which may be in deficit.² Further, a trustee would monitor the debt servicing so that the borrowing agency would not have access to the pledged resources until the loan is repaid.

One may ask whether these SDOs would open up an opportunity for the cities to tap new resources. Understandably, this new credit instrument is more acceptable to the investors than any general bond issued by the local body as it insulates the latter from the general risk of financial uncertainty, faced by the issuer. No investor would like to put in money in the hands of a local government, development authority or a board if it is struggling to find resources for providing the salary to its staff or meeting the routine administrative expenditures. Nonetheless, these agencies can always identify a few revenue sources that are lucrative and buoyant. Escrowing the earnings from these lucrative sources can, thus, support the SDOs floated for mobilising funds for the commercially viable projects. The SDOs issued through the state level financing institutions or special purpose vehicles (SPVs) can be made further attractive for the investors by providing certain tax benefits. The SDOs issued in recent years have also

financial structure of the offering and complied with certain additional conditionalities. This earned them an improved rating of AA (SO).

² The local bodies are often required to adhere to certain other additional conditionalities like maintaining an average debt-service credit ratio, pledging municipal assets with certain asset coverage ratio, creating a sinking fund etc., for retaining the high rating it has obtained. In case of possible changes in macro policies affecting the budgetary position of the ULBs (like abolition of octroi), assurances of compensatory payment by state or central government have been stipulated. These are all precautionary measures to protect the interests of the investors².

been backed up by committing a part of general revenues, including budgetary allocations along with state government guarantees.

Box : Increasing Vulnerabilities of Metropolises-Ahmedabad : A case study

A recent study (Kundu,2002) on the vulnerability of metropolises brings out some interesting findings on the revenue structure of Ahmedabad Municipal Corporation (AMC). It is observed that the percentage share of expenditure for loan charges in Ahmedabad show no regular pattern over time. However, one observes an increase in its share in 1997-98. The year coincides with the year when AMC started payment of interest on the Bonds worth Rs 1000 million. The same trend is witnessed in the subsequent year as well. It interesting to note that since 1998-99, over 45% of the total loan repayment has been year marked for the bond issue. Surprising, the share of loan repayment in the total revenue expenditure of AMC has remained stable at around 14% implying that the loan repayment on other than bond account has been brought down to keep the share of loan repayment within reasonably limits.

Taking a holistic view, one is not very certain that the recent initiative taken for the development of the capital market would lead to empowerment of local bodies. The assignment of certain revenue channels to a separate fund, whose management is controlled by an outsider - a financial institution or trustee - can become a serious infringement on the rights of the local bodies. It may jeopardize their overall financial situation, in case the project fails to generate profits for paying back the investors. The recent developments in the capital market would, thus, while liberating the local agencies from the control of central and state government, place the former under more stringent conditionalities of trustees and commercial banks, controlled by pure market logic. The financial powers would shift from the state governments to financial institutions, international donors and credit rating agencies that, through various innovative and complicated arrangements, would control the expenditure pattern³. They would also be in a position to determine the type of projects to be undertaken and in

³ Madhya Pradesh government, for example, has admitted its inability to provide escrow cover to only a few of the proposed power projects although a large number of applications are lying with them (Economic Times, Aug 1998).

certain cases the management system of the municipalities. The state governments must be extremely watchful with regard to the problems faced by the cities in handling their budgetary earnings and expenditures after accepting the terms and conditions of the market for raising resources.

Development of capital market so that the more efficient para-statal and local level agencies are able to mobilise resources by issuing bonds and other credit instruments, too, have implications for spatial equity. An analysis of the arrangements, worked out by financial intermediaries, including the credit rating institutions for tapping the capital market, reveals that these can severely restrict the functioning of these agencies and come in the way of fulfilling their normal obligations. In several cases, the local bodies have been forced to pledge their regular earnings from octroi, grants from the state etc. as a guarantee for debt servicing.

The most widely known case of resource mobilisation from capital market is that of Ahmedabad which has been discussed in the previous section. The other known case would be the Corporation of Madurai which has entered the market for raising Rs. 30 crores for repayment of loans to TNUDF, taken for construction of two lane inner ring roads. Besides these, credit mobilisation stories are coming from the state of Maharashtra wherein four Municipal Corporations viz. Jalgoan, Nashik, Aurangabad Sholapur are planning to raise Rs. 400 crores. Jalgoan Municipal Corporation alone will raise Rs. 200 crore from investors through tax-free bonds which it plans to use to upgrade the town's infrastructure besides sprucing up its sewage treatment and disposal system. Nashik Municipality is raising Rs. 100 crore to part finance its Rs. 229 crore project which envisages enhancing the towns' water supply and improving sewage treatment and disposal systems. Municipal Corporations of Sholapur and Aurangabad too plan to use Rs. 50 crore each for the same purpose. The details of the initiatives for mobilisation of resources from the capital market is given in Table 3.1.

3.2 Generating capital income through sale of land and other municipal Assets

National Commission on Urbanisation had noted that land could be a major source for generating resources by the local bodies which, it felt, has not been used by them adequately due to complex legal and administrative system. A recent study (Kundu, 2001) on the revenue structure of all ULBs in the state of Gujarat brings out the increasing application of land as a source of revenue generation. It reveals that the total income had improved significantly for the Municipal Corporations while the average income for other class of ULBs had declined substantially in the post decentralisation period. As a result of the differential rate of improvement of the various size classes of ULBs, the disparity in their resource base has increased over time. Faced with serious resource crunch, it is understandable that many of the smaller ULBs (classes A, B, C and D) have used land to generate capital income. As a consequence, the percentage share of capital income in total income has increased substantially⁴. The ULBs in Gujarat, other than the Municipal Corporations, generating resources through sale of municipal assets and land for meeting their capital and current expenditure, is a new trend which can be attributed to their mobilising non budgetary resources.

3.3 Management Contracts to Private Agencies for Provision of Services⁵

Widening gap between demand and supply of basic services has forced urban local bodies to desperately work out for alternate institutional arrangements for mobilising new resources or bring down its obligatory expenditures. This is the major factor behind the emergence of private sector participation in management of municipal services in the nineties. Many of the corporations have contracted out services like provision of staff cars, O & M of water pumping stations, sewer treatment plants, maintenance of pipelines, collection of user charges etc to private agencies.

Different forms of participation have been designed with varying levels of responsibility and cost sharing. Of these, the most commonly used form is contracting out management of one or a set of services by the municipal bodies to private companies. It has been

⁴ It may be mentioned that capital income basically comprises capital grants and funds generated through sale of municipal assets and land.

⁵ A detailed analysis of management contracts and its impact on the provision of services has been attempted in chapter 5.

argued that this would result in substantial cost saving on the part of the local authorities and, at the same time, make it possible for the companies to conduct their business with profit.

There are, however, apprehensions that such sub-contracting of services would lead to dilution of social responsibility and exclusion of the poor and vulnerable sections from the formal delivery system. It is, therefore, necessary to ensure that such contractual agreements are executed under strict regulatory control of the government with certain degree of community participation. To promote such institutional arrangements and assist the local bodies in drawing up terms and conditions of the contracts, UNCHS has launched an urban management programme (UMP) with offices in India and many other developing countries. Besides facilitating the local bodies in establishing contact with possible participating companies and conducting negotiations on their behalf, the UMP is creating an enabling environment for such participatory management practices.

CHAPTER 5

Issues of Accountability

It is argued that the system of financing the local bodies by the state governments through a gap filling approach, prevailing in almost all the states until the eighties, promoted inefficiency and made these bodies lax in matters of resource mobilisation. This did not help in creating a sense of accountability for the funds received by them. Also, investments made by the state in developing urban infrastructure through government departments or parastatal agencies did not distinguish between towns or cities based on their performance.

In the present era of municipal reforms, when the development strategy is to be guided by the principles of accountability and return on investment, strong demand is being made for a thorough restructuring of centre-state-municipal relationship. The demand is for strengthening a system of participatory governance at local level. Attempts are on for creating an institutional and legal structure that would ensure efficiency, accountability and transparency, particularly with regard to accounting of the earnings and expenditures of the local bodies. It is envisaged that infrastructural and industrial investment in cities and towns must pay for themselves, enabling the “more deserving cities” to have easier access to resources.

Issue related to the accountability of urban local bodies (ULBs) has been gaining currency in the past few years. In this section an attempt has been made to deal these issues under the following heads: (a) the accountability of the elected representatives and the executives to the electorate (b) transparency in accounting and auditing of the ULBs earnings and expenditures (c) accountability of the ULBs to the (i) credit rating agencies, (ii) stakeholders in the capital market, (iii) private partners, (iv) HUDCO, and the other national level banks/ institutions, (v) international agencies.

4.1 Accountability of the elected representatives and the executives to the electorate

An overview of the changes brought about in the functioning of the local representatives and executives to ensure accountability suggest that the actions at best have been sporadic and disjoint in nature. A few state government departments and municipal corporations have passed administrative orders and made institutional arrangements for creating new alliances with the electorate. Although the number of such initiatives is small, and largely anecdotal, this area is important in setting the trends toward decentralization.

The most significant development in this direction during nineties is the introduction of the Mayor in Council system in a number of cities in Maharashtra and Madhya Pradesh following the example of Kolkata and Howrah, that had this system functioning since early eighties. This system gives executive powers to the mayor-in-council rather than in the appointed officials to ensure that the elected office bearers in the local governments and the office executives work in conjunction with each other with a sense of accountability to the electorate.

MCD had recommended to establish Mayor-in-council system in the civic body. This system is presently being followed in West Bengal and Madhya Pradesh. Siliguri Municipal Corporation provides a good example of successful governance through this system. Maharashtra has adopted the same with several changes for Mumbai and Nagpur on an experiential basis for a year but reverted back to the earlier system.

The other important move in this direction is introduction of Citizens Charter and Citizens Report Card, designed to assist ULBs. A major obstacle in ensuring accountability of the elected representatives and executives is that municipalities provide citizens with little information on service delivery performance levels. Further, municipalities have not been equipped with adequate information on what constitutes

acceptable service delivery norms and standards. Under the system mentioned above, the ULBs are expected to formulate a service charter and report card for bringing information on all municipal services, their delivery levels and target standards to public knowledge. Monitoring of the performance based on report card and resource mobilisation through user charges would hopefully strengthen accountability and improve performance of the ULBs.

Brihanmumbai Municipal Corporation and New Delhi Municipal Council have taken a lead in this regard and published Citizens' Charter, followed by Bhopal, Coimbatore, Chennai, Vishakhapatnam, Pune, Chandigarh etc.

Box : Issues of Accountability – A case study of select ULBs in Tamil Nadu

A yet another area of concern in the issue of accountability is the lack of co-ordination between the Chairpersons, political leaders, councilors and the officials of the ULBs in the day to day functioning. An interview of executives of different ULBs in the state reported of Tamil Nadu brings out this problem rather sharply. It was pointed out that the local councilors discourage the people to pay taxes and also resist the upward revisions of the rates. Further, party politics influences MLA's contribution for local development. The contribution from the MLA fund is more if the chairman and the MLA are from the same party. In view of these problems, the officials were of the view that there is urgent need for awareness building among the elected representatives so that they can see the interests of the city, rising above party politics. The importance of capacity building among these representatives as well as the ULBs officials was also underlined in the discussion.

It may be noted that the stipulation in the 74th CAA regarding creation of wards committees in cities having population over 300,000 has been interpreted differently in different states, mostly to meet their political convenience. The states of Kerala and West Bengal have reported establishing separate committees for each ward. Most of the states have, however, provided for constitution of a handful of ward committees in cities by clubbing the wards in to groups. Due to such large size, these committees in most cities cannot claim to represent the aspirations of the people.

4.2 Transparency in accounting and auditing of the ULBs accounts:

Until recently, the state governments have been supporting the local bodies through financial transfers following a gap filling approach. This was criticised as it made the local bodies lax in matters of resource mobilisation and promoted inefficiency. Also, investments made by the state in developing urban infrastructure through government departments or parastatal agencies did not distinguish between a town and a city based on their tax raising efforts or efficiency. In the era of globalisation, when the development strategy is to be guided by performance and returns on investment, this system of financial transfer is being gradually discarded. A new system is being promoted for maintaining municipal budgets and devolution of state funds based on performance. The new system is to promote infrastructure and industrial investment in cities and towns that can pay for themselves. The idea is to create an institutional and legal structure that would enable the “most deserving cities” to have access to resources.

Unfortunately, not many attempts have been made in the past to go into the details of the data for the municipalities, particularly their budgeting and accounting system. Further, no national or state level organisation, including the credit rating agencies, has made any serious attempt to standardise the municipal budgets to bring about comparability of data across time and space¹. The majority of urban centres, however, follow the cash based system that has considerable variation across the states.

¹ However, reforming the municipal accounting system has now become an imperative as the cities turn to capital markets and private sector for financing urban infrastructure. Transparent financial information and standardised accounting practices, it is argued, will not

Most of the SFCs have emphasised the need to ensure accountability at the local level of governance. The transfer of funds through Finance Commissions at the state level, sanctioning of loans from national and international organisations, mobilisation of resources through issuance of bonds etc. are sought to be linked to performance of these bodies measured in an “objective manner”. Importantly, the EFC has earmarked some fund for the accounting and auditing of the accounts of the local bodies.

Box : Initiatives towards Increasing Transparency: Few Fragmented Efforts

The need for increasing transparency in the functioning of local bodies, particularly in the maintenance of their earning and expenditure accounts has been emphasised for success of decentralised governance. The accounting Standards Boards of the Institute of Chartered Accountants of India, New Delhi, has brought out a Technical Guide on Accounting and Financial Reporting by ULBs in India to provide a broad framework for developing uniform standards. It has prepared a common format for analysing the financial situation of urban local bodies and make temporal and cross sectional comparisons. The State of Tamil Nadu has tried to bring in accounting reforms by introducing double entry accrual based accounting system in 5 corporations and 102 municipalities since late nineties. Many other municipalities including Indore , Jaipur, Ahmedabad, Bangalore and Anand have switched over to double entry accounting system from the conventional cash based single entry accounting system. The FIRE-D project is helping the government of Maharashtra to prepare a manual on improved accounting system for the ULBs of the state.

only enable effective governance, but they form the foundation of municipal credit ratings as well. The “Technical Guide on Accounting and Financial Reporting by Urban Local Bodies” is focusing on three important aspects, viz, financial reporting must be based on accrual basis of accounting, reporting must confirm to accepted accounting standards and policies and accounts of local bodies must be audited by independent and external auditors.

Another important measure adopted for improving accountability in local bodies is greater vigilance and restriction in transferring funds across sectors within the municipal budget². In pursuance of this perspective, several state governments have brought in institutional reforms for increasing accountability of local bodies. In Maharashtra, for example, the government has issued an order directing all municipal corporations and large municipal councils to ensure that the accounts are properly audited. This has been done with the objective of facilitating the process of project appraisal for determining the creditworthiness of the ULBs, preparing capital investment programme and imposing some financial discipline on them (Devoy and Ghorpade, 2000).

Despite all the institutional changes for improving accountability and bringing in transparency and efficiency, as discussed above, there are serious conceptual and operational problems in building up performance indicators using the budgetary figures of municipal bodies and other local agencies. Identical ratios obtaining for different agencies do not imply the same situation as the concepts and categories used by them and their coverage can be different. Inter-municipality comparison of the indicators would not make much sense unless these concepts are standardised.

Barring a few fragmented efforts in a few cities, as discussed above, there is no concerted attempt in the country to systematise the municipal database, despite the chorus in support of decentralisation. Nonetheless, there is one clear-cut prescription that has come from a large number of financial agencies making it imperative on the part of local bodies to segregate the earnings and expenditures for different sectors and maintain separate accounts³.

² The case of Budget-G of the Mumbai Municipal Corporation may be cited as an example. The Corporation has been forced to maintain separate accounts for a few of the sectors as pre-condition for getting the World Bank loan under the IDA (International Development Assistance) credit scheme.

³ This issue has been dealt in details in Chapter 5.

4.3 Accountability of the ULBs to various agencies⁴

(i) Credit rating agencies

This has already been discussed in the context of the previous Chapter.

(ii) Stakeholders in the capital market

This too has already been discussed in the context of the previous Chapter.

(iii) Private partners

This too has been covered in the context of the previous Chapter and in Chapter-5

(iv) Housing and Urban Development Corporation (HUDCO), and the other national level institutions

HUDCO, along with other financial institutions have been insisting on all borrowing agencies to formulate financially and economically viable infrastructure projects. Each project, according to the corporation, must be self-sustainable and be able to pay for itself. It has also been insisting on switching over to realistic tariff structures and recovery mechanisms to get the project sanctioned.

In the water supply sector, HUDCO has been advocating innovative “payment by users instruments” like advance registration charges, connection charges, enhancement of water tariff, water tax, water benefit tax, betterment charge, development charge, charges from water kiosks, utilisation of other revenue sources such as octroi, property tax, sale of plots etc. In the sewerage sector, connection charges, sewerage cess tax, conservancy tax, sale of renewable waste, sale of sludge and nutrient rich waste water have been proposed as instruments of cost recovery. For solid waste management too, introducing or enhancing of collection charges, cess, sale of renewable waste, generation of power from waste and fines for dumping waste have been advocated (HUDCO 2000).⁵

⁴ It involves crediting rating agencies, stakeholders in capital market and the private sector. Accountability with agencies has already been discussed in previous chapters.

⁵ Local bodies in India have started complying with the conditionalities laid by HUDCO while applying for loans. As for example, Jeypore Municipality in Orissa has hiked up the water tariffs for all categories of consumers followed by an annual automatic increase of 10 per cent. In addition, the local body is insisting on payment of Rs.4,000 for a new connection. Similarly, at Kolhapur in Maharashtra, in addition to compulsory hike in water tariffs at the rate of 75 per cent to 100 per cent, depending on the type of use, an automatic increase of 10 per cent in water tariff has been laid down as a condition for accessing HUDCO funds. This was in addition to levy of a minimum registration charge of Rs. 2,000 for every new domestic connection.

Of late, HUDCO has been insisting on all its borrowing agencies to escrow some of their buoyant sources of revenue (octroi from a few collection points, property tax from a few rich wards, etc;) to service the debt. This procedure has become compulsory for all borrowing agencies. Further 100 per cent metering of water, full cost recovery and elimination of public stand post are also conditions for all borrowing agencies to fulfil. Given all these stringent conditions built into the financing system, it is understandable that only a few municipalities are able to qualify themselves for HUDCO loans⁶. Further, insistence on the compliance of the above conditionalities, the intracity disparity would increase as the projects for the better off localities are likely to get the sanction. The poor in the city would be adversely affected since the user charges being built into the delivery system might lead to their exclusion. Further, with the elimination of public stand-posts, the only source of water supply for the slums and economically disadvantaged sections of the population, the access to this section of population is going to be drastically reduced.

Box : Penalty for Non-compliance: A case of Ludhiana Municipal Corporation

The case of Ludhiana may be cited as an interesting case to elucidate the point. Nearly 50 percent of city dwellers in the city do not have sewerage connections while close to 40 percent have no access to the Corporation's water supply. Ludhiana Municipal Corporation (LMC) got a loan of Rs. 105 crores from HUDCO for implementing a water and sewerage project. A prerequisite for such loans is that the services must not be provided free of cost. However, the elected body of the Corporation decided to waive charges for water and sewerage connections thus reducing the revenue of the corporation by Rs.12 crore annually. As a result, the loan instalment, due for release by March 31, 2001, has not yet been released.

4.4 International Agencies

International agencies, while extending loans to ULBs, insist on transparency and disaggregated presentation of their budgets, escrowing of certain buoyant revenue earnings, credit rating of the concerned municipal body etc. Many of these issues have been discussed in Chapter 5.

⁶ About 85 per cent of the Life Insurance Corporation of India (LIC) loans get directed towards metropolitan and other Class I cities. (Ministry of Urban Development and Poverty Alleviation, 1997-98). This is due to the strong economic base of such cities, which allows them to fulfil the conditionalities without much pressure.

CHAPTER 6

Sectoral Decentralization and its Impact on Delivery of Services

The issue of sectoral decentralisation comes up under different chapters and has therefore, been dealt in a number of places. The aspects concerning disaggregation of the budget of the ULBs in different sectors, component (a) of the chapter, have been partially covered in chapter 4. Mobilisation of resources for capital investment as also subcontracting arrangements for service delivery made by local bodies with private companies have been discussed under chapter 3. Similarly, an analysis of the private contracts, component (d) of the chapter, has been attempted in chapter 3. The remaining components have been discussed in some detail under different sub-sections, as presented below:

5.1 & 5.2 Disaggregation of the budget of the ULBs and prioritization of sectors

A key concern of the financial institutions and the actors in the private capital market has been the unreliability of the financial data provided by the local bodies. The present system of maintaining the accounts, did not allow any one to see clearly the earnings and expenditures of individual sectors, particularly in case of smaller local bodies. Availability of sectorally disaggregated data is being considered a prerequisite for improving efficiency of the ULBs and ensuring accountability.

It was argued in the policy documents concerning solid waste management, coming from the MOUD&PA and USAID, that instituting a separate account head for any sector like solid waste disposal, under which all waste management transactions are booked, would be a first step toward identifying current income and expenditure in this sector and improving its efficiency.

The policy documents further suggested that if the sectoral operations are to be made viable in the long term, it is critical that ULBs institute an appropriate income stream against the services delivered for each sector. Some cities have already initiated actions in this direction. Bangalore Corporation, for example, has approached the state government

for its approval to introduce service charges. Further, it proposes that councillors be allowed to set household tariff levels, in case of important consumers of the service. Interestingly as far as the bigger waste generators are concerned such as hotels etc., the Corporation places upon them the onus of transporting their waste to a designated treatment site. The city of Mumbai, on the other hand, does targeted waste collection from large waste generators by charging them appropriately.

A large number of domestic financial agencies in the post reform period have come out with similar perspective with regard to sectoral record keeping and accountability. They have made it obligatory on the part of local bodies to segregate the earnings and expenditures of different sectors and maintain separate accounts. This has often been posed as a pre-requisite for accessing funds from the agencies. This is all the more important if the ULBs want to mobilise funds from international agencies or capital market. The FIRE project in India (see Mehta and Satyanarayana 1996), for example, proposed a budgeting discipline for Pune Municipal Corporation requiring it to have separate accounts for not merely capital and current expenditures but also for different set of sectors and prioritise them. It advocated pooling of select sectors as “cost centres” and ensuring profitability at the level of these centres. Proposals have been put forward for revising the user charges and adopting norms for sectoral transfers such that a group of sectors can become independent of the general municipal budget. These, it argued, would be necessary to attract capital investments in future years.

There are number of instances wherein international and national agencies have placed this kind of obligation on the budgeting system for receiving even a small loan from them. The case of Budget-G of the Mumbai Municipal Corporation may be cited as another example of such sectoral disaggregation and prioritisation. The Corporation is maintaining separate accounts for a few of the sectors as pre-condition for getting the World Bank loan under the IDA (International Development Assistance) credit scheme. More importantly, it is preparing its utility budget concerning water supply and sewerage facilities on accrual basis while the other budgets of the corporation are maintained on cash basis.

It may be argued that this system of sectoral disaggregation in the budget, separate accounting for priority sectors and not allowing much intersectoral transfers would constrain the selection of development schemes and cross subsidisation of “economically unattractive” sectors, such as provision of sanitation services in low income areas.

5.3 Privatisation (partially or wholly) of capital works and subcontracting of operation and maintenance of services

The objective of establishing partnerships with private agencies for undertaking capital investment or management of services is primarily to bring down the expenditures of the local bodies and improving efficiency in the functioning of the sectoral projects. It has been argued by planners and administrators supporting such partnerships that privatisation of capital works and subcontracting of services would relieve the budgetary burden of the local government, bridge the ever increasing demand and supply gap in the municipal infrastructure, bring efficiency in delivery system, reduce the cost of service delivery and ensure efficient management of infrastructure services.

In the light of the above perspective, the institutional arrangements for making investment in basic services and methods and sources of mobilising resources have undergone significant changes in recent years, particularly after launching the programmes of structural reform. There is wide variation in these arrangements, not only across states but also across cities, depending on concessions granted and participation sought from the private sector by public agencies at local as well as higher levels¹.

5.4 Management Contracts to NGOs and Private Agencies for Provision of Services

Different forms of participation have been designed with varying levels of responsibility and cost sharing between private and public agencies for delivery of services to the citizens by contracting out management to a private company, NGO or CBO.

¹ Since the initiation of the economic reforms there has been several, well publicised forays by the private sector into areas of urban infrastructure development. Most of these have been in the big cities in the country in the south and in the west, the smaller towns everywhere have generally been left to their own devices (Jha and Siddiqui 2000).

Many cities have involved business partnerships in management of infrastructure and delivery of services. A few examples, which by and large cover the typology of partnerships, are given in Table 5.1. These include specific tasks pertaining to Solid Waste Management (Collection, Transportation and Disposal), Water Supply (Pumping, Tankers) Roads (toll, O&M in lieu of advertisement rights), Street Lights, Recreation and Public Convenience (Advertisement rights, use and pay and management contracts) and raising revenue through municipal bonds (Ahmedabad, Ludhiana, Nasik, Madurai, Nagpur and Bangalore). A few projects pertaining to divestiture and concession (Tirpur, Pune Alandur, Chennai, Bangalore) are being conceived.

It would be useful to overview a few of the cases that have received attention of policy makers and administrators. This has been attempted below.

Management Contracts to NGOs and Private Agencies for Provision of Services

(i) Navi Mumbai Municipal Corporation

Navi Mumbai Municipal Corporation (NMMC) of Maharashtra had introduced partnerships for road sweeping, removal of debris, garbage collection, spraying of insecticides and disposal of solid waste. NMMC is reported to have a net saving of 50% in July 1994.

(ii) New Delhi (NDMC) and Delhi Municipal Corporation of Delhi (MCD)

MCD has signed a Memorandum of Undertaking with Infrastructure Development Finance Company (IDFC) to help privatise the functioning of the Corporation. Sanitation including development of sanitary landfills, collection and transport of solid wastes are some of the activities being considered. The MCD is also increasing public participation through the *Bhagidari* system which has been hailed as a success story. The other area of subcontracting is road transport. In earlier times, the Municipal Corporation of Delhi used to buy 100 buses only per annum which resulted in a deficit of over 4000 buses in the fleet. In view of this, the Delhi government has opened city transport to private sector in early eighties. The private sector came up

with 4000 buses for which funds were mobilised by them. Understandably, this has reduced the financial burden on the public agencies. Similarly, NDMC (New Delhi Municipal Council) has used partnerships for constructing 'pay and use' toilet 'multi level parking places' for which funds are mobilised by the private sector. Further, it has collaborated with 'Chintan', an NGO, in its initiative to privatise waste collection. Chintan will supervise the working of rag-pickers and create a self-sustaining system on segregation and recycling of waste. This scheme, at present introduced in Connaught Place area. As this is being considered as a success,, attempts are being made to replicate this all over NDMC and DMC area.

(iii) Rajkot Municipal Corporation (RMC)

Rajkot is one of the initial cities in country wherein partnership with private sector was built for the Municipal Solid Waste Management (SWM). This was used in both primary as well as secondary SWM. RMC is reported to have a net saving of 15% for primary solid waste management and 23% for secondary solid waste management as compared to its expenditure under the municipal system.

(iv) Guwahati Municipal Corporation (GMC)

GMC has engaged a private company from Calcutta for collection, storage and transportation of municipal garbage in the city. The GMC was spending about Rs.9 lakh every month on the transportation of garbage alone. Now it will pay the company Rs.5 lakh per month for both collection and transportation of solid waste for the next 18 months. The company will pay the garbage collectors according to the amount of garbage collected which will be weighed on weigh bridges. The temporary sweepers on the pay roll of GMC will now be engaged by the company relieving the local body of some financial burden. GMC also hopes to generate power from garbage.

(v) Subcontracting Octroi collection in Maharashtra:

A yet another case of subcontracting has been collection of octroi which is a chief source of income of municipal corporations in some states. A large number of workers and huge funds are employed for collection of octroi and supervision and maintenance of such records. In view of all these, municipal councils in the state of Maharashtra decided to engage private sector for collection of octroi.

An analysis of the subcontracting arrangements for octroi collection gives interesting results. It is often argued that this can yield higher income and bring down establishment cost. With these objectives in view, provisions have been made in the Maharashtra Municipal Councils Act, 1965 for the appointment of private partners for the collection of octroi. A large number of ULBs in the state have entrusted the work of recovery of octroi to private sectors. Among these, Amravati is the only Municipal corporation which has privatized octroi recovery in 1994-95. A number of Municipal Councils in the state, particularly in Marathwada region have privatised octroi collection subsequently.

There were several problems in ULBs in engaging private contractors. One, many of the private agents did not follow the terms and conditions of the agreement, particularly by not depositing regularly the share on daily receipts with the municipal council. This led to building up of huge arrears. Two, for recovering the arrears, the municipal councils were required to attach, as per the provision of the agreement, the guarantee amount deposited in the bank by the agents. However, some banks did not do that. Three, private agents checked the entire consignment of goods brought into the city and insisted upon goods, being brought in open and loose condition to facilitates inspection which cause great inconvenience to traders. Four, the agents insisted upon pucca (final) receipts of goods being brought in, failing which they charge higher octroi. Finally, there are complaints of rude and improper behaviour by the agents to the traders and transporters. There may be some truth in the complaints. But these could also be due to the reduction in the scope of malpractices and bribing

etc., prevalent under the previous system, through which the traders could get away by paying much less than the due.

The SFC in Maharashtra has studied the revenue efforts of the ULBs. It noted that out of 53 ULBs, 30 have entrusted octroi recovery work to the agents during the year 1994-95. Unfortunately, however, in more than half of the cities, this has been discontinued within a couple of years of its commencement. The ULBs reverted back to recovery of octroi through their own staff as they found that the stipulated amounts were not received and the agent came into heavy arrears. Besides, there were disputes between the agents and the municipal councils that required lengthy legal course for resolution.

A review of income from octroi before and after privatisation reveals that initially there was a spurt in recovery since income of most of the municipal councils increased considerably in the first year of privatisation. However, in subsequent years there was a declining trend. Although, according to the privatization contract, it was expected that municipal income would go up by at least 10% every year, in case of most municipal councils, this has been less than that².

(vi) Ahmedabad Experience with Sub-contracting/sharing of Responsibilities

In view of the wide variety of initiatives launched by the Municipal Corporation of Ahmedabad (AMC) in partnership with private agencies involving NGOs and CBOs, an attempt has been made here to analyse it in somewhat greater detail, taking it as a case study. The various types of arrangements emerging in the city are illustrative cases that have come up in several other cities in the state as well as the country.

The AMC launched, with some assistance from the USAID, a project of Green Partnership in 1996, involving a large number of NGOs and private corporate sector with the objective of improving the city environment. Many of the companies, having a base in Ahmedabad,

gave donations as also undertook the responsibility of maintaining lawns and gardens, particularly those at the intersections of major streets. A number of NGOs came forward to maintain the designated open spaces and green the areas through plantation, with financial and administrative support from the Corporation. In all 27 plots were given to 13 CBOs and NGOs.

Unfortunately, the project did not take-off with the NGOs and the CBOs. Beautification of some gardens and a few important street intersections by private corporate sector, in lieu of advertisement rights took place. The NGOs faced serious difficulties in maintaining the plots, as they had no experience in this 'business' and they failed in generating income through commercial plants and trees. Besides, there was resistance of the local residents regularly using these plots, including for defecation. The greening partnership succeeded only where the business interest of the private sector converged with the general concern for city environment.

Attempts have been made to involve NGOs in Ahmedabad for solid waste management (SWM) as well. The Corporation has the responsibility of collecting garbage only from the streets, bins and dumpers. People are expected to put their garbage into these bins. Unfortunately, absence of civic sense results in a chaotic situation in many colonies. In view of this, the AMC in collaboration with NGOs like Self Employed Women's Association (SEWA) organised training programmes for the informal garbage collectors and tried to ensure their access to industrial\commercial establishments and housing societies. They were also given bags for separating reusable items from composting material and their appropriate disposal. The AMC tried to strengthen this decentralised model of garbage collection since October 2000, starting with the commercial areas. It is proposed to extend this step by step to cover industrial as well as residential areas. Unfortunately, the system is functioning only in a limited way, covering less than 4 per cent of the households as the NGOs have failed in ensuring greater acceptability of these rag-pickers and adequate earnings to them.

² The income of the Parbhani Municipal council, for example, had actually decreased in the second year as compared to the first year.

The AMC had been 'selling' Municipal Solid Waste (MSW), about 10 per cent of the total collection, to a private company, Excel Industries, since the eighties. The amount that the AMC got was so low that it did not cover even the cost of transportation. A new arrangement has been worked out now, and it has contracted out the responsibility of managing 40 per cent of the MSW to the same industry. The arrangement has come into effect from January 2000, which involves conversion of 500 metric tonnes of garbage every day into bio-manure by the company and the rest to be taken to a landfill site. It has been argued that this would result in substantial cost saving for the AMC and, at the same time, make it possible for the company to conduct its business with profit.

The Excel Industry is expected to pay a royalty payment of only 2.5 per cent of the total ex-plant realisation of receipts, excluding levy, cess etc. which is a very small amount. This is unlikely to cover the cost of delivery of the MSW to the Excel receipt point, as was the case before. The only change in the arrangement is that AMC now is under the obligation of providing 500 MT every day, failing which it would invite a penalty equivalent to the cost of collection of the deficit amount from the city. The economics of the arrangement and net saving to the Corporation as a consequence is yet to be established. There are, however, apprehensions that the AMC may fail in its commitment of providing the required volume of garbage, leading to penal payments to the company. It is also not very clear why the Corporation has accepted such unfavourable conditionalities in case of its failure to meet the delivery obligation when it stands to gain almost nothing through its compliance. Most importantly, the AMC has not been able to pass on any part of its responsibility such as collection of garbage, sorting out debris, industrial and toxic wastes or transportation of MSW to the receipt point.

The real decentralisation effort was in terms of involving the informal rag-pickers and making them a part of the formal system of garbage collection, which unfortunately has not succeeded, as noted above. Similarly, non-involvement and resistance of the local community were the main reasons for the failure of the Green Partnership scheme to

improve the city environment. An overview of the agreements³ and the participatory arrangements that the AMC has worked out with different agencies reveals that there are serious problems in operationalising the formal-informal linkages and ensuring compliance of the norms for day to day functioning, at the grass root level.

Solid waste management is one service where the AMC is very hopeful that its subcontracting arrangement would succeed. The major problem here is door-to-door collection and separation through participation of individuals, citizens' groups and NGOs and their transportation to the receipt point. Many high and middle-income housing societies have shown willingness to spare time and money or engaging informal rag-pickers for improving the system of collection, separation and disposal to municipal bins. Similar response may not come from slums and low-income areas. The quality of micro-environment in these colonies, therefore, would not improve as the private company is unlikely to take up the responsibility of garbage collection here.

Under the participatory environment prevailing in urban Gujarat at least since the eighties, and with the partial withdrawal of the central and state governments in local affairs in the nineties, the AMC has handed over a few other responsibilities to private companies. The most significant among these is privatisation of electricity in 1996. This has led to better collection, lower pilferage but hike in the rates. The private company is considering installing new metering system causing resentment among consumers. The development of a major commercial street - CG Road - has also been handed over to private company, Arvind Mills. Besides, management of a few parks and gardens has also been leased out to private sector. These understandably are easy options for AMC as the companies stand to gain substantially through their advertisement rights in these areas, inhabited/visited by the elite of the city.

³ Many of such contractual agreements have got trapped into serious difficulties even after the formal launching of the projects. In the neighbouring city of Vadodara, for example, the Municipal Corporation had worked out an arrangement with a private company to make pellets from waste, to be used as fuel. The company was initially purchasing the waste from the Corporation, delivered at certain fixed locations. Unfortunately, it had to close down its operation, as collection from a number of centres, dispersed in space, was financially non-viable. Similar difficulties have been encountered in a number of other projects.

Unfortunately, such schemes are unlikely to be taken up in the northern, southern and eastern wards of the city that have a high concentration of slum colonies. As a consequence, these cannot be envisaged as improving the access to basic amenities to the poor. Under the changed system of governance, envisaging larger responsibilities in the hands of ward committees and community organisations, the better-off localities are demanding high quality facilities. This is understandable as their share in total tax collection is very high. There have been demands for having separate local bodies for eastern and western parts of the city. All these would make cross subsidisation in the provision of amenities within the cities extremely difficult in future years.

It is difficult to empirically determine the benefits and costs of privatisation moves in Ahmedabad discussed above, as these all are a recent phenomenon and many of them are still at an experimental stage. Disaggregated data on revenue and expenditure of the AMC before and after the sub-contracting arrangement or the profitability of the concerned private enterprise or NGO are yet not available. Furthermore, it may be pointed out that companies, engaged in say, waste management and making profits or the Corporations being able to reduce its financial burden through sub-contracting to private companies are not adequate as evidences of a success story. Such a conclusion is possible only after the issues concerning quality of the services and, more importantly, coverage of the poor colonies have been analysed in a rigorous manner. Unfortunately, there exists no data on these. On the other hand, the specification in the agreement of the AMC with Excel industries that the MSW is to be supplied from the economically better-off central and western zones, places these areas high up in order of priority in civic management. This could lead to accentuation of intra-city disparity in the level of sanitation facilities.

For an in-depth understanding of the positive and negative sides of subcontracting arrangements in India, it would be important to take up detailed investigation of such initiatives in a number of cities, as has been done here in case of Ahmedabad. Further, it would be necessary to examine the distributional aspects of these arrangements, focussing on their impact on the poor, which unfortunately remains a neglected subject of empirical investigation in Indian cities.

5.5 Assessment of Sectoral Initiatives and Privatisation and their Impact on Delivery of Services

5.5.1 Assessment of Privatisation initiatives in the Post reform period

It is difficult to assess the benefits and costs of “this privatisation move” in any rigorous manner, as it is a recent phenomenon⁴. Reliable data on revenue and expenditure of local bodies before and after the sub-contracting arrangement or the profitability of the private agencies are yet not available. The critical information in this context would, however, be with regard to the quality of the services and the coverage of the vulnerable sections of the city population. These could be obtained through field survey but unfortunately none of the studies on the subject conducted so far has attempted to do that in any serious manner.

The overview papers on the contractual agreements, their progress reports and other official documents reveal that there are serious problems in operationalising the working arrangements and establishing norms for day to day functioning. This is understandable, because India does not have much experience of partnership arrangement in the field of urban governance. Even after the formal launching of the partnership projects, many have gone into serious difficulties. In Vadodara, for example, the Municipal Corporation had worked out an arrangement with a private company to make pellets from waste to be used as fuel. The company was initially purchasing the waste from the Corporation delivered at certain fixed locations, but it had to close down its operation as that became financially non-viable. Similar difficulties have been encountered in a number of other projects.

Solid waste management is one service where the local bodies have shown great interest in involving the private sector (Tables 5.2, 5.3 and 5.4). The method of collection often involves citizens’ groups and NGOs. People have shown willingness to pay for an improved system of garbage disposal and, consequently, one hears success stories from a number of

⁴ Studies have brought out that even in the limited area where private sector participation has been attempted, the results have been far from encouraging. As for example, the high profile Tirupur water project in Tamil Nadu took a decade to go for financial closure. The municipalities are forced into a heavy commitment of civic funds to a single project, making it difficult to find resources for upgrading their other obligatory services (Jha and Siddiqui 2000).

cities. It is, however, unfortunate that the coverage under solid waste disposal has never been 100 per cent. This is the case before as well as after the privatisation. In case of cities like Indore, for example, the coverage is below 50 per cent. The major problem in contracting out this service to a private company would, therefore, be exclusion of localities or people that do not have the willingness or capacity to pay the user charges.

It has been the general experience that private agencies maintain the profitability of their operations through exclusion of areas or activities that may not be commercially viable. In case of most of the agreements, the responsibility of collecting the solid waste from households and transporting it to the dumping site is kept with the local bodies. This means that the objective of private subcontracting of services is not necessarily to increase the coverage of households and bring the low-income colonies under the collection system but to pass on a financial burden. The subcontracting, thus, may lead to fragmentation of responsibility and that of service delivery system with marginalised areas/ people remaining under serviced or unserved. This would pose serious health threats to the entire urban community.

It is difficult to assess the improvement or deterioration in the quality of the services, and thereby the impact of contracting arrangement, from the available data. Nonetheless, if the number of sanitary workers employed by the contracted agency is any indicator of quality, one can argue that there has been little improvement in the service delivery. The number was significantly below the norms recommended by the Committee on Solid Waste and has gone down further after privatisation. A survey conducted by National Institute of National Affairs (1997) estimates the shortfall in the number of workers to be as high as 50 per cent of the normative level in the select cities and the figure has gone up after this move. But in some cases like Pune, it is over 75 per cent. The concerned private agencies would undoubtedly dismiss the use of the number of workers as the basis for measuring the quality of service delivery and claim improvements in technology, and management efficiency after their take over. It is nonetheless clear that assessing and controlling the standards of services provided by the private agencies would be extremely difficult unless the local community is actively engaged in the implementation process and strict norms of functioning evolve over time.

With the local bodies downloading the social responsibilities to private companies and NGOs, ensuring their fulfillment would be extremely difficult. It is unlikely that the coverage of the poor areas or households would increase after municipal bodies contracts out a service to a private company. In fact, it would be a real challenge to design an institutional structure, which can oblige the company even to maintain the same level of social commitment as that of the municipal body.

Importantly, in case of water delivery system, too, the revenue collected is less than the expenditure, but the gap is not very high. The data collected by NIUA (1997) study on privatisation mentioned above suggest that the shortfall is to the extent of 30 to 40 per cent in the year 1993. This is totally different from the scenario of solid waste disposal wherein no local body recovers more than 30 per cent of its total expenditure while in case of a few cities, it is below 5 per cent.

It would, thus, be difficult to motivate a private company to take up the job of collection and disposal of solid wastes without conceding to their demands of substantial compensation from local bodies. Unfortunately, the later are in dire financial state and their very motive behind contracting out is to save on capital as well as current expenses. Consequently, many among the local bodies have negotiated with the private agencies and agreed to compensate them not in cash but in kind. In a few cases, like, for example, Faridabad, Ahmedabad, Pune etc. the Corporations have leased out substantial amount of land to the companies on a long-term basis. The latter find this arrangement more profitable because they can thereby use the precious urban land for other purposes, earning large profits. A few companies have taken up the job of waste disposal solely for the purpose of getting a hold on urban land for alternate uses without going through the complex land acquisition procedures or paying the market price for it. The city authorities have generally no technical competence or motivation to assess the cost implications of such arrangements for the people or urban economy in the long term.

There has been no attempt to create an institutional structure at the central or state level through which the government can provide information and technical assistance to municipal bodies for assessing the long-term implications of such land deals and help and guide the latter in enforcing appropriate administrative safeguards. Proposals to create such a system is likely to be resisted as impinging on the authority of the local bodies, as the state level agencies would be seen as interfering with or delaying the process of decision making.

A broad analysis of the subcontracting arrangements indicates that municipal partnerships have emerged horizontally across the country, covering a large number of states. Partnerships have also emerged vertically among various size-class of towns and within a town for different services through unbundling of services. BOT (Build Operate Transfer) and its variants have emerged particularly in municipal roads and water supply sectors. Further, use of service contract, management contract, franchise and leases are emerging in almost all the four key areas of municipal services. Financing through municipal bonds has also emerged as a tool to raise resources from various stakeholders with a particular reference to primary capital market. Financing through bonds also has covered almost all the key areas. The Municipal Bonds have been used in two different ways i.e. to finance a proposed project (Ahmedabad, Ludhiana, Bangalore, Nashik) and refinance a project which is already implemented (Madurai). Resources from business, industry and trade are also emerging as a partnership tool to provide basic services among low-income areas (Ahmedabad).

5.5.2 Assessment of capital investment projects

In urban areas, water supply and solid waste management have attracted maximum capital investment from the private market, following the footsteps of the power sector in India. The present section assesses the impact of these projects in some detail.

In water supply, there are as many as 25 cities (Table 5.5 and 5.6) which have made efforts to attract private sector participation in the nineties. Unfortunately, however, besides the two projects viz. Tiruppur and Alandur, the performance of the others have not been very encouraging. A FIRE study identifies the following reasons for the failure of the projects:

- Lacks of clarity in scope and framework for PSP (many of the initiatives in the sector are for BOT projects for source development without adequate concern for management improvements for distribution systems and customer service);
- Lack of rigor in project and contract development, including risk management and lack of adequate concern for financial viability.
- Lack of quality support and funding for project development.
- Lack of policy support and appropriate regulatory framework at higher levels of government.
- Lack of participation and capacity of a wide variety of stakeholders;
- Lack of continuity of champion for the projects (leaders got transferred or defeated in elections);
- Lack of broad ownership for the project within the city; and
- Strong opposition from the existing rent seeking elements who felt threatened.

There has been change of mindset in this sector during the early years of the present decade as a result of lessons learnt during the previous efforts. Currently, there is widespread consensus on need to concentrate on the distribution system and service quality rather than only on capacity augmentation as attempted in the nineties. There is also an emphasis on institutional restructuring to separate the roles of policy formulation and operations. There is a general consensus with regard to what needs to be done in the sector but very little urgency on the action front.

Table 5.2 presents a synoptic view of the on going efforts, reflecting the changing policy perspective in the sector. It shows how the focus has shifted from augmentation of bulk supply and increasing population coverage to cost recovery and efficient delivery of services.

Despite several cases of partnerships emerging in capital projects, there exists a range of barriers, inhibiting their wider replicability. Also, efforts are absent to ensure sustainability of partnership arrangements. A systematic strategy is needed to overcome the barriers. The key barriers identified are as follows:

- (a) The current projects have been designed at low-key involving low investment, low risk and consequently low return.
- (b) Regulatory framework of PPP is still fairly weak. Model contracts, regulatory authorities, risk analysis and mitigation etc. are not taken up to build a safety net to promote PPP.
- (c) The partnerships are implemented in isolation from each other, are not documented and disseminated for wider information and replication.
- (d) The existing initiatives are not examined as feedback for a policy formulation on promotion of business partnerships for municipal infrastructure.
- (e) Local Governments lack the capacity to perform specific and specialized tasks namely identification of services, mode for partnerships, invitation and assessment of bids, award of contracts monitoring and evaluation feedback.

In the areas of waste management/treatment projects, more than 35 projects have been launched in the country during the period 1995-2000 with private sector participation. Most of these are for composting of solid waste and are located in the states of Tamil Nadu, Maharashtra, Andhra Pradesh⁵, West Bengal and Kerala (Tables 5.3 and 5.4). This period saw increased awareness and people's participation in SWM. It also saw an increasing acceptability of the role of NGOs and CBOs at the level of policy. However, in recent years, there has been a slowdown in the private sector participation in this sector.

⁵ A study conducted under the FIRE project shows that in a large number of ULBs, cost of services/operations increased after privatisation. This is particularly significant in case of Nellore, Anantapur, Qutubullapur and Rajendra Nagar in Andhra Pradesh.

CHAPTER 7

Local Economic Development and Poverty Reduction: Case Studies

Local Economic Development (LED) in urban areas has emerged globally as an important concept during recent years as a prime tool to achieve the national objectives of balanced regional development in the country. The prime focus of LED policies, particularly among developing economies, is improving the productivity of urban poor. These policies are being translated into programmes and schemes through a well-designed approach, which involves participation of all the stakeholders.

The planners advocating Local Economic Development (LED) in the context of Urban Development plead for assisting local governments in determining the most effective strategy to increase jobs and revitalize the city's economy. LED is thus being as the responsibility of local government in the present era of decentralized governance. This makes a significant departure from the past when urban development strategy was not emerging from a holistic framework but was linked with sectoral schemes like infrastructure improvement. The new urban agenda, thus, encompasses a sustainable and self-generating approach that corrects for market failure. The LED approach assists local governments in implementing schemes that would build socio-economic environment which is livable, competitive, well-governed and well-managed but at the same time for which finances can be obtained from banking institutions.

The LED approach acknowledges autonomy of the local government. Thus, the objective of this approach is to encourage local participation and consensus building in determining economic and social welfare initiatives for the community. While focusing on local economy and local ownership of productive forces in the development process, the strategic LED approach is based on participatory governance and involvement of civil society actors at all levels.

In view of the importance of LED in contemporary thinking, it would be important to see the extent to which the CAA and the associated decentralisation measures in India have promoted LED, ensuring spatial equity and social justice. Promoting local economic development through the initiative of the CBOs has become a major area of concern under decentralised governance. A number of programmes and schemes have been designed in different programmes to provide credit, other critical inputs, organisational support, marketing facilities etc. to ensure that the activities undertaken by the poor can become sustainable. The important initiatives linked with LED launched in different cities in India, evolving through participation of a number of stakeholders, have been discussed in the following section.

6.1 LED through Municipal Action Plan for Poverty Reduction (MAPP) in 32 Class I cities in Andhra Pradesh

This is a new tool for municipal planning to promote transparency, accountability, civic engagement and social equality. The MAPP is considered as a tool of scientific management for urban problems and city development strategy. It is viewed as “inclusive city” approach, in which poor people are involved in decision-making process.

It may be mentioned that municipal governance and planning before launching MAPP was ineffective in all the 32 cities and resources were allocated without transparency. Political decision making dominated development strategy as community participation was absent. The basic objective of the MAPP is to improve responsive systems of municipal management and enable communities to play an equal and active part in prioritizing their own urban service needs. It seeks to initiate municipal reforms in the areas of finance, management and O & M and address the deficiencies in civic services with the participation of various stakeholders. More importantly, it enables the ULBs to plan and implement sustainable infrastructure improvement in slums through an integrative and participatory approach, thereby helping to bring down vulnerability of urban poor.

Funds for the strengthening municipal finances, planning, accounting and under MAPP were available from DFID as 100 per cent grant while for improving the living environment of the poor, 50 per cent grants were available. The remaining funds for infrastructure improvement was pooled from municipalities and the state government. The general assessment about MAPP is that it has succeeded in achieving the objectives of participatory planning, civic engagement and empowerment of the poor.

6.2 Community Development Society (CDS) in Kerala

Community mobilisation_effort has been initiated under this programme in Kerala in 1998. It is implemented through a three tier system. The CDS in urban areas offers poor women a platform to formulate micro plans as a part of poverty alleviation strategy. About 196 thousand poor women in 58 urban local bodies have been organised into 7848 Neighbourhood Groups (NHGs). These groups at the grass root level conduct weekly meetings, take stock of the local problems and formulate strategies to overcome them. Further, Poor Women's Bank has been formed by neighbourhood groups (NHGs) as 'Thrift and Credit' Societies to facilitate saving. The amount collected by the urban poor through the CDS under small savings has crossed Rs 154 million. By making use of this fund, loans are disbursed to members to meet exigency and income generation needs. The programme has been hailed as a success and there has been 100% recovery under the thrift loan. In a short period, the programme seems to have brought changes in the lives of the urban poor as poverty levels among the poor are registering significant decline.

Under the urban poverty alleviation scheme of CDS, micro enterprises are being promoted. 12,991 enterprises have come up under the CDS system in various fields, ranging from IT to mat weaving and from rabbit rearing to biotechnology. 772 of them are group activities and 12,219 are individual beneficiary oriented units. These income generation activities are instrumental in bringing about commendable progress in the economic status of poor women.

Under the CDS model, the poor urban women are actively involved in the planning and implementation process of developmental programmes and in income generation activities. This has improved the quality of life and social status of women. 100 functionaries of the CDS have been elected as representatives of the council of the urban local bodies which reveals the people associated with the programme enjoy high respectability.

The CBOs of the CDS model act as the 'launch vehicles' for the developmental activities of various government departments. Plan funds of urban local bodies and that available under schemes sponsored by the central government such as Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and National Slum Development Programme (NSDP) have converged through the CBOs of the CDS structure. In all, 21,987 houses and 20,049 toilets have come up for the urban poor with the initiatives and resources of the CDSs. The CDS has, thus, made a major break through in infrastructure development front.

The urban CDS of Kerala run remedial education centres for helping out the poor students in public examinations. RECs of the CDSs structure help not only to enhance the educational standard of the students belonging to BPL families but also give gainful employment to educated poor women. The success of the CDS in community mobilisation and poverty reduction has led the government of Kerala to extend similar programme to the rural areas of the state.

6.3 Infrastructure Development and Provision of Services through Slum Networking Programme in Ahmedabad

Attempts have been made to bring in community participation as a component of development strategy in the city of Ahmedabad since early nineties as a consequence of failure of public agencies and growing deficiency in the level of basic amenities. The local body had welcomed the proposition and it was argued that the community not only

can help in social mobilisation but also in raising financial resources¹ that the former needed very badly. Further, the supervision by the community groups as also other NGOs in solid waste disposal and greening of the city were expected to result in better monitoring, more productive engagement of the beneficiaries in the project, as noted above. The groups could ensure also timely repayment of loans. The significant contribution made by SEWA in making credits available to women workers in unorganised sector went a long way in strengthening this participatory process.

The most innovative form of participation in Ahmedabad, which has been hailed as a major achievement in the nineties, is the neighbourhood and slum improvement scheme launched through networking of slum colonies. Often termed as *Parivartan* or Change project, it is based on partnership between the municipality, non-government agencies, community groups and private corporate sector, for physical improvement of slums. The people in the project area are associated with all stages in the development of the project and given the overall responsibility of monitoring it as also maintaining the services. The idea is to upgrade the slums in a manner that they get integrated “into the fabric of city life”. This approach, understandably, helps in mainstreaming the issue by underlining the fact that slum development is a critical component of urban development, which can yield a high rate of economic return within the holistic framework.

This Slum Networking Project (SNP) involves development of roads, pavements, water supply, sewerage, drainage and waste disposal facilities, street lighting, landscaping etc. It envisages development of community based groups that can play an important role in resource mobilisation as also take up other social activities. The underlying model recognises that participation does not mean leaving the poor to themselves for designing and implementing the project or simply involving them in credit access and loan recovery mechanisms. Furthermore, slum upgradation should not be done by providing basic amenities through separate subsystems that are

¹ “It has been demonstrated in India that, firstly, large-scale renewal can be undertaken using slums as opportunities (Indore) and secondly, huge resources can be generated from the communities and supplemented by local authorities, industries and NGOs (pilot projects in Vadodara and Ahmedabad)” Verma (n.d.).

independent of that for the rest of the city. The basic objective of a networking project is, thus, to make high quality techno-engineering expertise available to slum dwellers within the framework of community participation.

As per the original stipulations of the programme, the costs are to be shared equally between the community, the Ahmedabad Municipal Corporation (AMC) and a private company which chooses to become a partner. Each slum household is required to make a one-time contribution of Rs. 2,000 only. AMC and the company would separately put money equal to what is collected from the community. The project is, thus, supposed to be implemented without any assistance from the state or an international agency. Involvement of a private industry and elimination of the external financial support are the significant features of the Parivartan project that have been hailed as landmarks in the history of participatory urban development in India.

The major problem in a similar project launched in Indore was slum households not having legal tenure for their plot of land, which acted as disincentive for individuals investing in housing as also the banks sanctioning loans. To overcome this difficulty, AMC has given an assurance to the slum dwellers right in the beginning that they will not be evicted in the next ten years. Similar assurances have come from private owners of the plots/ slums, taken up for improvement. In many cases, the ownership right of the slum area is with private agencies or shared between the municipality and a private party. Understandably, the project has not been taken up in government lands reserved for special purposes, for construction of roads or in private lands under serious litigation.

Despite all the safeguards, the Ahmedabad project has got into serious difficulties. Differences in views and perspectives have emerged between the major partners even in the pilot phase. The conflicts between engineering wing of AMC and Arvind Mills, the private company involved in this phase of the project, surfaced due to differences

in work culture and decision making structures². It is unfortunate that Arvind Mills have withdrawn from the project after the completion of work at Sanjay Nagar, creating difficulties for the NGOs working with the people and promising launching of activities in other three slum areas³. What is more disturbing is that no other private company has come forward subsequently to participate in the project and provide financial support.

Presently, the project is being implemented by the Corporation with the help of only two NGOs – SAATH and Mahila Housing SEWA Trust. Lions Club, State Bank of India Employees Association and Sanatan Trust have come forward to provide financial support in case of few slums, as was done by Arvind Mills but they are not active partners in the project. In a few slums, municipal corporators have been uncooperative as they saw the project as a challenge to their authority. As a result of these difficulties, the project is being implemented in a selective and less ambitious manner. The concept of integrating all the slums into the basic fabric of city life in near future has, thus, become a distant dream. AMC is hard pressed for resources and trying to organise funds from several central and state government schemes and international agencies like the World Bank, to be able to carry forward the work. Often the stipulations in these schemes make it difficult for AMC to utilise their funds for SNP.

The Ahmedabad project has indeed got into serious difficulties. Differences in views and perspectives have emerged between the major partners even in the pilot phase. No other private company has come forward. Nor have other NGOs except SEWA and SAATH already involved in it come forward. As a result the project is being implemented in a selective and less ambitious manner. The concept of integrating all the slums into the basic fabric of city life in near future has, thus, becomes a distant dream.

² “The delay and friction was caused by lack of clearly defined role of the AMC functionaries...the AMC engineer began to play a proactive supervisory role, despite the fact that SHARDA trust had employed the contractor and was supervising him. There was tremendous confusion on site” Chauhan and Lal (1999)

³ Even Mr. Himanshu Parikh, the engineer-cum-architect, who provided the life-blood to the project is no longer associated with it.

AMC is hard pressed for resources and trying to organise funds from several central and state government schemes and international agencies like the World Bank, to be able to carry forward the work. Often the stipulations in these schemes make it difficult for AMC to utilise their funds for SNP. From the World Bank, there have been suggestions that the contribution limit from the slum households for physical infrastructure be increased to 50 per cent or Rs. 5,000 and that the period of tenure be increased to 20 years. The slum households in different parts of the city, too, have shown willingness to continue the project even with enhanced contribution as they believe this to be the only way they can secure assurance from the AMC against eviction. Another interesting development is that in several slums, the Community Development Groups, besides taking up the responsibility of social mobilisation, have also acted as thrift and credit societies, advancing small loans in exigencies. In general, there is considerable enthusiasm for this project among the slum dwellers in Ahmedabad.

6.4 Activities of SAATH within an integrated development framework

SAATH is a non-government organization working with under-privileged sections of urban and rural society since 1989. It is working in slums of Ahmedabad for more than a decade. The organization emphasizes on integrated and holistic approach to development. The mission is to provide health, education, livelihood support and physical infrastructure to all, irrespective of religion, caste and economic status. To achieve this goal, SAATH designed the Integrated Settlements Development Programme (ISDP).

The organisation promotes the formation of CBOs in the settlements where it manages ISDP. The objective is to involve the slum residents in ISDP to sustain it. The technical and managerial skills of CBO are enhanced by SAATH so that it can independently carry out the ISDP activities. Till now SAATH has facilitated the formation of four CBOs, as shown in Table 6.1.

Table 6.1: CBOs formed by SAATH

Name of the CBO	Area	Year of Registration
Sakhi Mahila Mandal	PG-I&II	1996
Ekta Yuvak Mandal	Sankalchand Mukhi-ni-Chali	1991
Divya Jyot Mandal	Municipal Health Quarters	2001
Sanjaynagar Resident's Association	Sanjaynagar	1995

Over the years, Sakhi Mahila Mandal and Ekta Yuvak Mandal, the two Community Based Organisations promoted by SAATH have become independent of the parent organization and have now become its partners. These CBOs provide support to each other by assisting in various programmes. The coverage of the households and geographical spread of SMM can be seen in Table 6.2.

Table 6.2: SMM's Physical Areas of Intervention

Name of the Slum	Households	Population
Pravinnagar – Guptanagar I (no.)	1200	7416
Pravinnagar-Guptanagar II (no.)	982	5892
Yogeshwarnagar (no.)	800	4800

The activities and programmes undertaken during the previous year under different sectors may be presented as follows.

Savings and Credit Programme (SCP): SAATH introduced savings and Credit programme in 1995-96 under the banner of Sakhi Bachat Mandal (SBM). SBM was

started with an objective to target women but now it has included men and introduced a savings scheme for children. The success of SCP lies in the fact that about 98 percent of loans are paid back on time. The savings system is gradually being computerized and members of SMM have been trained for the same. This year, Sakhi Bachat Mandal has been registered under Cooperative Societies Act, as Sakhi Savings and Credit Cooperative Society Ltd.

Income Generation Programme (IGP): A constant endeavour is made by SAATH and Sakhi Mahila Madal to explore new markets for increasing sources of income of the residents. Some of the successful interventions made by SAATH and SMM have been procurement of assignments of stitching and patchwork, vegetable sorting, home managers, and provision of opportunities to the residents for conducting surveys. The most important achievement for SAATH and Sakhi Mahila Mandal has been the success of Home Manager Programme. Another new introduction for providing sustainable livelihood, the Vegetable Sorting Project, has been successfully implemented. SMM procured a contract of sorting vegetables for a shop (Green Zone) selling fresh, clean and packed vegetables. SMM maintains a collection of a party-decoration material, which is rented out for social functions. Sakhi Mahila Mandal has been allocated electric bill collection centre by Ahmedabad Electricity Corporation. SMM will charge a nominal fee for bill submission.

6.6 Provision of Sustainable livelihood and Decent Living Environment through Community Mobilisation in Mumbai: Society for Promotion of Area Resource Centres (SPARC) Experiment

SPARC has identified (as also several other grass root organisations) **formation of credit societies** as the first step towards community mobilisation. Mahila Milans (MM), community organisations set up by the women in the slums, basically around savings and loan assistance, have saved substantial sums of money within a short period in the cities of Mumbai, Pune, Bangalore, Bhubaneshwar etc. NSDF comprises a large number of grass root level federations of slum dwellers, working for common objectives of shelter

improvement. Here again, small savings scheme figures as important instrument of social mobilisation.

The community groups, set up within the broad framework of the Alliance, are able to collect savings at regular intervals from the doorsteps of the households, often on daily or weekly basis. They also give loans to deserving cases without any collateral, based on a sense of shared responsibility among the community members for recovery of loans. They take up the responsibility of maintaining passbooks with the households for their individual accounts (known as savings accounts) along with other necessary records. Most of them have been able to maintain accounts in the formal banking institutions on a long-term basis and withdraw their deposits or take loans as and when required which has saved the community from being trapped by moneylenders, shopkeepers or employers into exploitative arrangements while raising small loans.

Collection for the saving account is deposited in the MM office or in the bank within a few days of collection. The borrowers are required to pay an interest of 2 per cent. Besides this small savings account, members of MM\ SF are encouraged to have another account for housing purposes known as 'housing account'. Here, the money can be placed with formal financial institutions for a longer time at a much higher interest rate.

Importantly, the Alliance has been successful in ensuring continuance of the savings linked credit disbursement system, even after the slum communities have shifted to formal housing complexes. In a few cases, the Alliance did not have many interactions with the community prior to their resettlement but have been able establish MM after resettlement. In the new housing complexes wherein the slum communities have been rehabilitated through the initiative of SPARC, the MM\NSDF groups function parallel to the housing cooperatives, generally maintaining close linkages.

The system of providing short-term loans has been strengthened due to availability of funds from Rashtriya Mahila Kosh (RMK). Under the RMK linked system, members can apply for larger amounts, say above Rs. 5,000. They are required to send their applications to SPARC, with recommendations and signatures of committee members of MM\SF, for loans under RMK. These loans, too, are generally approved and funds made available, without much delay or administrative formalities. MM\SF, nonetheless, takes the overall responsibility of repayment of RMK loans.

SPARC has been involved in **conducting baseline survey** in a number of slum colonies ever since it undertook the census of pavement dwellers in Mumbai in mid-eighties. Several public agencies have invited SPARC to undertake slum surveys, documenting the socio-economic characteristics of the households. SPARC has undertaken the task by involving all the members of the Alliance. The survey of the slum dwellers on the two sides of the suburban railway tracks in Mumbai for the MUTP is a major work done by the Alliance. A similar survey was commissioned by National Airport Authority of India (NAAI) that wanted to relocate about 22,000 slum dwellers living for over 25 years near the Chatrapati Shivaji Airport. Resettlement of the households in Rafique Nagar was taken up as a pilot test case wherein about 2,160 structures were identified within the boundary lines, demarcated by the NAAI. Non-availability of this plot has been considered a critical bottleneck resulting in inefficiency in movement of aircraft and in health and safety hazards.

The third area where the Alliance has been able to launch a number of projects is relocation and rehabilitation of slum dwellers. The major one is the Mumbai Urban Transport Project II (MUTP), basically designed to improve the efficiency of rail transportation system in the city by removing the habitation on the sides of the track. It has undertaken resettling of over 11,000 households from near the rail tracks in Mumbai. The NAAI project is even bigger wherein about 20,000 households are to be rehabilitated from around the airport.

The Alliance has undertaken the responsibility of designing, constructing and managing **community toilets** in select slums on pay and use basis. The project, launched in the cities of Pune and Mumbai has a definite perspective of community participation. The system of mobilising resources for meeting the capital and current costs is also different from the dominant pattern of infrastructure financing, currently being undertaken in the country through the capital market. Studies reveal that infrastructural investment and management of services done through private entrepreneurs or through institutions driven by market methodology result in accentuation of intra-city disparity in the levels of services and consequently segmentation of the city. Infrastructure development within a participatory framework leading to provision of facilities in situ, is expected to counter this process socio-economic segregation.

Importantly, the project has not been restricted to colonies wherein MM or NSDF has been active or done grass-root mobilisation but in several others as well. It is based on the philosophy that local community, with some assistance from an NGO, is capable of designing, constructing and managing its community toilets. Furthermore, it can also recover much of the costs of maintenance through user charges.

The Slum Sanitation Programme (SSP) was launched under Mumbai Sewage Disposal Project (MSDP) by MCBM in the late nineties with World Bank (WB) support, wherein SPARC has been involved in a big way. Importantly, the NGO got associated with the project as did not get off the ground in any significant manner even after three years of its launching because of certain institutional bottlenecks. Despite much publicity and one window clearance, the private entrepreneurs and NGOs had been, at best, luke-warm in the initial stage. The strong point of the project was the clause pertaining to its designing and implementation through community participation, put by the WB and this created a space for SPARC. Under this programme, the WB was to meet 59 per cent of the capital cost at 12 per cent rate of interest while 41 per cent was to come from the Corporation. The project, however, had to satisfy several conditionalities stipulated by WB. Facilities were to be provided on demand by slum dwellers who should form a CBO and agree to

pay up-front contribution of Rs. 100 per adult up to a maximum of Rs. 500 per family and record their willingness to maintain the facility. The construction work is to begin only after 80 per cent of the members of the community have deposited their contribution.

Interestingly, SPARC could successfully make the project more member friendly and affordable to the poor, by altering a few of its conditionalities. The underlying principle adopted in redesigning is that the governments at state and city level state must shoulder a major responsibility of the project. This was reflected in the stipulation that the capital costs of constructing the toilets are not to be passed on to the community.

In December 1999, with the visit of WB supervision mission, the project objectives were broadened to include health and environmental parameters. First, the scope was extended to slums on non-municipal land as well. Second, in areas where drainage facility was inadequate, the same was provided with a nominal additional contribution. Also, for collection of solid waste, bins and wheelbarrows were to be provided to the community. The funds collected for the purpose, was to be deposited in a joint account of the CBO and MCBM, which would be available to the former for meeting maintenance expenditure, on completion of the construction. Third, instead of having different implementing agencies at different stages, there would be only one agency for the whole project. Fourth, the entire cost of maintenance, including water and electricity in the toilet complex, was to be borne by the community. Finally, individual connections could be provided, the project meeting the cost of connecting these to main sewer lines, provided the cost of constructing the toilet is borne by the household.

The major objective of community mobilisation in *all the four categories of projects*, discussed above, has been enabling people to voice their concerns, apprehensions and aspirations, making them aware of the provisions made by the state agencies and giving

them the confidence to interact with them to demand the benefits linked to their citizenship rights.

Participatory Sanitation Project in Pune

In Pune, the sanitation situation in slum areas was extremely poor, there being only one toilet seat per over 2000 persons. The Corporation was incurring an annual expenditure of only Rs 200 to 250 thousand but that proved inadequate to tackle the problem. However, despite efforts to bring in private initiative in management of civic amenities and thereby reduce the cost of maintenance, there were not more than 22 pay and use toilet blocks build since 1992.

The Corporation launched the project for building community toilets in 1999. It invited tenders through advertisement in newspapers from NGOs and Community Groups, for taking up the task, which included demolition of old (non-functional) toilets along with construction and management of new blocks. Pune had 503 slum pockets out of which 348 were declared or notified slums. Of these, only those that had majority of households residing since 1.1 1995 were selected through a survey under the project. Priority was given to settlements that had a minimum of 500 people with no toilet facility, followed by those having non-functional or dilapidated structures, requiring reconstruction. The target was to achieve one toilet seat for every 50 person in these colonies.

The Alliance has built 114 toilet blocks in the city of which 39 were constructed in the first phase wherein private contractors were involved. The remaining 75 blocks have been built by involving the community groups. A few of the members of MM took the contract of demolishing the old blocks from the Corporation and made a modest profit.

Most importantly, the repair and maintenance work for the toilets are taken care of by the community by employing one or more local persons from the slums, who live in or near the toilet-cum-community complex. Each household makes a monthly contribution for

maintenance of the complex. Importantly, the programme does not envisage total withdrawal of local body. Under the long-term arrangement between the Local body, NGO and community, water and electricity are to be provided free to the complex by the ULB, which will also be responsible for over viewing the implementation of the project. The success of the project, the Alliance claims, is not in building toilets but in building communities that have owned the assets have taken the responsibility of maintaining these.

CHAPTER 8

Indices of Decentralized Governance: Regional Variation

In this section, an attempt has been made to analyse the regional variation in indicators of decentralisation across the states of India, to assess the impact of the 74th CAA. The approach adopted by the Eleventh Finance Commission (EFC) and the decentralization index proposed by it has been adopted in this study.

The ten indicators of decentralization suggested by EFC are as follows (i) enactment of State Municipal Legislation in conformity with the 74th CAA; (ii) intervention/restrictions in the functioning of the Urban local bodies; (iii) assignment of functions to municipal bodies in the context of the 12th schedule; (iv) actual transfer of functions, (v) taxation powers assigned to the urban local bodies as per the provisions in the Municipal Acts; (vi) taxes actually levied and collected by the ULBs (in practice); (vii) time taken for constituting State Finance Commissions and their submission of Action Taken reports; (ix) action taken on major recommendations; (x) promptness in holding the municipal elections in the states. A detailed analysis of these indicators has been attempted below.

Analysis of Indicators of Index of Decentralization

- i. **Enactment of State Municipal Legislation in conformity with the 74th CAA:**
States have been graded on a six-point scale ranging from 0 to 5 for their promptness in enacting conformity legislation, with reference to the date of passing the 74th CAA, i.e. 1st June, 1993. Grades have been assigned to the states in a descending scale for bringing in such legislation within 3 months, 3 to 6 months, 6 to 9 months, 9 to 12 months and above 12 months, respectively. A score of zero has been assigned to those States that have not brought in such legislation so far.

It may be noted that the states of Andhra Pradesh, Gujarat, Haryana, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh have high scores while Punjab and the north-eastern states have low scores.

ii. Intervention/restriction in the functioning of the Municipal Bodies

The level of autonomy made available to the ULBs through the State Municipal Legislation has been measured in terms of the provisions relating to three kinds of intervention/restriction, viz. (a) power to suspend/dissolve the elected bodies, (b) power to suspend/remove the elected officials and (c) power to suspend/cancel the resolutions/orders of the local bodies. These have been measured on a scale of 1 to 5 and marks have been assigned as per the schema, as presented below:

<u>Authority for intervention</u>	<u>Marks</u>
None	5
State Government	4
Head of the Department/ Commissioner	3
District Collector	2
Sub-Divisional Officer	1

It is important to note that the states having Municipal Corporations as well as other levels of Municipal Bodies, have been given double weightage. These have therefore been measured against a total of 30 marks. The values for the other states would vary between 3 and 15 marks; the lowest value occurring when a state gets the lowest score in all the three indicators, the highest occurring when the state gets the highest value in all the indicators.

iii. **Assignment of functions to the ULBs in the State Municipal Legislation *vis-à-vis* the Twelfth Schedule**

The 18 functions listed in the Twelfth Schedule of the Constitution have been grouped¹ into three categories. Five are core functions, six are welfare functions and the remaining seven are development functions. Each function has been measured on a scale of 1 to 5, giving 5 marks for assigning the function to either the Municipal Corporations or the Municipalities. When the function is assigned to both these ULBs, the state is assigned double the score, viz. 10. The core functions are given a weight of 3, welfare functions 2, and the development functions, 1. It is thus evident that following this schema, the states that have Municipal Corporations along with Municipalities can have the maximum score as high as 340. The states that do not have the Corporations, on the other hand, can have the maximum value for upto 170.

iv. **Transfer of functions to the ULBs by way of Rules/Notifications/Orders of State Governments**

The methodology indicated for item (iii) above has been adopted here as well, while comparing the status of actual transfer of functions to the ULBs in the states by way of rules/notifications/orders etc. of the state Government. It is important to observe that the states of Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Punjab, Tamil Nadu Uttar Pradesh and West Bengal have transferred functions to the ULBs by Orders/Notifications. Bihar is the only state other than the north eastern states, which have not transferred any functions.

¹ Functions appearing in the Twelfth Schedule at Sl. Nos. 4, 5, 6, 14 and 17 are classified as Core functions; Sl. Nos. 9 to 13 and 15, as Welfare functions; and Sl. Nos.1, 2, 3, 7, 8, 16 and 18, as Development functions.

v. Assignment of taxation powers to the ULBs as per State Municipal Acts

A list of 33 taxes has been prepared that includes the taxes provided for levy by the ULBs in various state municipal legislation. Of these, the house/property tax has been given a weight of 3, profession tax 2 and the remaining taxes, 1 each. Octroi has been omitted. For an obligatory levy, 5 marks and for optional, 3 marks, are assigned.

The scores would make it clear that the states of Haryana, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh have assigned maximum taxation powers to ULBs as per state Municipal Acts. Karnataka is the only state where such devolution has been minimum.

vi. Levy of taxes by the ULBs

The methodology indicated for item (v) above has been adopted here too, while comparing the actual levy of taxes by the ULBs in the states. It may be observed in Table 7.1 that Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu and West Bengal have actually transferred their taxation powers to ULBs as per the Notification. Bihar is the only state where neither the taxation powers nor the functions as per the 12th Schedule has been devolved.

vii. Constitution of State Finance Commissions and submission of Action Taken Reports

The promptness of the state governments both in (a) constitution of the State Finance Commission (SFC) and (b) submission of Action Taken Report (ATR) on the SFC Report has been measured on a four point scale ranging from 0 and 5 each. For the first item, the date of constitution of SFC has been reckoned as 24th April, 1993. States that constituted their SFCs within the first 12 months are assigned full 5 marks; within 12 to 24 months, 3 marks; 24 to 36 months, 1 mark; and beyond 36 months, zero. Similarly, as regards the ATR, states that submitted

it within 3 months of the submission of the Report of the SFC, are assigned 5 marks; 3 to 6 months, 4; 6 to 12 months, 3; and beyond 12 months, nil. The states can thus get only four possible values for each of the indicators.

Importantly, Andhra Pradesh², Assam, Kerala, Punjab, Tamil Nadu and West Bengal have constituted the SFCs and submitted the Action taken reports (ATRs) in the stipulated time period and hence get the highest scores. Bihar along with the north eastern states lag behind the others in both and hence get the lowest values.

viii. Action taken on the major recommendations of the SFC

The major recommendations of the SFCs are grouped as those relating to devolution of resources and 'others', and given a weight of 2 and 1, respectively. For a recommendation where final decision has been taken, 5 marks have been assigned as opposed to 3 marks given when only partial decision has been taken. For a recommendation under consideration, no mark is given. The states of Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal have got high values as these have taken prompt actions on the major recommendations of their respective SFCs. Punjab is the only state where action was delayed.

ix. Elections to the ULBs

States have been graded for their promptness in conducting elections to the Municipal Bodies in accordance with the 74th CAA, as per the following scale:

² The state of Andhra Pradesh has constituted third SFC indicates its promptness, whereas till now only four states have submitted the second SFC report along with the ATRs.

No delay	5
12 to 24 months	4
24 to 36 months	3
36 to 48 months	2
Above 48 months	0

Understandably, Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal have got high scores since these have conducted the elections in due time. Bihar, Jammu & Kashmir as well as the north eastern states have conducted the election after 4 years of schedule time and hence get low values.

x. Constitution of District Planning Committees²

States that have constituted District Planning Committees (DPCs) in all the districts, have been assigned 5 marks, whereas those that have constituted it in a few districts only have earned 3 marks. No mark has been assigned to the states that have not constituted any DPC. It may be noticed that Haryana, Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu and West Bengal have constituted DPC in all the district of their respective states. On the other hand, Andhra Pradesh, Assam, Bihar, Gujarat, Maharashtra, Orissa, Punjab and Uttar Pradesh have either not constituted or constituted only in a few districts.

An analysis of the ten indices of decentralisation, as given in Table 7.2, indicates that Tamil Nadu is the only state which has adopted most of the proposed recommendations and the parameters of decentralisation within a short time, followed by Kerala, Madhya Pradesh, West Bengal, Rajasthan, Maharashtra and Himachal Pradesh. Bihar and Jammu & Kashmir, on the other hand, have performed poorly in this regard. Similarly, the north eastern states have shown poor performance with regard to decentralisation initiatives, except Tripura.

² Constitution of Metropolitan Planning Committees has not been considered since none of the states has constituted it.

CHAPTER 9

Involvement of International Organisations in Decentralization

The UN agencies have been involved in urban poverty reduction as well as urban sector reforms in the country since the last few decades. However, their role has been limited in promoting urban decentralisation in a big way. It may, however, be mentioned that although international assistance supports only a small proportion of investments in the sector in India, it provides an opportunity for innovation and access to successful experiences in other countries. A number of external support agencies are active in the urban sector, including the Asian Development Bank, UK Department for International Development (DFID), United States Agency for International Development (USAID), and the World Bank Group. In this section, an attempt is made to assess the role of the UN agencies in promoting urban decentralisation initiatives in the country.

World Bank

Bank operations in the urban sector in India started twenty-five years ago. Since then, it has financed thirty projects with total commitments of over US\$3 billion. In the seventies and eighties, World Bank projects focused on increasing the public supply of land shelter and services and financing packages consisting of sites and services, slum upgrading, water supply and sanitation, and transportation of the poorer groups. Water supply and sanitation projects sought to improve the level of urban services and shelter not only, but to also address the problems of efficiency and effectiveness of resource mobilization, resource utilization and strengthening of institutional framework. During the nineties with growing concern on the quality and sustainability of early projects the Bank's urban sector lending declined.

In March-April, 2000 a review of the Bank's assistance in the urban sector was carried out as an input to a Country Assistance Evaluation (CAE) review. It found the performance of most of the urban water and sanitation projects was poor and the project benefits and assets financed lacked long-term sustainability. The study explained this to

be a result of the complex nature of projects in relation to local client capacities and chronic difficulties with land acquisition, procurement and corruption.

The WB is of the opinion that there is need for municipal reforms in the country. This would increase the service delivery efficiency of the ULBs. The ULBs should be able to revise the tariff rates without state interference. To implement the reforms at the ULBs level, incentive-based investment should be provided. It is also found that ULBs depend on the higher authorities (state) and cannot take decision on their own. These bodies should be allowed to take decisions on their own without much interference from the state government.

The World Bank has initiated training programmes in Tamil Nadu. It has formed an advisory body to impart training to the executive body (officials) of the ULBs. They have trained 4300 staff in the state. It is likely to be initiated in the states of Karnataka and the Uttar Pradesh with focus on developing the basic capacity of the staff of ULBs and the state departments. The Bank is of the view that accessing funds from the capital market and the privatization of the services can improve the level of services in the state.

The Bank is of the view that the more developed states have gone for the decentralization while the poorer states could not. Likewise, the metros and the large cities have also gone for decentralised governance in comparison to the small and the medium towns. Further, more government funds have reached the larger ULBs and there is over subsidisation in the Mega cities. The state policy should support the poor ULBs. The state of Karnataka has constituted a committee, which would look into the aspects of decentralization in the state. The ULBs are not well equipped for performing certain functions for which they hire technical staff from other departments.

The Bank is of the view that decentralised governance can be successful even in the small ULBs if they have the necessary manpower and technical expertise. Illustrative Areas for World Bank Operations in the Urban Sector have been appended in Annexure 8.1

Asian Development Bank (ADB)

Over the last few years, the Asian Development Bank (ADB) has developed its urban lending operation by supporting statewide urban development projects and credit lines for housing and urban infrastructure through domestic financial intermediaries. ADB has been actively involved in a few states by helping the ULBs to improve the urban infrastructure. It gives loans to the Government of India, which passes to state government on 70:30 loan -grant composition, which further passes to the ULBs, with a recovery period of 15-20 years (5 years grace period). Presently, ADB funded projects are ongoing in the states of Karnataka and Rajasthan.^{1, 2}

The Asian Development Bank funded Rs. 1,250 crore Environmental Improvement Project for Kolkata has been handed over to the newly formed Kolkata Metropolitan Planning Committee (KMPC) by the State Government. Earlier, it was decided that the Kolkata Municipal Corporation would be the nodal agency for implementing the project. This project involves the upliftment of more than 4000 city slums, revamp of drainage channels, laying underground sewer lines etc. The project is envisaged to be completed by 2008.

Other International Assistance

Most international agencies besides UK-DFID (formerly ODA) and UNICEF have entered the urban scene in India relatively recently. Both DFID and UNICEF have focused mainly on activities aimed at the direct reduction of poverty. DFID's recent projects, especially in Andhra Pradesh, seek to improve sustainability and replicability by integrating poverty reduction efforts within a more comprehensive view of urban governance.

¹ Project on infrastructure development is likely to start in West Bengal and Madhya Pradesh.

Department for International Development (DFID)

DFID has also taken up a project on accounting reforms in the ULBs of Karnataka. Further, in the state of West Bengal, it has taken up a slum improvement project in Kolkata.

A study taken up by DFID in the state of West Bengal observes that there is considerable scope for improving accountability the ULBs and strengthening legislative initiatives³ through Citizens Charter and Report Cards. The following issues have been identified as relevant to strengthen accountability:

- Ward committees have been established in many towns and cities and these function as representative units with devolved responsibilities. However, there is good scope to enhance their representative nature and establish better linkage with the CDS.
- Councillors should have a more structured and systematic role in development planning at the local level.
- The problems of delay and inefficiency in the delivery of counter services – issuing of licenses, permits, certificates etc. need to be addressed. This problem is most severe for the poor who are unfamiliar with administrative procedures.
- Public grievances are mostly reported and noted at ward level. There is inadequate analysis and follow-up of the reported grievances due to the lack of a mechanism for recording, analysing and responding to the complaints.
- Municipalities rarely provide adequate information to citizens about the levels and standards of service, overall performance and budget allocations.

The DFID study suggests that establishment of Citizen Service Centres will help to establish single window Service Centres (kiosks) at ULBs, borough or cluster level. These centres will provide an immediate visible impact on service delivery. Further, strengthening Grievances and Complaints System will aim to strengthen public grievances and complaints by providing support for the design and implementation of a grievance cell to co-ordinate complaints procedure and timely analysis and follow-up by relevant departments.

² According to the ADB officials, the parastatal agencies are better equipped with trained and skilled manpower in comparison to ULBs. In these states, NGOs activities at the grassroots level are also very limited. These NGOs have very little capacity to take town-wise projects. They have their own agenda and most of them are very reluctant to tie-up with the government projects.

³ These legislative initiatives are already embodied in the WBM Act 1993 such as and the establishment of Borough Committees (in ULBs with over 3 Lakh pop) and Ward Committees with up to 14 members (nominated by the councillor and the municipality).

United States Agency for International Development (USAID)

Since the late nineties, USAID's FIRE(D) Project has worked with India cities, financial institutions and policy-makers to develop sound approaches to the development of commercially viable infrastructure projects⁴. During the nineties, a variety of tools and resources have been developed to assist urban managers, and to facilitate the identification, selection, development and financing of commercially viable infrastructure projects. As for example, the Project, together with Kirloskar Consultants, Ltd. and the Centre for Environment Planning and Technology (CEPT), has developed an approach prioritizing infrastructure investments which enables cities to better plan and recover costs of urban environmental infrastructure.


This Project has played a key supporting role working at national, state and local levels, and with the country's leading financial institutions and credit rating agencies, to facilitate the development of a municipal bond system and to reform accounting standards and develop uniform financial reporting standards in India⁵. It has also worked in particular with a number of cities to build project management capacity and to replicate innovative approaches to project management systems. Further, it has worked to explore implementation arrangements that ensure access for low-income groups to citywide systems.

The FIRE project is also assisting state and local officials in introducing changes at the local level in the operation of water systems. It is of the view that improved management efficiencies at the local level, coupled with enabling policy reforms at the state level, can reduce water losses, increase financial viability of the utility and improve health of residents.

⁴ The FIRE(D) Project has assisted the city of Nagpur to develop a Request for Proposals for combined technical and financial advisory services that represents an innovation in the process of developing urban environmental infrastructure projects

⁵ The Indo-USAID FIRE project supported the conceptualization and development of a technical guide on accounting and financial reporting by ULBs in the year 2000.

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The State of Andhra Pradesh devised four programs that linked central and state government resources with those of urban bodies and community-based women's groups and other local partners who brought new services to the poor in cities throughout the state. The USAID FIRE(D) project sponsored an evaluation of these innovative programs as part of its effort to build the capacity of urban officials and their partners to provide better services to all.

The experience of the World Bank and other development partners shows that sustainable development of India's cities will require changes in urban policies. It will require substantial improvements in the capacity and accountability of local authorities and service providers so that they fulfill their role in the decentralization process. Even experience with poverty targeted projects such as on site slum improvements show that they cannot be expanded unless they are part of a wider city level attempt at reform with an emphasis on urban management and revenue improvements. On the other hand, city level reforms cannot be sustained without the involvement of a range of stakeholders, including CBOs and NGOs.

CHAPTER 10

Conclusions and Recommendations

An overview of the developments in the decade after the passing of the 74th CAA, presented under different terms of reference reveals that the efforts to move towards decentralised urban governance has been at best fragmented and uncoordinated, lacking a broad macro framework. Despite most of the states passing the laws conforming to the Amendment Act, for ensuring regularity of elections, representation, reservation etc. the actual empowerment of the local bodies happens to be extremely uneven across states and cities. The states like Kerala, Tamil Nadu, West Bengal and Punjab have adopted comprehensive legislations for devolving functions and taxation powers. The situations in most other states are, however, far from encouraging. The main reason for the interstate variation is that the actual devolution of the functions to local bodies has been left to the state governments. Consequently, transferring all the eighteen functions, enlisted in the 12th Schedule of the Amendment Act, has been an exception rather than the norm. Further, delegating direct financial powers to municipalities in commensurate with functions being assigned to them as per the 12th Schedule of the Constitution would help in providing financial autonomy at the local level. It would, therefore, be unrealistic to expect any major improvement in the nature of planning at the local level in a large number of the states, as a consequence of CAA and linked changes at the state level is unlikely to be significant in the context of strengthening of the local democratic process.

The stipulation in the Act regarding creation of wards committees in cities having population over three hundred thousand has also been interpreted and incorporated in the administrative orders differently in different states, mostly to meet their political convenience. Only the states like Kerala and West Bengal have established separate committees for each ward.

It may be argued that given the openness of the economy of the cities, it is impossible for the ULBs to prepare a development plan without a regional perspective, proposed at a higher level such as region or district. Unfortunately, only a few states and two union

territories have taken the steps to constitute the District Planning Committees (DPCs) even after ten years of passing of 74th CAA.

The situation is much less encouraging as far as the Metropolitan Planning Committees (MPCs). It is only in the state of West Bengal that the MPCs have actually been formed.

It is unfortunate that in the absence of a larger perspective being provided by authorities at the regional level, the ULBs have been forced to take decisions in an institutional vacuum. It can be argued that many of the local bodies neither have the technical competence nor information base to take decisions with regard to location of industrial unit, its technology and production links. No attempt has, however, been made so far to evolve an institutional mechanism which can provide the information support for local level decisions or resolve conflicts due to decisions at different levels of hierarchy.

A critically important hurdle in decentralisation, which has come in the way of innovative urban management practices are the well entrenched special purpose parastatal agencies. Considerable (developmental) funds are still being routed through these agencies and the ULBs have little possibility to intervene in that process. Excepting the state of Kerala, no other state seems to have made adequate progress in this direction. Further, only a few SFCs in their second round have made recommendations with regard to the status of the parastatals in the post decentralisation period. As a result, these continue to corner much of the available resources and intervene in the development activities in the cities and region, creating thereby problems of multiple authority.

Another aspect which has a critical bearing on the functioning of the local bodies but has not received attention of the state governments or the SFCs is the number and duration of the Standing Committees (SC), responsible for day to day decision making. Neither the 74th CAA nor the supporting legislations at the state level stipulate certain minimum number of such committees or their period of existence, that may be considered desirable for their effective functioning. Fixing certain statutory norms would help in standardising the functioning the ULBs across the states.

The most significant criticism of the decentralisation model is that financial resources are being devolved without envisaging a perspective of urban development. It has been pointed out that the SFCs have taken up the issues of financial devolution without examining how the functions will be assigned to and carried out by local bodies and what will be their implications. Bird (2000) argues that most of the SFCs have not examined the appropriateness of assignment of expenditure to different classes of local government. In fact they have not tried to make specific recommendations to improve the "present system of orders, regulations, procedures". As a consequence, the paper work pertaining to the functioning of the local government seems to be in "complete and unenforceable mess"¹.

A review of the finances of the ULBs in the pre and post amendment period reveals that in a few of the states, improvement in the finances of the ULBs have been marginal even at current prices. Thus, given the difficult financial situation of local bodies, it is unlikely that they will be able to strengthen their planning departments by recruiting technical and professional personnel for taking up the challenge of development planning. The only choice for the local bodies has, therefore, been to depend on financial intermediaries and credit rating agencies. However, the activities of a few of them raise more questions than provide answers in the context of a policy of balanced regional development.

The policy makers both at the centre and state level do not appear to be satisfied with the efforts at transferring power to the local bodies as also the initiatives of the latter to generate revenue resources. Further, scholars have argued that the local bodies or ward committees (within the cities) providing basic amenities, as per the paying capacity of the residents, in consonance with the new policy package, would lead to compromising on the quality of the amenities, jeopardizing the health of the people.

It is nonetheless very satisfying that in all the states, elections to the local bodies have been conducted, State Finance Commissions have been set up² and these have submitted

¹ See Report of the State Finance Commission of Uttar Pradesh

² Of the 25 states (as on 1.6.2001), 20 states have constituted their first SFCs and submitted reports, except Bihar. Source: Eleventh Finance Commission Report.

their Reports, although in a few cases, the Governments are yet to approve these. An overview of these Reports, however, does not give much scope for optimism with regard to enhancing the tax and non tax earnings of the ULBs, which is the second important objective of the Amendment, as discussed above. None of the SFCs has been able to recommend major changes in the tax jurisdictions of the local bodies. Their suggestions have been more towards better utilisation of the existing tax base by reforming the system of property taxation and giving greater autonomy to local bodies with regard to periodic revisions. In most of the states, the only changes that have become operative are the provision of periodic revision in property tax and introduction of water tax. The ULBs rely more on state transfers and better management by local bodies rather than increasing their tax jurisdictions. Being closer to their constituency, they have often shown reservation or reluctance in raising taxes and inviting the wrath of the electorate. This has led to no real increase in the local resource base of the ULBs, Furthermore, the SFCs have made no clear recommendations as to how the local government budgeting, financial management and auditing procedures are to be improved³.

With the introduction of the economic reforms and decentralized governance in the country, capital market borrowing, privatization, partnership arrangements and community-based projects have emerged as favoured options for undertaking infrastructural investments and provision of basic amenities⁴. Planners and policy makers have, in recent years, made a strong case to make the para-statal agencies as also the local governments depend increasingly on their internal resources and institutional finance with the objective of “bringing in efficiency and accountability in their functioning”.

Unfortunately, much of the institutional funds and subsidised amenities, provided through the governmental programmes during seventies and early eighties, have gone to a few large cities and benefited mostly the high and middle-income colonies. There is no way

³ The Eleventh Finance Commission has earmarked certain portion of funds for proper budgeting, accounting and auditing of ULBs.

⁴ In post economic reform era, commercial banks have emerged as a cost effective source of financing infrastructure. Vadodara Municipal Corporation (VMC) has signed loan agreements with the commercial banks for its various urban development projects. VMC has linked revenue of one of its Octroi check post for the repayment of this loan. Under this arrangement the commercial bank will transfer balance amount of the escrow account into fixed deposit and as soon as the amount deposited in the account reach quarterly repayment VMC will be allowed to use excess amount for other purposes (Urban Finance Vol.3 No.3 Sep 2000).

that these can continue in a more liberalised regime. It is, however, apprehended that withdrawing government support and relegating the provision of the services to the market or sub-contracting arrangements, as envisaged under the new system, would accentuate the inequality across regions and size class of urban settlements.

It is indeed true that a handful of large cities with reasonably strong economic base would be able to mobilise additional resources using the “opportunity”, opening up owing to the 74th Constitutional Amendment. A few of these cities would possibly be able to introduce certain new taxes, increase the rates of the old ones and at the same time tap the capital market by floating the SDOs or through borrowings from international organisations. It seems unlikely that the small and medium towns, that have much higher percentage of households not having access to basic amenities, would be able to benefit in a similar fashion. The issuance of such credit instruments as also getting a hefty loan from a multi-national agency for undertaking development projects, would be contingent on the local bodies accepting stringent conditionalities.

To facilitate ULBs enter into contractual agreements with private or joint sector companies, the old regulatory/ supervisory arrangements and controls of public agencies are being relaxed. However, even under the old system of state control, the public agencies in the city had failed in meeting the social obligations and catering to the needs of the poor. Designing and implementing the regulatory controls over the private companies in a liberalised regime would, therefore, be far more challenging. This would require significant institutional restructuring. In doing this, the local bodies, must give weightage to the objective of increasing the coverage of slum population. This ought to be explicitly mentioned with penal provisions, while drawing up contracts or agreements with private companies for providing water or solid waste management. The private companies, on the other hand, may become lukewarm about these subcontracting arrangements because of the incorporation of social clauses, bringing down their profitability. This has indeed happened in both water supply and solid waste management, as a number of private companies have withdrawn themselves from these sectors during the past couple of years. They are coming up only for O&M jobs, instead

of making capital investment for development of the facilities, as was the case in the nineties.

The city authorities do not have the adequate technical competence to assess the cost implications of the contractual arrangements for the people or urban economy in the long term. There has been no effort on the part of the state government to create an information base or provide technical assistance to ULBs for assessing, for example, the long-term implications of land deals and helping the latter in enforcing appropriate environmental safeguards.

The community-based projects like Slum Networking Project (SNP), however, have earned unprecedented acclaim nationally and a few of these are cited as examples of best practices at international level. Unfortunately, these have been taken up only in a few cities, that too restricted to a few localities, their replicability at the national level remaining questionable.

Recommendations

Problems faced by ULBs in discharging their assigned functions in an effective manner under the decentralized urban governance were discussed in the 26th meeting of the Central Council of Local Government and Urban Development. It was noted that their financial position remains extremely poor even after CAA and they have not been able to take up many of the schemes like Night Shelter⁵ that require their matching contribution. These requirements are part of the 10th and 11th CFC grants as well. As a result, the ULBs have laid emphasis on linking the functional domain of municipalities with their financial resources, insisting on broadening their tax base.⁶ In view of all these problems, it is recommended that the thrust of urban development policy under the decentralised regime should be towards promoting balanced regional development.

⁵ for the Shelterless Urban Poor

⁶ Many of the ULBs from different states have urged that schemes launched by central or state governments must be fully financed. It was further suggested in the meeting that necessary Amendment may be effected in Article 285 of the Constitution to bring central government properties within the ambit of taxation powers of a state governments and ULBs. Local bodies should be encouraged and authorized to generate their own revenues and also fix tax rates, user charges etc.

Large cities in the country have become financially vulnerable in recent years and are likely to be trapped into the problem of long term debt servicing because of the nature of the tools of resource mobilisation. The states must ensure that the autonomy of the local bodies and their capacity to take up routine activities as also slum improvement and social development projects do not get compromised because of the conditionalities imposed by banks and other financial intermediaries.

Growing dependence on private initiatives for provision of basic amenities is likely to enhance disparity in accessing basic amenities even within large cities. The city governments, therefore, must monitor the trends in intra-city disparity, ensure that programmes are launched to increase the coverage of poor under basic amenities and report the trends in coverage at regular intervals. Also, the SFCs may recommend specific grants, tied to provision of services to poor and slum colonies.

Financial institutions like HUDCO, that have been set up with the explicit objective of promoting balanced urban development, must pursue their schemes to provide concessional funds for infrastructural investment in backward regions, particularly in small and medium towns and make larger sums available for the purpose. They should not go by the credit rating criteria, similar to those used in the capital market, for determining the viability of projects and should lay emphasis on meeting social objectives. For shouldering this responsibility, they must get commensurate support from the central government.

A Regulatory Authority may be set up at the state level to overview and approve private sector/ partnership projects involving sale or leasing out of land or municipal assets on a long term basis.

At the State level, efforts should be taken to constitute DPCs and MPCs and co-ordinate their functioning with the existing parastatals. At the city level, it would be important to ensure that the inequalities do not increase as a result of location of infrastructural projects or contractual agreements for service delivery with private sector. Specific clause

must be built in the new capital projects and contractual agreements with private agencies (that are entering the field of basic amenities), so that the coverage of unserved households is increased. Central and state government schemes must be designed for slums and poor colonies with an explicit subsidy component, for implementation within a participatory framework. The scope and coverage of SNP or similar projects need to be increased to cover the entire city population. Successful stories of community participation in civic affairs may be replicated in other cities as well.

At the city level, powers of mayors and chairpersons should be clearly defined by the respective state governments. There is also a need to modify the existing recruitment rules of the municipalities to enable them to function as efficient units of planning at the local level. Also wards committees should be created in cities above 3 lakh population as per the provisions of the 74th C.A. Act.

Implications in terms of UN action and priorities

For the success of decentralization in promoting balanced development in the country, interventions are essential from all stakeholders, namely, the local councillors, the electorate, the NGOs, CBOs, different tiers of the government, financial institutions and the international agencies. Emphasis should be laid on bottom-up planning, decentralized decision-making, participatory appraisal and timely release of funds among others. Building capacity of officials, non-officials and communities, complemented by information and education, contributes to greater awareness and understanding. An effective communication strategy is vital for all community-oriented programs. Dissemination of best practices and sharing of success stories-including the reasons for success and failure-together with incentives and disincentives, motivates the functionaries and communities and instills confidence, leading to their active participation and effective program implementation and helps in furthering decentralization.

In order to make urban decentralization a success, municipal reforms should focus on the following aspects:

- i. Capacity building of urban local bodies, specially in the smaller and medium towns;
- ii. Standardization and computerization of municipal accounts;
- iii. De-linking local initiatives from political motives;
- iv. Unbundling of services especially for small towns should be taken up;
- v. For various civic services, rate of the tariff should be raised to such a level that the cost of O&M can be recovered and slum colonies can be cross subsidized;
- vi. Conditionalities imposed by various international and national level financial agencies should be relaxed in favour of small and medium towns and also slum colonies within large cities while financing infrastructural projects;
- vii. The 12th CFC should relax the condition of matching contribution for the smaller ULBs who are not able to generate the same.

To facilitate ULBs enter into contractual agreements with private or joint sector companies, the old regulatory/ supervisory arrangements and controls of public agencies are being relaxed. However, even under the old system of state control, the public agencies in the city had failed in meeting the social obligations and catering to the needs of the poor. Designing and implementing the regulatory controls over the private companies in a liberalised regime would, therefore, be far more challenging. This would require significant institutional restructuring. In doing this, the local bodies, must give weightage to the objective of increasing the coverage of slum population. This ought to be explicitly mentioned with penal provisions, while drawing up contracts or agreements with private companies for providing water or solid waste management. The private companies, on the other hand, may become lukewarm about these subcontracting arrangements because of the incorporation of social clauses, bringing down their profitability. This has indeed happened in both water supply and solid waste management, as a number of private companies have withdrawn themselves from these sectors during the past couple of years. They are coming up only for O&M jobs, instead of making capital investment for development of the facilities, as was the case in the nineties.

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Table 1.1
State Municipal Legislations in conformity with 74th Constitutional Amendment Act

Sl.No.	State	ULB Act	< 3 months	3-6 months	6-9 months	9-12 months	above 12 month
1	Andhra Pradesh	Hyderabad Municipal Corporation Act, 1955			1.6.1994		
		Andhra Pradesh Municipalities Act, 1965			1.6.1994		
2	Arunachal Pradesh	Conformity Legislation not yet enacted.					
3	Assam	Guwahati Municipal Corporation Act, 1969				6.5.1994	
		Assam Municipal Act, 1956.			19.2.1994		
4	Bihar	Patna Municipal Corporation Act, 1951.					17.1.1995
		Bihar Municipal Act, 1922.				30.5.1994	
5	Goa	Goa Municipalities Act, 1968.				30.5.1994	
6	Gujarat	Bombay Provincial Municipal Corporation Act, 1949.	17.8.1993				
		Gujarat Municipalities Act, 1963.					27.7.1994
7	Haryana	Haryana Municipal Corporation Act, 1994.				31.5.1994	
		Haryana Municipal Act, 1973.				5.4.1994	
8	Himachal Pradesh	Himachal Pradesh Municipal Corporation Act, 1994.				30.5.1994	
		Himachal Pradesh Municipal Act, 1994.				30.5.1994	
9	Jammu & Kashmir	Conformity Legislation not yet enacted.					
10	Karnataka	Karnataka Municipal Corporation Act, 1976.					3.10.1994
		Karnataka Municipalities Act, 1964.					5.10.1994
11	Kerala	Kerala Municipality Act, 1994				30.5.1994	
12	Madhya Pradesh	M.P. Municipal Corporation Act, 1956.				30.5.1994	
		M.P. Municipalities Act, 1961.				30.5.1994	
13	Maharashtra	Bombay Municipal Corporation Act, 1888.				31.5.1994	
		Bombay Provincial Municipal Corporation Act, 1949.				31.5.1994	
		The City of Nagpur Corporation Act, 1948.				31.5.1994	
		The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965.				31.5.1994	
14	Manipur	Manipur Municipalities Act, 1994.				24.5.1994	
15	Meghalaya	Meghalaya Municipal Act, 1973.					Conformity Legislation not yet enacted.
16	Mizoram	Conformity Legislation not yet enacted.					
17	Nagaland	Conformity Legislation not yet enacted.					
18	Orissa	Orissa Municipal Act, 1950.				31.5.1994	
19	Punjab	Punjab Municipal Corporation Act, 1976.					
		Punjab Municipal Act, 1911.					
20	Rajasthan	Rajasthan Municipalities Act, 1959.				2.5.1994	
21	Sikkim	Sikkim Municipalities Act, 1995				24.4.1995	
22	Tamil Nadu	Madras City Municipal Corporation Act, 1919.				18.5.1994	
		Madurai City Municipal Corporation Act, 1971.				18.5.1994	
		Coimbatore City Municipal Corporation Act, 1981.				18.5.1994	
		Tamil Nadu District Municipalities Act, 1920.				31.5.1994	

Sl.No.	State	ULB Act	< 3 months	3-6 months	6-9 months	9-12 months	above 12 month
23	Tripura	Tripura Municipal Act, 1994.					26.10.1994
24	Uttar Pradesh	U.P. Municipal Corporation Act, 1959.				30.5.1994	
		U.P. Municipalities Act, 1916.				30.5.1994	
25	West Bengal	Calcutta Municipal Corporation Act, 1980.				1.6.1994	
		Howrah Municipal Corporation Act.				1.6.1994	
		Asansol Municipal Corporation Act 1990.				1.6.1994	
		Chandernagore Municipal Corporation Act 1990.				1.6.1994	
		Siliguri Municipal Corporation Act 1990.				1.6.1994	
		Durgapur Municipal Corporation Act. 1994.				1.6.1994	
		West Bengal Municipalities Act, 1993.					13.7.1994

Source : State Governments (State Municipal Acts/Amendments).

Table 1.2
A. Criteria for formation of Municipal Corporation across major states

S.No	State	Population	Density (Persons per sq.km)	Percentage of population engaged in non-agricultural activities	Likely Revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1	Andhra Pradesh	4 lakh and above	10,000 and above	Not less than 85%	4 crores and above	Potential for growth of industries commerce, higher education and adequate infrastructure	The number of peripheral villages whose growth the proposed larger urban area.
2	Gujarat	Size of the municipality is dependent on the elected councilors	400 persons per sq.km	75%	Not specified	Not specified	Not specified
3	Haryana	5 lakh and above	Not specified	Not specified	Not specified	Not specified	Not specified
4	Karnataka	Not less than 3 lakh	Not less than 3 000	Not less than 50%	6 crores or Rs 200/- per capita per annum which ever is higher	Not specified	Not specified
5	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7	Maharashtra	Not less than 3 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
8	Punjab	More than 3 lakh	Not specified	Not specified	More than two crores	Not specified	Not specified
9	Rajasthan	More than 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10	Tamil Nadu	As defined in Clause (2) of Article 243Q	Not specified	Not specified	Not specified	Not specified	Not specified
11	Uttar Pradesh	5 lakh and above	Not specified	Not specified	Not specified	Not specified	Not specified
12	West Bengal	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified

B. Criteria for formation of Municipal Council across major states

S.No.	State	Population	Density (Persons per sq.km)	Percentage of population engaged in non-agricultural activities	Likely Revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1	Andhra Pradesh	40,000 and above	1,000 and above	60% and above	60 lakh and above	Availability of market facilities and potential for industrial development	Local area acquiring urban characteristics
2	Gujarat	Size of the municipality is dependent on the elected councilors	400 persons per sq.km	75%	Not specified	Not specified	Not specified
3	Haryana	50,000 to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
4	Karnataka	20,000 to 3 lakh	1,500 and above	Not less than 50%	9 lakhs and above or Rs. 45 per capita	Not specified	Not specified
5	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7	Maharashtra	25,000 and above	Not specified	Not less than 75%	Not specified	Not specified	Not specified
8	Punjab	15,000 to 3 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
9	Rajasthan	1 lakh to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10	Tamil Nadu	As defined in Clause (2) of Article 243Q	Not specified	Not specified	Not specified	Not specified	Not specified
11	Uttar Pradesh	1 lakh to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
12	West Bengal	Not less than 20,000	Not less than 750 persons	50% and above	Not specified	Not specified	Not specified

C. Criteria for formation of Nagar Panchayat across major states

S.No.	State	Population	Density (Persons per sq.km)	Percentage of population engaged in non-agricultural activities	Likely Revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1	Andhra Pradesh	25,000 to 40,000	1,000 and above	50% and above	40 lakh and above	Availability of market facilities and potential for industrial development	Local area acquiring urban characteristics
2	Gujarat	5000 and above	400 persons per sq.km	75%	Not specified	Not specified	Not specified
3	Haryana	50,000 to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
4	Karnataka	10,000 to 20,000	Not less than 400 per sq.km	Not less than 50%	Not specified	Not specified	All Taluka HQs irrespective of population
5	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7	Maharashtra	10,000 to 25,000	Not specified	Not less than 50%	Not specified	Not specified	Such area is not more than 16 kms away from the territorial limits of any MC
8	Punjab	5000 to 15,000	Not specified	Not specified	Not specified	Not specified	Not specified
9	Rajasthan	Less than 1 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10	Tamil Nadu	Not less than 5,000	Not specified	Not specified	Not less than 1 lakh	Not specified	Not specified
11	Uttar Pradesh	30,000 to 1 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
12	West Bengal	State Govt. will classify on popn	Not specified	Not specified	Not specified	Not specified	Not specified

Source: Nagarpalika Network (2002) and State Finance Commission Reports.

Table 1.3.1
Elections held in post decentralization period in different classes of
Urban Local Bodies across major states

S.No.	State	Number of elections held in post decentralisation period	Municipal corporation	Municipal Council	Nagar Panchayat
1	Andhra Pradesh	2	1995 2000 and 2002	1995 2000 and 2002	1995 2000
2	Gujarat	2	1994-95 2000	1994-95 1999-2000, 2002 (due)	1994-95 2002 (due)
3	Haryana	2	1994 2000	1994 2000	1994 2000
4	Karnataka	2	1996 2001	1996 2001	1996 2001
5	Kerala	2	1995 2000	1995 2000	1995 2000
6	Madhya Pradesh	2	1994 1999	1994 1999	1994 1999
7	Maharashtra	2	1997-98 2002	1997-98 2002	1997-98 2002
8	Punjab	2	1998 2002	1998 2002	1998
9	Rajasthan	2	1994-95 1999	1994-95 1999	1994-95 1999
10	Tamil Nadu	2	1996 2001	1996 2001	1996 2001
11	Uttar Pradesh	2	1995 2000	1995-97 2000	1995-97 2000
12	West Bengal	2	1993-94 1999-2000	1993-94 1999-2000	1993-94 1999-2000

Table-1.3.2
Elections to ULBs in accordance with 74th CAA across states

Sl. No.	State	Date of Elections after 74th CAA	Delay in holding elections after 74th CAA (as on 1.1.2000)
1	Andhra Pradesh	March, 1995	-
2	Arunachal Pradesh	Elections not held.	71 months
3	Assam	Guwahati MC-May, 1995	-
		Other ULBs-1997	
4	Bihar	Elections not held.	71 months
5	Goa	June, 1995	-
6	Gujarat	December, 1994-January, 1997	-
7	Haryana	November/December, 1994	-
8	Himachal Pradesh	Other ULBs-December, 1995	-
		Shimla MC-June, 1997	
9	Jammu & Kashmir	Elections not held.	71 months
10	Karnataka	October, 1996	-
11	Kerala	September, 1995	-
12	Madhya Pradesh	November, 1994	-
13	Maharashtra	December, 1996 -February, 1997	-
14	Meghalaya	Elections not held.	71 months
15	Manipur	July, 1995	-
16	Mizoram	Elections not held.	71 months
17	Nagaland*	May, 1994 - August, 1995	-
18	Orissa	July, 1997	-
19	Punjab	November/December, 1994	-
20	Rajasthan	November, 1994/May, 1995	-
21	Sikkim	ULBs do not exist	71 months
22	Tamil Nadu	October, 1996	-
23	Tripura	December, 1995	-
24	Uttar Pradesh	ULBs (Plains) -Nov, 1995	-
		ULBs (Hill Areas) -Feb, 1997	
25	West Bengal	May, 1995.	-

Source: Ministry of Urban Development, Government of India and State Governments.

Table 1.4
Criteria Adopted for Delimitation of Wards by the Urban Local Bodies in Major States

S. No.	State	Criteria for delimitation of wards	Delimitation Responsibility
1	Andhra Pradesh	Population of each ward shall be 25,000 with a variation upto 10% above or below the average population per ward	State Government
2	Gujarat	The population in all the wards should, as far as practicable, be equal subject to a variation of not more than 10% from the average ward population of a city.	State Election Commission
3	Haryana	For Municipal Corporations : Population of each ward shall be 25,000; provided there would be one ward for the rural areas in each of the Assembly Constituencies falling in the Municipal area and such wards may have population less than 25,000. For other local bodies : Population of each ward, as far as practicable, to be same throughout the municipality, with a variation upto 10% above or below the average population per ward; wards as far as practicable, to be geographically compact areas considering the physical feature.	State Government
4	Karnataka	Population of the municipality decides the number of wards and councillors. It varies between 30 and 100.	State Government
5	Kerala	Not specified	State Election Commission
6	Madhya Pradesh	Population size of the municipality decides the number of wards. It varies between 40-70 in case of corporations and 15-40 in case of municipalities.	State Government
7	Maharashtra	Population size of the municipality decides the number of wards. It varies between 10-55 (Nagar Panchayat to Municipal Corporations)	The State Election Commission
8	Punjab	For the purpose of election of councillors, the city shall be divided into single-member ward in such manner that the population of each of the wards shall, so far as practicable, be the same throughout the city. The government shall, by order in the Official Gazette, determine the extent of such ward and the wards in which seats shall be reserved for SC.	State Government

S. No.	State	Criteria for delimitation of wards	Delimitation Responsibility
9	Rajasthan	The number of wards are based on the population of the municipality. The state government fixes the number of seats for election. So the total population divided by number of seats gives the population of a ward.	State Government
10	Tamil Nadu	Every municipality shall be divided into such number of wards which are equivalent to number of councillors to be elected. The population of a ward shall as far as practicable, be equivalent to the average population of a ward (total population of a municipality / no. of wards)	State Government
11	Uttar Pradesh	Population of each ward, as far as practicable, to be same throughout the corporation limit.	State Government
12	West Bengal	Any municipal area can be divided into a number of wards depending on the population, dwelling pattern, geographical condition and economic considerations of the area.	The State Election Commission

Source: Nagarpalika Network (2002) and SFC Reports.

**Table 1.5
State-wise Reservation of Seats and the Criteria Adopted for Reservation**

S. No	State	Category	Responsibility	Reservation Basis		
				SC	ST	BC
1	Andhra Pradesh	Councillors	State Government	In proportion to population and allotted by rotation; 1/3 rd of seats so reserved is for women belonging to SC/ST and allotted by rotation	1/3 rd of the seats and allotted by rotation; 1/3 rd of seats so reserved is for women belonging to BC, allotted by rotation.	1/3 rd of the total number of seats including reserved ones.
2	Gujarat	Councillors Mayors/ Chairpersons	State Election Commissioner State Election Commissioner	In proportion to population and allotted by rotation; 1/3 rd of seats so reserved is for women belonging to SC/ST and allotted by rotation	1/10th of the seats and allotted by rotation; 1/3 rd of seats so reserved is for women belonging to BCs, allotted by rotation.	1/3 rd of the total number of seats including reserved ones.
3	Haryana	Councillors	State Government	In proportion to population and allotted to such wards having maximum population of persons belonging to SC; 1/3 rd of seats so reserved is for women belonging to SC and allotted by rotation and by lots.	2 seats in Municipal Corporation and Municipal Council and 1 seat in Municipal Committee and allotted in territorial constituencies having maximum population of persons belonging to BCs.	1/3 rd of the total number of seats including reserved ones and allotted by rotation and by lots.
		Mayors/ Chairpersons	State Government	Reserved for SC by rotation and by lots in the manner prescribed.	—	Reserved for women by rotation and by lots in the manner prescribed.

S. No	State	Category	Responsibility	Reservation Basis		
				In proportion to population and allotted by rotation	1/3 rd of total number of seats and allotted by rotation	1/3 rd of the seats reserved for each category belonging to SC,ST and BCs and those of the non reserved areas
4	Karnataka	Councillors	State Government	In proportion to population.	1/3 rd of total number of seats and allotted by rotation	1/3 rd of the seats reserved for each category belonging to SC,ST and BCs and those of the non reserved areas
		Mayors/Chair persons	State Government			
5	Kerala	Councillors	State Election Commissioner	In proportion to population and allotted by rotation	--	1/3 rd of the total number of seats including the reserved ones and allotted by rotation.
		Mayors/Chair persons	State Election Commissioner			
6	Madhya Pradesh	Councillors	State Government	In proportion to population: 1/3 rd of the seats reserved for SC/ST women	25% of the total number of wards reserved for other BCs in such municipalities where 50% or less seats are reserved for SC/ST, allotted by rotation; 1/3 rd of the seats reserved for other BCs women	1/3 rd of the total number of seats including the reserved ones for women, allotted by rotation.
		Mayors/Chair persons	State Government			
7	Maharashtra	Councillors	State Government	In proportion to population and allotted by rotation; 1/3 rd of the seats reserved for SC/ST women	1/4 th of the seats.	1/3 rd of the seats.
		Mayors/Chair persons	State Election Commissioner			
		Councillors	State Election Commissioner	In proportion to population and allotted by rotation; 1/3 rd of the seats reserved for SC/ST women, allotted by rotation; where only one seat is reserved for SC/ST and where only two seats are reserved for SC/ST, one of the two seats shall be reserved for women belonging to SC/ST.	27% of the total seats and allotted by rotation; 1/3 rd of the seats reserved for women belonging to BC and allotted by rotation.	1/3 rd of the total number of seats including the reserved ones for women and allotted by rotation.
		Mayors/Chair persons	State Election Commissioner			

		Reservation Basis					
S. No	State	Category	Responsibility				
8	Punjab	Councillors	State Government	In proportion to population and allotted by rotation 1/3 rd of seats so reserved is for women belonging to SC	--	2 seats for in Municipal Corporations and 1 seat in Municipalities allotted by rotation.	1/3 rd of the total number of seats including the reserved ones for women and allotted by rotation.
		Mayors/Chair persons	State Government	5% of Seats	--	2% of seats	5% of seats including SC women.
9	Rajasthan	Councillors	State Government	In proportion to population and allotted by rotation 1/3 rd of the reserved seats for SC women allotted by rotation	In proportion to population and allotted by rotation; 1/3 rd of so reserved seats for ST women, allotted by rotation	In proportion to population and allotted by rotation; 1/3 rd of so reserved seats for BCs women, allotted by rotation	1/3 rd of the total number of seats including the reserved ones for women allotted by rotation
		Mayors/Chair persons	State Government				
10	Tamil Nadu	Councillors	State Government	In proportion to population ; 1/3 rd of so reserved seats for SC and ST women.	--	--	1/3 rd of the total number of seats including the reserved ones.
		Mayors/Chair persons	State Government	In proportion to population and allotted by rotation; 1/3 rd of so reserved seats for SC women, allotted by rotation		--	1/3 rd of the total number of seats including the reserved ones allotted by rotation
11	Uttar Pradesh	Councillors	State Government	In proportion to population ; 1/3 rd of the reserved seats for SC and ST women.	In proportion to population ; 1/3 rd of population ; 1/3 rd of the reserved seats for ST women.	27% of seats; 1/3 rd of the reserved seats for BC women.	1/3 rd of the total number of seats including the reserved ones allotted by rotation
		Mayors/Chair persons	State Government				

S. No	State	Category	Responsibility	Reservation Basis	
				In proportion to population and allotted by rotation; 1/3 rd of the reserved seats for SC and ST women, allotted by rotation	1/3 rd of the total number of seats including the reserved ones allotted by rotation
12	West Bengal	Councillors	State Government	--	
		Mayors/Chair persons	State Government	The office of the Chairperson of municipality shall be reserved for a woman for the 1 st term if at least 50% of the total number of elected members are women; shall be reserved for a SC for the next term if at least 50% of the elected members belong to SC and ST; shall be reserved for a ST for the next term where at least 50% of the elected members belong to the SC and ST.	

Source: Nagarpalika Network (2002) and SFC Reports.

Table 1.6
Mode of Election of Mayors/Chairpersons and their Term Across Major States

S.No	State	Election	Term
1	Andhra Pradesh	Direct	Five years
2	Gujarat	Indirect	Two and Half years
3	Haryana	Indirect	One year
4	Karnataka	Indirect	One year
5	Kerala	Indirect	Five Years
6	Madhya Pradesh	Direct	Five Years
7	Maharashtra	Direct for Municipal Councils and Nagar Panchayats and Indirect for Municipal Corporations	Two and Half years
8	Punjab	Indirect	Five years
9	Rajasthan	Indirect	Five years
10	Tamil Nadu	Direct	Five years
11	Uttar Pradesh	Direct	Five years
12	West Bengal	Indirect	Five years

Source: Nagarpalika Network (2002) and SFC Reports.

Table 1.7
Procedures for Removal of Mayors/Chairpersons of Municipal Corporation Across Major States

S.No.	State	Name of the Act	Procedure for removal of the Mayor/Chairperson
1	Andhra Pradesh	The Hyderabad Municipal Corporations Act, 1955	The State Government may, by notification remove the Mayor or the Deputy Mayor who in their opinion willfully omits or refuses to carry out or disobeys any provisions of the Act, or any rule, by-laws, regulation, or regulations or lawful order made issued under the Act or abuses his position of powers vested in him.
2	Gujarat	Gujarat Municipalities Act, 1963	Motion of no-Confidence : written notice of the intention signed by not less than 1/3 rd of the total number of Councillors to the municipality as prescribed by the State Government. It will be carried by majority of not less than 2/3 rd of the total number of councillors. The State Government may remove the President who has been guilty of misconduct in the discharge of his duties or of any disgraceful conduct or has become incapable of performing his duties under the Act.
3	Haryana	The Haryana Municipal Corporation Act, 1994	Motion of No-Confidence: Mayor or Senior Deputy Mayor or Deputy Mayor may be removed by a resolution of the Corporation passed by a majority of not less than 2/3 rd of the total members of the Corporation.
4	Karnataka	The Karnataka Municipalities Act 1964	No such provision in the Karnataka Municipal Corporation Act, 1976 Motion of No-Confidence: notice of resolution is signed by not less than 1/3 rd of the total number of councillors and at least 10 days notice has been given of the intention to move the resolution. A similar resolution in respect of same President or Vice-President or Vice President shall not be removed from the office by the Government for Misconduct in the discharge of his duties or for neglect of or incapacity to perform his duties or if he is unable to pay dues he owes to the municipal council or has suffered an order for commitment to civil prison for non payment of any decretal debt and shall not be eligible for re-election during the remainder of his term of office.

S.No.	State	Name of the Act	Procedure for removal of the Mayor/Chairperson
5	Kerala	The Kerala Municipality Act, 1994	<p>Motion of No-Confidence : Written notice of the intention signed by not less than 1/3rd of the sanctioned strength of the Council submitted to the officer authorized by the Government. The officer convene a meeting of the elected Councillors notice of not less than 10 days of such meeting. If the motion is carried with the support of more than one half of the strength of the Councillors, the Chairperson or the Deputy Chairperson or the Chairman of the Standing Committee as case may be shall cease to function and the Government shall notify his removal from the office. If the motion is not carried by majority or if the meeting could not be held for want of quorum, no motion of any subsequent motion shall be entertained until after expiry of 6 months from the date of meeting. No motion shall be entertained within 6 months of the assumption of the office.</p>
6	Madhya Pradesh	The Madhya Pradesh Municipalities Act 1961	<p>The State Government may remove President or Vice-President if his continuance as such is not in the opinion of the State Government desirable in public interest or in the interest of the Council or if it is found that he is incapable of performing his duties or is working against the provisions of the Act or any rules made there under.</p> <p>Motion of No-Confidence: A motion of no-confidence may be moved at a meeting by a majority of more than 3/4th of the elected councillors present and voting by more than 2/3rd of the total number of Councillors. No such motion shall lie within a period of 2 years from the President enters the office within a period of 1 year on which previous motion was rejected or if the remaining period of the council is less than 6 months and shall be signed by not less than one half of the total number of councillors.</p>
7	Maharashtra	The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965	<p>Motion of No-Confidence: A President shall cease if the Council by resolution passed by a majority of not less than 2/3rd of the total number of Councillors and shall be signed by not less than one half of the total number of Councillors.</p> <p>The State Government may remove the President who has been guilty of misconduct in the discharge of his duties or of neglect of or incapacity to perform his duties or for being guilty of any disgraceful conduct and shall not be eligible for re-election for re-election or re-appointment during the remainder of the term.</p>

S.No.	State	Name of the Act	Procedure for removal of the Mayor/Chairperson
8	Punjab	Punjab Municipal Corporation Act, 1976	Motion of No-Confidence: A Councillor holding the office as a Mayor or Senior Deputy Mayor or Deputy Mayor may be removed from his office by a resolution of the Corporation passed by a majority of the total membership of the Corporation and by majority of not less than 2/3 rd of the members of the Corporation present and voting in a meeting of the Corporation in a prescribing manner.
9	Rajasthan	The Rajasthan Municipalities Act, 1959	State Government may remove the Chairperson or Vice-Chairman from the office if he has been guilty of misconduct in the discharge of his duties or any disgraceful conduct or become incapable of performing his duties, otherwise flagrantly abused in any manner his position.
10	Tamil Nadu	Tamil Nadu District Municipalities Act, 1920	No such provision in the Madras City Municipal Corporation Act Motion of No-confidence: The Councillors constitute 1/3 rd of the sanctioned strength, by a written notice, to the Regional Inspector, express their intention to make a motion against the chairman that the chairman willfully omits or refuse to carry out or disobeys any provision of the Act, or any rule, by-law, regulation, or lawful order made issued under the Act or abuses any power vested in him not before six months of assumption of office. The Regional Inspector convene a special meeting for the consideration of the motion. The motion shall be deemed to have passed by the council if 2/3 rd of sanctioned strength present and voting by 2/3 rd of the strength present.
11	Uttar Pradesh	Uttar Pradesh Municipal Corporation Act, 1959	Motion of No-Confidence: Notice written by not less than one-half of the total number of Councillors and passed by more than one-half of elected Councillors.
12	West Bengal	The Calcutta Municipal Corporation Act, 1980	Motion of No-Confidence : The Mayor may be removed by resolution carried by a majority of the total number of elected members of the Corporation at a special meeting of the Corporation called for this purpose upon a requisition made in writing by not less than 1/3 rd of the elected member of the Corporation. No such resolution shall be moved before the expiry of a period of 6 months from the date of assumption. No further resolution shall be moved before the expiry of a period of 6 months from the date on which the former resolution was moved.

Source: Nagarpalika Network (2002) and SFC Reports.

Table 1.8.1						
Functions assigned to Urban Local Bodies in the						
State Municipal Acts vis-à-vis the Twelfth Schedule (All States)						
Sl.No.	State	Roads and bridges	Water supply for domestic, industrial and commercial purposes	Public health, sanitation, conservancy and solid waste management	Burials and burial grounds, cremation grounds and electric crematoriums	Public amenities including street lighting, parking lots, bus stops and public conveniences
		4*	5	6	14	17
		Core functions				
1	Andhra Pradesh	C	CMN	CMN	CMN	CMN
2	Arunachal Pradesh					
3	Assam	CMN	CMN	CMN	CMN	C
4	Bihar	CMN	CMN	CMN	CMN	CMN
5	Goa		M	M	M	M
6	Gujarat	C	CM	CM	CM	CM
7	Haryana	CM	CM	CM	CM	CM
8	Himachal Pradesh	CMN	CMN	CMN	CMN	CMN
9	Jammu & Kashmir	MN		MN	M	M
10	Karnataka	C	CMN	CMN	CMN	CMN
11	Kerala	CM	CM	CM	CM	CM
12	Madhya Pradesh	C	CMN	CMN	CMN	CMN
13	Maharashtra	C	CM	CM	CM	CM
14	Manipur	M	M	M	M	M
15	Meghalaya	M	M	M	M	
16	Mizoram	N	N	N	N	N
17	Nagaland	N	N	N	N	N
18	Orissa	CMN	CMN	CMN	CMN	CMN
19	Punjab	CMN	CMN	CMN	CMN	CMN
20	Rajasthan	CMN	CMN	CMN	CMN	CMN
21	Sikkim	M	M	M	M	M
22	Tamil Nadu	CMN	CMN	CMN	CMN	CMN
23	Tripura	MN	MN	MN	MN	MN
24	Uttar Pradesh	C	CMN	CMN	CMN	CMN
25	West Bengal	CMN	CMN	CMN	CMN	CMN
Source : State Municipal Legislation.						
C: Corporation		* Sl. No. of the functions as given in the Twelfth Schedule of the Constitution.				
M: Municipality						
N: Nagar Panchayat						

Sl.No.	State	Safeguarding the interests of the 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	Cattle pounds and prevention of cruelty to animals	
		9	10	11	12	13	15	
Welfare functions								
1	Andhra Pradesh	C			C	C	C	
2	Arunachal Pradesh	Municipal Legislation not yet enacted.						
3	Assam	C	C	C	C	C	C	
4	Bihar	C			C	C		
5	Goa	M			M	M		
6	Gujarat	CM			CM	CM	CM	
7	Haryana	CM	CM	CM	CM	CM	CM	
8	Himachal Pradesh	CMN	CMN	CMN	CMN	CMN	CMN	
9	Jammu & Kashmir						M	
10	Karnataka	CMN	CMN	CMN	CMN	CMN	CMN	
11	Kerala	CM	CM	CM	CM	CM	CM	
12	Madhya Pradesh	CMN		CMN	CMN	CMN	CMN	
13	Maharashtra	CM	CM	CM	CM	CM	CM	
14	Manipur	M			M	M	M	
15	Meghalaya							
16	Mizoram	N				N	N	
17	Nagaland	N			N			
18	Orissa	CMN	CMN	CMN		CMN		
19	Punjab	CMN	MN	MN	CMN	CMN	CMN	
20	Rajasthan	CMN			CMN	CMN	CMN	
21	Sikkim	M	M	M	M	M	M	
22	Tamil Nadu	CMN	CMN	CMN	CMN	CMN	CMN	
23	Tripura	MN	MN	MN	MN	MN	MN	
24	Uttar Pradesh	CMN	CMN	CMN	CMN	CMN	CMN	
25	West Bengal	CMN			CMN	CMN	CMN	
Source : State Municipal Legislatio								
C: Corporation								
M: Municipality								
N: Nagar Panchayat								

Sl.No.	State	Urban planning, including town planning	Regulation of land use and construction of buildings	Planning for economic and social development	Fire services	Urban forestry, protection of the environment and promotion of ecological aspects	Vital statistics including registration of births and deaths	Regulation of slaughter houses and tanneries
		1	2	3	7	8	16	18
Urban Development functions								
1	Andhra Pradesh			C		C	CMN	CMN
2	Arunachal Pradesh							
3	Assam	C	CMN	C	CMN	C	CMN	CMN
4	Bihar	C	CMN		CMN	C	CMN	CMN
5	Goa		M		M	M	M	M
6	Gujarat	M	CM	C	CM	CM	CM	CM
7	Haryana	CM	CM	CM	CM	CM	CM	CM
8	Himachal Pradesh	CMN	CMN	CMN	CMN	CMN	CMN	CMN
9	Jammu & Kashmir		M		MN		N	M
10	Karnataka	C	CMN		MN	CMN	CMN	CMN
11	Kerala	CM	CM	CM	CM	CM	CM	CM
12	Madhya Pradesh	CMN	CMN	CMN	CMN	CMN	CMN	CMN
13	Maharashtra	C	CM	CM	CM	CM	CM	CM
14	Manipur		M		M	M	M	M
15	Meghalaya		M		M		M	M
16	Mizoram				N	N	N	
17	Nagaland				N	N	N	
18	Orissa	CMN	CMN	CMN		CMN	CMN	CMN
19	Punjab	MN	CMN	MN	CMN	CMN	CMN	CMN
20	Rajasthan		CMN	CMN	CMN	CMN	CMN	CMN
21	Sikkim	M	M	M	M	M	M	M
22	Tamil Nadu			CMN		CMN	CMN	CMN
23	Tripura	MN	MN	MN	MN	MN	MN	MN
24	Uttar Pradesh	CMN	CMN		CMN	CMN	CMN	CMN
25	West Bengal	CMN	CMN		CMN	CMN	CMN	CMN
Source : State Municipal Legislatio								
C: Corporation								
M: Municipality								
N: Nagar Panchayat								

Table 1.8.2
Functions transferred to Urban Local Bodies by
Rules/Notifications/Orders of the Respective
State Governments (all states)

Sl. No.	State	Roads and bridges	Water supply for domestic, industrial and commercial purposes	Public health, sanitation conservancy and solid waste management	Burials and burial grounds, cremation grounds and electric crematoriums	Public amenities including street lighting, parking lots, bus stops and public conveniences
		4*	5	6	14	17
Core functions						
1	Andhra Pradesh	CMN	CMN	CMN	CN	CMN
2	Arunachal Pradesh					
3	Assam					
4	Bihar					
5	Goa	M		M	M	M
6	Gujarat	CM	CM	CM	CM	CM
7	Haryana	M	C	CM	CM	CM
8	Himachal Pradesh	CMN	C	CMN	CMN	CMN
9	Jammu & Kashmir			MN	MN	MN
10	Karnataka	CMN	CMN	CMN	CMN	CMN
11	Kerala	CM		CM	CM	CM
12	Madhya Pradesh	CMN	CMN	CMN	CMN	CMN
13	Maharashtra	CM	CM	CM	CM	CM
14	Manipur					
15	Meghalaya		M	M		M
16	Mizoram					
17	Nagaland	N		N	N	N
18	Orissa	CMN	CMN	CMN	CMN	CMN
19	Punjab	CMN	CMN	CMN	CMN	CMN
20	Rajasthan	CMN	CMN	CMN	CMN	CMN
21	Sikkim					
22	Tamil Nadu	CMN	CMN	CMN	CMN	CMN
23	Tripura	MN	MN	MN	MN	MN
24	Uttar Pradesh	CMN	CMN	CMN	CMN	CMN
25	West Bengal	CMN	CMN	CMN	CMN	CMN

Source: Subsidiary points and States' Memoranda to the EFC.

C: Corporation

M: Municipality

N: Nagar Panchayat

Sl. No.	State	Safeguarding the interests of the 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	Cattle pounds and prevention of cruelty to animals
		9	10	11	12	13	15
Welfare functions							
1	Andhra Pradesh		CMN	CMN	CN	M	M
2	Arunachal Pradesh	ULBs do not exist.					
3	Assam	None of these functions has been transferred to ULBs					
4	Bihar	Information not furnished.					
5	Goa		M	M	M		M
6	Gujarat	CM	CM	CM	CM	CM	CM
7	Haryana		CM	M	CM		CM
8	Himachal Pradesh	CMN	CMN	CMN	CMN	CMN	CMN
9	Jammu & Kashmir		MN	MN	MN		MN
10	Karnataka	CMN	CMN	CMN	CMN	CMN	CMN
11	Kerala	CM	CM	CM	CM	CM	CM
12	Madhya Pradesh	CMN	CMN	CMN	CMN	CMN	CMN
13	Maharashtra	CM	CM	CM	CM	CM	CM
14	Manipur		M	MN			
15	Meghalaya						
16	Mizoram	ULBs do not exist.					
17	Nagaland	N			N		
18	Orissa	CMN	CMN	CMN	CMN	CMN	CMN
19	Punjab	CMN	CMN	CMN	CMN	CMN	CMN
20	Rajasthan		CMN	CMN	CMN	CMN	CMN
21	Sikkim	ULBs do not exist.					
22	Tamil Nadu	CMN	CMN	CMN	CMN	CMN	CMN
23	Tripura	MN	MN	MN	MN	MN	MN
24	Uttar Pradesh	CMN	CMN	CMN	CMN	CMN	CMN
25	West Bengal	CMN	CMN	CMN	CMN	CMN	CMN

Source: Subsidiary points and States'

C: Corporation

M: Municipality

N: Nagar Panchayat

* Sl. No. of the functions as given in the Twelfth Schedule of the Constitution.

Sl. No.	State	Urban planning, including town planning	Regulation of land use and construction of buildings	Planning for economic and soicial development	Fire services	Urban forestry, protection of the environment and promotion of ecological aspects	Vital statistics including registration of births and deaths	Regulation of slaughter houses and tanneries
		1	2	3	7	8	16	18
Urban Development functions								
1	Andhra Pradesh	CMN	CMN	C	N	C	CMN	CN
2	Arunachal Pradesh							
3	Assam							
4	Bihar							
5	Goa		M				M	M
6	Gujarat	CM	CM	CM	CM	CM	CM	CM
7	Haryana			M	M		CM	M
8	Himachal Pradesh		C	CMN		CMN	CMN	CMN
9	Jammu & Kashmir						MN	MN
10	Karnataka			CMN	CMN	CMN	CMN	CMN
11	Kerala	CM	CM	CM		CM	CM	CM
12	Madhya Pradesh	CMN	CMN	CMN	CMN	CMN	CMN	CMN
13	Maharashtra	CM	CM	CM	CM	CM	CM	CM
14	Manipur						M	M
15	Meghalaya							
16	Mizoram							
17	Nagaland						N	
18	Orissa	CMN		CMN	CMN	CMN	CMN	CMN
19	Punjab		CMN		CMN	CMN	CMN	CMN
20	Rajasthan		CMN	CMN	CMN	CMN	CMN	CMN
21	Sikkim							
22	Tamil Nadu	CMN	CMN	CMN	CMN	CMN	CMN	CMN
23	Tripura	MN	MN	MN	N	MN	MN	MN
24	Uttar Pradesh	CMN	CMN	CMN			CMN	CMN
25	West Bengal	CMN	CMN	CMN	N	CMN	CMN	CMN

Source: Subsidiary points and State

C: Corporation

M: Municipality

N: Nagar Panchayat

Table 1.9.1

**Taxation powers assigned to the Urban Local Bodies as per their
State Municipal Acts (all states)**

Sl. No.	State	ULB	Property tax	Profession tax	Lighting Rate	Water rate	Sanitation/ Conservancy Tax	Scavenging tax	Latrine tax	Drainage tax	Education tax	Entry/Terminal tax	Taxes on vehicles
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	C	S		S	S	S			S			S
		M	S		M	M	M			M			S
		N	S		M	M	M			M			S
2	Arunachal Pradesh	Municipal Legislation not yet enacted.											
3	Assam	C	S	S						M			M
		M	M		M	M				M	M		M
		N	M		M	M				M	M		M
4	Bihar	C	M	M	M	M			M	M			M
		M	M	M	M	M				M			M
		N	M	M	M	M				M			M
5	Goa	M	S	S	S	S	S		M	M	M		M
6	Gujarat	C	S										S
		M	M		M	M	M			M	M		M
7	Haryana	C	S	M	M	S		M					M
		M	S	M	M				M	M	M		M
8	Himachal Pradesh	C	S	M	M	S	M	M					M
		M	S	M	M				M	M	M	M	M
		N	S	M	M				M	M	M	M	M
9	Jammu & Kashmir	M	M	M	M	M		M					M
		N	M	M	M	M							M
10	Karnataka	C	S			S							S
		M	M		M	M							M
		N	M		M	M							M
11	Kerala	C	M	M	M	M	M			M			
		M	M	M	M	M	M			M			
12	Madhya Pradesh	C	S	M	S	S	S		M	M		M	M
		M	S	M	S	S	S		M	M		M	M
		N	S	M	S	S	S		M	M		M	M

Sl. No.	State	ULB	Property tax	Profession tax	Lighting Rate	Water rate	Sanitation/ Conservancy Tax	Scavenging tax	Latrine tax	Drainage tax	Education tax	Entry/Terminal tax	Taxes on vehicles
1	2	3	4	5	6	7	8	9	10	11	12	13	14
13	Maharashtra	C	S			S	S				S		S
		M	S		S	S	S		S	M	M		M
14	Manipur	M	M		M	M		M	M	M			M
15	Meghalaya	M	M		M	M	M		M	M			M
16	Mizoram	N	M		M	M			M	M			M
17	Nagaland	N	M			M			M				
18	Orissa	C	M	M	M	M			M	M			M
		M	M	M	M	M			M	M			M
		N	M	M	M	M			M	M			M
19	Punjab	C	S	M		S							S
		M	M	M				M					M
		N	M	M				M					M
20	Rajasthan	C	S	S	M	M	M	M	M			M	M
		M	S	S	M	M	M	M	M			M	M
		N	S	S	M	M	M	M	M			M	M
21	Sikkim	M	M	M	M	M			M	M			M
22	Tamil Nadu	C	M	M	M					M			M
		M	M	M	M	M	M			M			M
		N	M	M	M	M	M			M			M
23	Tripura	M	M		M	M	M					M	M
24	Uttar Pradesh	C	S	M		S	S			S			S
		M	S	S		S	S	S		S			S
		N	S	S		S	S	S		S			S
25	West Bengal	C	S										S
		M	S										S
		N	S										S

Source: State Municipal Legislation.

Note: Octroi has been excluded.

Abbreviations used: S: Obligatory Functions; M: Optional Functions.

C: Municipal Corporation; M: Municipality; N: Nagar Panchayat.

Sl. No.	State	Advertisement tax	Entertainment tax	Duty on transfer of immovable property	Tax/toll on animals	Boat Tax	Pilgrim tax	Tax on consumption of electricity	Market fee	Toll on bridges/Vehicles	Fee for fire services	Fees on dogs
1	2	15	16	17	18	19	20	21	22	23	24	25
1	Andhra Pradesh	S	M	S								
		M		S	S							
		M		S	S							
2	Arunachal Pradesh											
3	Assam	S	S	S	S		M		M	M		M
					M	M			M	M	M	M
					M	M			M	M	M	M
4	Bihar	M			M	M						M
					M	M						M
					M	M						
5	Goa	S	S		M		M					M
6	Gujarat		M		S	S				M		M
					M	M	M		M			M
7	Haryana	M	M	S				M			S	
			M	S	M	M	M	M		M		M
8	Himachal Pradesh	M	M	S				M				
		M	M	S	M	M	M	M		M		M
		M	M	S	M	M	M	M		M		M
9	Jammu & Kashmir		M		M	M						M
			M		M	M			M			M
10	Karnataka	S		S								
		M		M		M						
		M		M		M						
11	Kerala	M	M	M	M							
		M	M	M	M							
12	Madhya Pradesh	M	M		M		M		M	M	S	M
		M	M		M		M		M	M	M	M
		M	M		M		M		M	M	M	M

Sl. No.	State	Advertisement tax	Entertainment tax	Duty on transfer of immovable property	Tax/toll on animals	Boat Tax	Pilgrim tax	Tax on consumption of electricity	Market fee	Toll on bridges/Vehicles	Fee for fire services	Fees on dogs
1	2	15	16	17	18	19	20	21	22	23	24	25
13	Maharashtra	S	M		S	S				M		M
14	Manipur	M	S	M	M	M	M		M		S	M
15	Meghalaya			S	M	M			M	M	M	M
16	Mizoram				M	M			M	M		
17	Nagaland											
18	Orissa				M	M						
19	Punjab	S			M	M	S				S	
20	Rajasthan				M	M						M
21	Sikkim	M	M	M	M	M	M		M			M
22	Tamil Nadu			M	M							
23	Tripura	M		S	M		M					
24	Uttar Pradesh	M	M	M	S	S						M
25	West Bengal	S	S	S	S	S						S
		S			S					S		
		S					M			S		
		S					M			S		

Source: State Municipal Legislatio

Abbreviations used: S: Obligatory

Sl. No.	State	Timber tax	Registration of animals etc.	Parking fees	Tax on servants	Tax on artisans/companies	Environment tax/Land Revenue	Betterment/Development tax	Circumstances of Property	Fee on building application	Passengers & Goods Tax
1	2	26	27	28	29	30	31	32	33	34	35
1	Andhra Pradesh										
2	Arunachal Pradesh										
3	Assam		M				M	M			M
			M				M	M			
4	Bihar		M								
			M								
			M								
5	Goa										
6	Gujarat							M			
7	Haryana							M		M	
								M			
8	Himachal Pradesh						M	M		M	
							M	M		M	
9	Jammu & Kashmir	M		M					M	M	
10	Karnataka		M								
			M								
11	Kerala	M									
		M									
12	Madhya Pradesh		M					M	M		
			M					M	M		
			M					M	M		

Sl. No.	State	Timber tax	Registration of animals etc.	Parking fees	Tax on servants	Tax on artisans/companies	Environment tax/Land Revenue	Betterment/Development tax	Circumstances of Property	Fee on building application	Passengers & Goods Tax
1	2	26	27	28	29	30	31	32	33	34	35
13	Maharashtra			M			S				
14	Manipur							M			
15	Meghalaya		M					M			
16	Mizoram		M								
17	Nagaland										
18	Orissa		M								M
			M								M
			M								M
19	Punjab							S		S	
					M					M	
					M					M	
20	Rajasthan					M					
						M					
						M					
21	Sikkim							M		M	
22	Tamil Nadu	M				M					
					M						
					M						
23	Tripura			M					M		
24	Uttar Pradesh							M	S		
									S		
									S		
25	West Bengal					S					M
						S					M
						S					M

Source: State Municipal Legislatio

Abbreviations used: S: Obligatory

Table 1.9.3
Date of Constitution and submission of SFC Reports and the Report on
Action Taken by the Respective Governments (all states)

Sl. No.	State	Date of Constitution of SFC			Time given for submission of report, as per TOR (months)	Date of submission of SFC report	Time taken for submission with reference to constitution of SFC (months)	Date of submission of ATR	Time taken for submission of ATR with reference to submission of SFC report (months)	
		Date	Prompt action@	slow action@@@						
1	Andhra Pradesh	22.6.1994	4	5	6	7	8	9	10	11
2	Arunachal Pradesh			14		36	31.5.1997	35	November-1997	6
3	Assam	23.6.1995			26	6	29.2.1996	8	18.3.1996	1
4	Bihar	23.4.1994/ 2.6.1999*			73	3	Not submitted.		Not submitted.	
5	Goa	22.4.1994/ 29.9.1997*/ 1.4.1999*			71	3	5.6.1999	2 #	Not submitted.	
6	Gujarat	15.9.1994/13.8.1998*		17		@	RLBs- 13.7.1998 ULBs-October-98	46/49	Not submitted.	
7	Haryana	31.5.1994		13		34	31.3.1997	34	Not submitted.	
8	Himachal Pradesh	23.4.1994		12		@	30.11.1996	31	11.4.1997	5
9	Jammu & Kashmir						SFC not constituted yet.			
10	Karnataka	10.6.1994		14		25	RLBs- 5.8.1996 ULBs-30.1.1996	26/20	31.3.1997	14/8
11	Kerala	23.4.1994		12		@	29.2.1996	22	13.3.1997	13
12	Madhya Pradesh	17.6.1994/25.2.1995*		22		16	20.7.1996	17 #	20/21.3.1997	8
13	Maharashtra	23.4.1994				33	31.1.1997	31	5.3.1999	26
14	Manipur	22.4.1994/ 31.5.1996*			37	6	December-1996	7 #	28.7.1997	8
15	Meghalaya						SFC not constituted yet.			
16	Mizoram						SFC not constituted yet.			
17	Nagaland						SFC not constituted yet.			
18	Orissa	21.11.1996/24.8.1998*			64	4	30.12.1998	4 #	9.7.1999	7
19	Punjab	22.4.1994				20	31.12.1995	20	13.9.1996	9
20	Rajasthan	23.4.1994				20	30.12.1995	20	16.3.1996	3
21	Sikkim	23.4.1997/22.7.1998*			63	@	16.08.1999	13 #	Not submitted.	
22	Tamil Nadu	23.4.1994				18	29.11.1996	31	28.4.1997	5
23	Tripura	RLBs - 23.4.1994 ULBs - 19.8.1996				RLBs-21 ULBs-38	RLBs - 12.1.1996 ULBs - 17.9.1999	RLBs-31 ULBs-37	RLBs- 1st quarter of 1996 ULBs - Not submitted	RLBs - 3
24	Uttar Pradesh	22.10.1994		18		26	26.12.1996	26	20.1.1998	13
25	West Bengal	30.5.1994		13			27.11.1995	18	22.7.1996	8

* Date of re-constitution. In case of Gujarat, the SFC report on RLBs was submitted prior to the reconstitution of the SFC.

W.r.t. the date of reconstitution of SFC.

@=upto one year, @@= 1 to 2 years, @@@=more than 2 years

Source: State Finance Commission Reports

Table 1.10
Per capita revenue and expenditure of Urban Local Bodies (at current prices) in pre (1990-94) and post (1994-98)
decentralisation period of select states

(Rupees)

State	Period	Per capita Revenue				Per capita expenditure			
		Tax Rev.	Non-Tax Rev.	Own Rev.	Other Rev.	Total Rev.	Core Services	Other Services	Total Exp.
Assam	1990-94	22.97	32.58	55.55	33.43	88.98	39.96	79.16	119.12
	1994-98	26.87	48.28	75.14	37.97	113.12	47.69	115.52	163.21
Goa	1990-94	35.58	26.92	62.50	100.64	163.14	33.90	114.89	148.79
	1994-98	47.56	33.75	81.31	99.32	180.63	42.08	146.68	188.76
Gujarat	1990-94	206.18	29.34	235.53	108.58	344.11	104.00	196.13	300.13
	1994-98	373.39	43.65	417.04	146.61	563.65	170.77	284.70	455.47
Haryana	1990-94	104.87	54.05	158.92	59.66	218.58	268.98	321.00	589.98
	1994-98	116.95	66.09	183.04	137.75	320.79	326.84	347.07	673.91
Himachal Pradesh	1990-94	85.39	103.63	189.02	80.97	269.99	80.21	172.30	252.51
	1994-98	114.78	173.09	287.88	235.00	522.87	146.41	290.10	436.51
Jammu & Kashmir	1990-94	3.96	2.32	6.28	69.38	75.66	21.93	131.03	152.96
	1994-98	6.34	3.76	10.10	98.23	108.33	35.79	178.72	214.51
Karnataka	1990-94	51.09	16.56	67.65	65.03	132.68	35.81	104.23	140.05
	1994-98	72.88	16.26	89.15	116.76	205.90	65.03	155.89	220.92
Kerala	1990-94	60.78	29.02	89.80	37.09	126.89	43.67	101.84	145.51
	1994-98	82.51	35.63	118.14	108.60	226.74	73.75	168.02	241.77
Madhya Pradesh	1990-94	53.90	26.70	80.60	86.94	167.54	69.16	118.13	187.29
	1994-98	45.39	27.41	72.80	153.63	226.43	103.11	180.19	283.30
Orissa	1990-94	88.44	19.99	108.43	57.78	166.21	53.06	144.27	197.34
	1994-98	125.07	26.79	151.86	66.17	218.03	66.79	193.47	260.26
Punjab	1990-94	212.63	80.06	292.69	81.22	373.91	81.84	238.59	320.43
	1994-98	425.95	115.45	541.40	88.03	629.43	67.89	348.36	416.25
Rajasthan	1990-94	113.70	31.36	145.06	48.54	193.60	134.05	55.27	189.31
	1994-98	203.86	56.72	260.58	91.31	351.90	237.99	91.39	329.38
Tamil Nadu	1990-94	62.81	44.10	106.92	93.04	199.96	88.30	143.88	232.18
	1994-98	119.13	88.48	207.61	161.24	368.84	151.51	243.45	394.96

Source: Government of India (2000), EFC Report and Population Census of India, 1991 and 2001.

Table 2.1
Share of Urban Local Bodies in central devolution
(Central Finance Commission - Tenth and Eleventh) - all states

S.No.	State	EFC Grants		State	TFC-grant		EFC-TFC Rank +/-
		% Share	Rank		% Share	Rank	
1	Andhra Pradesh	8.23	5	Andhra Pradesh	7.39	5	0
2	Arunachal Pradesh	0.03	24	Arunachal Pradesh	0.01	24	0
3	Assam	1.08	15	Assam	1.42	15	0
4	Bihar	4.69	10	Bihar	6.71	8	-2
5	Goa	0.23	17	Goa	0.00	25	8
6	Gujarat	6.63	7	Gujarat	6.75	7	0
7	Haryana	1.83	14	Haryana	1.66	14	0
8	Himachal Pradesh	0.19	20	Himachal Pradesh	0.21	18	-2
9	Jammu & Kashmir	0.78	16	Jammu & Kashmir	1.21	16	0
10	Karnataka	6.24	8	Karnataka	7.02	6	-2
11	Kerala	3.76	11	Kerala	2.54	12	1
12	Madhya Pradesh	7.80	6	Madhya Pradesh	6.17	9	3
13	Maharashtra	15.81	1	Maharashtra	13.30	1	0
14	Manipur	0.22	18	Manipur	0.22	17	-1
15	Meghalaya	0.13	22	Meghalaya	0.15	19	-3
16	Mizoram	0.19	21	Mizoram	0.04	23	2
17	Nagaland	0.09	23	Nagaland	0.06	22	-1
18	Orissa	2.00	13	Orissa	1.91	13	0
19	Punjab	2.74	12	Punjab	3.06	11	-1
20	Rajasthan	4.97	9	Rajasthan	4.32	10	1
21	Sikkim	0.01	25	Sikkim	0.06	21	-4
22	Tamil Nadu	9.67	4	Tamil Nadu	11.55	4	0
23	Tripura	0.20	19	Tripura	0.10	20	1
24	Uttar Pradesh	12.58	2	Uttar Pradesh	12.12	2	0
25	West Bengal	9.87	3	West Bengal	12.03	3	0
		100.00		Grand Total	100.00		

Source: TFC and EFC Reports

Table 2.2
State-wise criteria and allocation of grants for Urban Local Bodies- as per the Eleventh Finance Commission

Sl. No.	State	Share in allocation for ULBs (%)							Composite Index for State's share	State-wise allocation (Rs. in lakhs)
		As per Urban Population (1991)	As per Urban Area (1991)	As per Distance from highest PCI+ 0.5 s.d.	As per revenue efforts of ULBs-		As per the Index of Decentralisation	Weight=20%		
		Weight=40%	Weight=10%	Weight=20%	w.r.t. Own Revenue of the State	w.r.t. GSDP (net of Primary Sector)	Weight=5%			
1	2	3	4	5	6	7	8	9	10	
1	Andhra Pradesh	8.604	8.087	8.978	7.538	7.319	7.219	8.233	3293.14	
2	Arunachal Pradesh	0.053	0.000	0.050	0.000	0.000	0.015	0.034	13.67	
3	Assam	1.197	1.295	1.078	0.549	0.501	1.004	1.077	430.84	
4	Bihar	5.461	5.855	6.032	1.226	0.924	3.055	4.695	1877.94	
5	Goa	0.231	0.602	0.178	0.032	0.067	0.194	0.232	92.73	
6	Gujarat	6.853	8.034	6.334	6.164	7.132	5.750	6.626	2650.46	
7	Haryana	1.950	1.512	1.640	0.850	1.872	2.182	1.832	732.80	
8	Himachal Pradesh	0.216	0.422	0.026	0.133	0.116	0.242	0.195	77.84	
9	Jammu & Kashmir	0.885	1.372	0.920	0.102	0.073	0.495	0.783	313.16	
10	Karnataka	6.690	6.678	7.053	2.896	4.382	5.613	6.241	2496.39	
11	Kerala	3.695	5.263	3.566	1.874	2.493	4.133	3.762	1504.91	
12	Madhya Pradesh	7.379	12.367	7.901	3.219	4.407	8.255	7.801	3120.22	
13	Maharashtra	14.692	9.740	12.861	29.384	32.669	16.436	15.813	6325.09	
14	Manipur	0.243	0.227	0.283	0.029	0.019	0.204	0.220	87.92	
15	Meghalaya	0.159	0.241	0.145	0.006	0.004	0.089	0.135	53.98	
16	Mizoram	0.153	0.771	0.184	0.000	0.000	0.086	0.192	76.89	
17	Nagaland	0.100	0.230	0.074	0.004	0.002	0.056	0.089	35.72	
18	Orissa	2.037	3.979	1.948	0.550	0.526	1.709	1.998	799.20	
19	Punjab	2.883	2.254	2.629	2.048	4.918	2.419	2.736	1094.53	
20	Rajasthan	4.843	7.607	4.964	1.905	2.028	5.418	4.971	1988.32	
21	Sikkim	0.018	0.000	0.006	0.000	0.000	0.010	0.010	4.16	
22	Tamil Nadu	9.177	9.659	8.907	11.808	12.133	10.267	9.668	3867.34	
23	Tripura	0.203	0.230	0.224	0.050	0.080	0.227	0.201	80.32	
24	Uttar Pradesh	13.280	8.763	14.368	5.834	5.139	14.856	12.582	5032.64	
25	West Bengal	8.999	4.814	9.651	23.800	13.196	10.067	9.874	3949.78	
	Total	100.000	100.000	100.000	100.000	100.000	100.000	100.000	40000.00	

Source: EFC Report (2000)

Table 2.3
Devolution of Resources to the Urban Local Bodies (ULBs)
based on Global Sharing (Sharing of Tax Revenue only)

State	Assam	Goa	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
1. Devolution/ Sharing of state tax revenue (Global)	2% of total state taxes to both ULBs and RLBs. Of this 75% to ULBs and 25% to RLBs	Non-Plan devolution- 36 % of State's own tax revenue and share in central taxes for devolution to LBs. for non-plan activities. 27% to PRIs; 9% to ULBs Plan devolution 13% to PRIs; 3% to ULBs of annual plan size for plan activities.	5.23 % of state share of central taxes	20 % of net proceeds of the five taxes. SD, MVT, ET, Et(C.show) & ED	Global sharing of 2.18 % of the net proceeds of state's total tax revenue, 3.4 % to PRIs & 1 % to ULBs	Global sharing of 8 % of net state tax revenue (excluding entertainment tax) Of this 55% to PRIs and 45% to ULBs. 9,10,11,12 % for the subsequent years. Of this 15% for equalisation and incentive fund. 85% to PRIs and ULBs, based on last census population, 60% to PRIs and 40% to ULBs.	Global sharing of 7% of net proceeds of state's total tax revenue to ULBs. 3.12% to M.Corps. 3.12% to M.Cs 0.76% to NPs	Global sharing 16 % of net proceeds of all taxes to entitlements. This will be united funds at the disposal of local bodies.
2. Divisible pool comprising of	State Taxes	Own tax and share in central taxes	State share of central Taxes	Net proceeds of five select taxes Unconditional transfers.	net proceeds of state's tax revenue	net state tax revenue (excluding entertainment tax)	net proceeds of state tax revenue	net proceeds of all taxes.
3. Basis of Distribution	To ULBs- Number of Vehicles; RLBs (Gaon Panchayats)- based on Population of latest census	For plan grants 40% population., 20% geographical area, 10% backwardness,		SD distributed on derivative principle between ULBs and RLBs, MVT, on the basis of road length,	The share of PRIs and ULBs in the ratio of 3.4:1, based on the proportion of Rural/urban population according to	Inter-se distribution: for PS- 50% - popn.;25% Sc/St popn.;25% av.per capita Land Rev. For VPs- 50%- 1991 popn.;	pop-80% area 20 %	District entitlements: 50% of the total entitlements to the districts, allocated on 1991 popn. To each district. Balance 50 % on

State	Assam	Goa	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
		25% performance, 5% discretionary quota. Ratio of non-devolution between urban and rural is 0.33. Inter-se distribution: first year based on actuals and subsequent years, same proportion as first year.		ED on collection basis, ENT tax, 80% to ULBs and 20% to RLBs	according to 1991 census.	15% SC/ST popn.; 15% performance basis (per capita house tax collection); 20% infrastructure basis (physical assets in VP areas. For ULBs- TP-38%; Municipalities-31%; M.Corps-31%. TP-Muns. M.Corp 45-45-40-popn 20-10-10-sc/st-p 15-15-15-PC-OR 30-30-30-PC-exp on civic services.		Balance 50 % on the basis of backwardness. Five criteria for degree of backwardness. 1. Area of a district; 2. Degree of illiteracy; 3. Proportion of backward popn; 4. Proportion of rural popn; 5. Paucity of bank deposit on per capita basis. Intra-district allocation- 2% for incentive scheme; 98% for Municipal, Panchayats and Special Area Fund. Municipal Allocation- 50% on popn. 50% on backwardness (lack of literacy; SC/St popn; density.

Source: SFC Reports.

Table 2.4
Devolution of Resources to the Urban Local Bodies (ULBs)
based on Global sharing (Total Revenue = Tax and Non-tax Revenue)

State/Major Recommendations	Andhra Pradesh	Harayana	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Devolution/ Sharing of state revenue (a) Global (Tax and Non-tax revenue)	39.24 % of state taxes & non-taxes revenue 70% PRIs 30% ULBs	20% of the royalty on minor minerals be devolved on Urban Local Bodies and Gram Panchayats	On the basis of total revenue of LBs in 1995. Add 10 % (growth & inflation) for ULBs and 7.5 % (5+2.5) for PRIs	36 % share in total non-loan gross own revenue PRIs-85% ULBs 15 %	1 % Global sharing of total revenue (tax and non-tax) between ULBs and RLBs in proportion to urban and rural population	Global sharing of 2.91 % of total tax and non-tax of state govt revenue in the proportion of 85% to RLBs and 15% to ULBs
2. Divisible pool comprising of	tax+ non-tax		total revenue	non-loan gross own revenue	total revenue	Net proceeds of total revenue
3. Basis of Distribution	ULBs- Pop=40% Area net of slum = 40%; slum area=20%					pop-75 % area 25 %

Source: SFC Reports.

Table 2.5
Sharing of Specific State Taxes in Gujarat and Maharashtra

GUJARAT- DEVOLUTION OF RESOURCES FROM STATE TO URBAN LOCAL BODIES	
1. Motor Vehicle Tax	Until the percentage is fixed, the grant should be paid at the rate of 4 per cent of construction expenditure of new road. The MVT tax collected by Municipalities should be discontinued and also the grant given for this tax should also be discontinued
2. Professional Tax	50% amount of its recovery should also be disbursed to local bodies
3. Entertainment Tax	50% share allotted to ULBs from income of Entertainment tax should be increased to 75%
4. Education Cess	If recovery is 50%, then it should be 10% of the recovery. No recovery expenditure should be paid for the recovery less than 50% 100% amount of recovery of Education Cess will be admissible to the ULBs managing Primary Education
5. Non-agricultural land assessment	85% of this income should be paid to the respective ULBs
6. Land Revenue	Grant paid at the rate of 35% should be increased to 85%
7. Local Cess-Irrigation Cess	Local cess should be increased from 50 paise to Re. 1 mandatorily and the rate of LR should be doubled so the income from local cess is increased in quadruple.
8. Surcharge on Stamp Duty	25% surcharge imposed should be given as grants to respective ULBs.
9. Entertainment Tax on Cable TV/Dish Antenna	It should be distributed between State and local bodies on 50%:50% basis
10. Grant on Public Expenditure	Considering the population, this grant should be paid at Rs. 30 per capita basis.
11. Per capita Basic Grant	The rate of grant which the ULBs of different categories get at present should be doubled. A category Rs 2, B category Rs 3 C Category Rs 5, D category Rs 5
12. Incentive grant	Should be discontinued
13. D.A. grant to the transformed Municipalities	These municipalities should be paid establishment grant per capita on the basis of population
14. Maintenance grant for Dispensaries, Hospitals, Maternity Homes and Child Welfare Centres	Of the admissible expenditure grant of 40% for A category 50% for B category 60% for C and D category should be given and the present ceiling should be removed

Table 2.6
Devolution of Grants to the Urban Local Bodies as per
First State Finance commission

State	Recommendations
1. Andhra Pradesh	<ol style="list-style-type: none"> 1. 10 % of the Betting Tax may be passed for Hyderabad Municipal . Corp. 2. Rs 20 crore as motor vehicle compensation to Municipalities. 3. Rs 10 crore as block grant for Municipal corporation of Hyderabad, Vijayawada and Vishakhapatnam, Rs 6 crore to other M.corps. 4. Per capita grants to ULBs may be increased from Rs 4 to Rs 8. 5. Annual 10 % compensation for Octroi and 5% for property tax for ULBs.
2. Assam	<ol style="list-style-type: none"> 1. Grants to ULBs for preparation of registers and forms out of plan funds. 2. TFC grants
3. Gujarat	<ol style="list-style-type: none"> 1. Per capita Basic grant should be doubled, 2. Incentive grants to be discontinued; 3. Grant for district planning board 10.85 for municipalities and 8.15% for M.corps.
4. Karnataka	<ol style="list-style-type: none"> 1. Of the 36% of non-loan gross own revenue, 15 % has been earmarked as grants to ULBs; 2. TFC grants to be utilised for creation and maintenance of specific assets for the five years;
5. Kerala	<ol style="list-style-type: none"> 1. Basic tax grants to be credited to state pool. 2. Non-statutory non-plan grants may be fixed at 1 per cent of State revenue for the ULBs, based on population; 3. TFC grants may be distributed on per capita basis. 4. Special purpose grants lying unutilised may be treated as general purpose grant.
6. Madhya Pradesh	<ol style="list-style-type: none"> 1. Special Grants in lieu of abolition of passengers tax and the payment of fees, penalties and other receipts under various acts, to ULBs should continued; 2. Specific purpose grants may be provided out of the TFC grants fund; 3. Incentive grants to be provided in the form of tax incentive subsidy, for revenue raising capacity of the ULBs.
7. Maharashtra	<ol style="list-style-type: none"> 1. Land revenue grants to be increased from 15 to 75%; 2. Minor-mineral grant to C-class municipalities should be continue and the limit to be raised from Rs 1 lakh to Rs 5 lakh; 3. Slum Improvement Scheme grant to be increased from RS 800 to Rs 1000 per capita; 4. Rs 10 lakh per annum grants for 6 Hill –station municipal council (Class-C) as “Tourism Development Grants”
8. Orissa	<ol style="list-style-type: none"> 1. The expenditure against the TFC grants in the state government’s budget should be treated as part of plan expenditure of the State Govt. Under no circumstances these grants are to be diverted for other purposes or held back by the State government. These grants are meant to finance development expenditure and not for salaries and wages. 2. For road development the state provides 50% of the cost in the form of grants-in-aid.
9. Punjab	<ol style="list-style-type: none"> 3. Rs 30 crore to be distributed as per capita grant to the weaker municipalities on population basis; 4. For the provision of essential services in the municipal areas, “specific purpose grants” may be given on the state level priority- these grants are to be conditional and matching as recommended by SFC; 5. Incentive grants for the ULBs which ahs put the efforts in improving the fiscal management. 6. “General purpose grants to be given to remove horizontal imbalances among ULBs.

10. Rajasthan	<ol style="list-style-type: none"> 1. "General purpose grants to be given on population basis. 2. 60% of the funds from State divisible pool should be allocating to the ULBs in proportion to their population. 3. Development grants recommended for smaller municipalities. 4. Incentive grants for the ULBs which ahs put the efforts in improving the fiscal management. 5. 20 % of ULBs' share in the divisible pool should be earmarked for incentive and matching grants
11. Tamil Nadu	<ol style="list-style-type: none"> 1. Equalization grants may be provided to the ULBs, if required; 2. Grants in-aid should be related to the fiscal capacity and the performance of the ULBs in collection of own revenues; 3. Specific purpose and the incentive grants should continue 4. Several specific purpose grants recommended for Town Panchayat for civic services. 5. TFC grants to be treated as part of plan fund of the State government;
12. Uttar Pradesh	<ol style="list-style-type: none"> 1. Discontinuation of grants-in-aid system, and system of vertical resource sharing to be adopted. In this all the states taxes are pooled and the proportion thereof devolved to the ULBs. 2. RS 30.29 crore of TFC grants to be distributed according to the formula adopted for the State fund. These funds are to be used for improving civic services (drainage, garbage disposal, public toilets and latrines and street lighting..
13. West Bengal	<ol style="list-style-type: none"> 1. Complete proceeds of surcharge on sales tax to be distributed to municipalities; 2. State grants as part of "profession tax and motor vehicle tax" to be discontinued; 3. Non-plan expenditures are to be met out state government grants; 4. Central and State releases for Centrally Sponsored Scheme to be considered as grants and should not be considered as untied entitlements of local bodies; 5. TFC grants for districts may be utilized by ULBs

Source: First SFC Reports.

Table 2.7
Key Recommendations of the SFCs on Augmentation of Own Resources of ULBs

A: Taxes	Recommended by the SFC
Property Tax(PT):	Karnataka, Kerala, UP, TN, Maharashtra & Assam
* Scientific and transparent method of assessment of the Annual Rental Value (ARV)	
* Central Valuation Board/Authority to be established for periodic survey of properties and their valuation	Karnataka
*Periodic revision of the rates of property taxes recommended	Kerala (4yrs) UP (5 yrs) Assam (5 yrs)
*Regular revaluation of the properties to avoid sudden burden of taxes	Maharashtra (time bound)
*Central Government/State Government properties to be made liable to pay PT	Maharashtra, kerala &UP
*Property tax to be delinked from rentals to increase yield	Punjab
*Exemption from property tax to be drastically reduced, state to government to compensate the loss done as a result	Kerala, Punjab & UP
* Simplified method and hence own assessment of property taxes recommended	UP & Rajasthan
* Exempted limits from property tax to be drastically increased	Rajasthan
* Surcharge on property tax for residential buildings those are rented out	Kerala
* Rebate on owner occupied residential buildings	Kerala & UP
* The amendment of the Rent Control Law may be considered for the purposes of PT	Maharashtra
* Maximum limit of PT should be removed and ULBs should have free hand in fixing it above the minimum level	Maharashtra
* Non-revision of house tax might be compensated	Pondichery
Octroi:	
* Octroi cost of collection not to exceed 5% of total collection	Punjab

Source: SFC Reports.

Table 3.1

Details of the Structure of Municipal Bonds Issued By Corporations

Corporation	Details of Municipal Bond
Ahmedabad	<ul style="list-style-type: none"> • First Municipal Bond without a state guarantee in January 1998 • Bond issue was for Rs.100 crore • Issue: Secured, redeemable and non-convertible • 75 per cent of the subscription came from institutional investors and remaining 25 per cent through the public the major subscribers included SBI, UTI, HDFC, Commercial Banks, mutual funds and insurance companies • AA (SO) (indication high degree of certainty about timely repayment) rated by CRISIL • 14 per cent annual interest payable semi annually • Escrow earmarked from 10 octroi collection points • Bond proceeds have been used in water supply, drainage, road, solid waste management and slum networking projects by • Feb2000 Major amount utilised on the Raska project
Bangalore	<ul style="list-style-type: none"> • First municipal bond with irrevocable and unconditional guarantee by the state government in 1997 • Placement: Private • A (SO) credit rating assigned by CRISIL to Rs. 125 crore bond programme of Bangalore City Corporation • Interest rate of 13 percent and tenure of 7 years with repayment during last 4 years • Escrow of state government grants and property tax • Bond money used for improvement of roads and city drains
Ludhiana	<ul style="list-style-type: none"> • Issued bond of Rs.17.5 crore in August 1999 • Issue: non convertible • Placement: Private • Security of property worth 1.25 times the size of the issue • Bond was rated LAA-(SO) (high safety category) by ICRA • Payment mechanism is through escrow account of water and sewerage taxes and charges Interest rate 13.5 to 14 per cent for a tenure of 5 to 10 years Bond money will be utilised to construct a water supply project
Nagpur	<ul style="list-style-type: none"> • Issue of Rs.50 crore bond in Nov,2000 • Placement: Private • Coupon Rate: 13% payable semi-annually • Rated LAA- (SO) by ICRA • Escrow of property tax and water charges • Purpose: Water supply

Table 5.1

Type of Private Sector Participation (PSP) in Some Select Cities

Financing and Management Options	Areas of PSP	Cities
Service Contract	Solid Waste Management Water Supply Parks and Playgrounds Road Maintenance	Rajkot, Surat, Hyderabad Chennai, Pune Delhi Chennai
Management Contract	Water Supply Sanitation and Public Health Solid Waste Management Tax Collection	Navi Mumbai Rajkot, Guwahati, Surat, Bangalore, Jodhpur, Ludhiana, Faridabad, Delhi, Hubli-Dharwad, Aurangabad, Kalyan, Jaipur, Cochin Guwahati, Surat, Ahmedabad, Rajkot, Bangalore, Cochin, Mumbai, Pune, Jalandhar, Amritsar, Vadodara, Kalyan, Navi Mumbai, Guwahati, Pune
BOT Contract	Bulk Water Supply Waste Treatment Plants New Sewerage System Roads & Bridges	Tiruppur, Bangalore, Pune Chennai, Alandur Alandur, Tiruppur Bangalore, Delhi, Indore, Pune, Karur, Madurai

Source : Nagarpalika Network Newsletter, vol.3, no. 4.

Table 5.2**Details of Solid Waste Treatment and Disposal Projects initiated by Municipal Corporations**

City	Plant Capacity	Partners	Nature of Partnership	Status
Ahmedabad	500 tpd plant producing compost	EXCEL Industries	Build-Own-Operate basis	Operational since January, 1999
Aurangabad	300 tpd plant producing compost	Satyam Fertilizer and EXCEL Industries	Build-operate-transfer basis	Operational since May, 1999
Bangalore	300 tpd plant producing compost	Sunrays Compost ltd. And EXCEL Industries	Build-own-operate-transfer basis	Operational since October, 1997
Bhopal	100 tpd plant producing compost	M. P. State Agro Industrial Development Corporation and EXCEL Industries	Build-own-operate-transfer basis	Operational since October, 1995
Calcutta	600 tpd plant producing compost	Eastern Organic Fertilizers and EXCEL Industries	Build-own-operate-transfer basis	Operational since Decembr, 1998
Chandigarh	300 tpd plant producing compost	SPJ Bio-Agro Industries and EXCEL Industries	Build-Own-Operate basis	Operational since October, 1999
Delhi (Azadpur)	600 tpd plant producing compost	Khurana Group and EXCEL Industries	Build-Own-Operate basis	Operational since March, 1999
Delhi (okhla)	300 tpd plant producing compost	Khurana Group and EXCEL Industries	Build-Own-Operate basis	Operational since August, 1999
Gwalior	100 tpd plant producing compost	M.P. State Agro Industrial Development Corporation and EXCEL Industries	Build-own-operate-transfer basis	Operational since April, 1996
Mumbai (Amboli)	300 tpd plant producing compost	EXCEL Industries	Build-Own-Operate Arrangement for a fixed period	Operational
Thane	300 tpd plant producing compost	Leaf Bio-Tech and EXCEL Industries	Build-Own-Operate basis	Operational since November, 1998
Vijayawada	150 tpd plant producing compost	EXCEL Industries	Contract for 30 years	Operational since September, 1997

Source : Based on Nagarpalika Network Newsletter, vol. 3, no.5.

Table 5.3
PSP/NGOs – Resource Recovery Projects – Waste to Vermin Compost

S.No.	State Agency/City	Implementation Arrangements and Private Promoter	Treatment Capacity TPD	Estimated Project Costs (Rs.Mill)	Current Status/Remarks
	Gujarat				
1	Valsad	NGO	20		Operational
	Karnataka				
2	Bangalore MC	Terra firma Bio Technologies Ltd	127		Operational
3	Hubli-Dharward MC				Tendered in 1997 contract signed in 1998
4	Davangere MC	1996 Auction 55 parties involved			1996 Auction
	MP				
5	Chalakudy Municipality				
6	Parur municipality				
7	Sehore	ENBEE Bio fertilizers in collaboration with Terra Firma Biotechnologies Ltd	167		Operational HUDCO Loan
	Maharashtra				
8	Mumbai		400		Closed down
	Uttar Pradesh				
9	Lucknow	Muskan Jyoti Samiti, NGO			Collection from 16000 HH in peripheral areas Commercially viable and based upon user charges Monthly rates Slum dweller – rs.10, EWS-Rs.20, Other – Rs.25 Proposal to expand waste collection services to 30000 HH (including 45 slum settlements)

Source : 1) Mehta Meera (May 1999) A Review of Public – Private Partnerships in Water and Sanitation Sector in India Water and Sanitation Group Department for International Development India
2) FIRE-D.

Table 5.4
PSP – Resources Recovery Projects – Waste to Energy (Biomethanation)

s.no.	State Agency/City	Implementation Arrangements and Private Promoter	Treatment Capacity TPD	Estimated project Costs (Rs. Mill)	Current Status/Remarks
	Andhra Pradesh				
1	Hyderabad MC	BOT CELCO, preferred bidder	700		HMC developed this project in association with MNES
	Maharashtra				
2	Pune	Western Paques (India) Ltd	400		For every 5 TPD waste treated – 5 cu.m of gas and 1.5 TPD of organic manure as designed to be produced. The private firm has closed down
	Pune	CICON Environmental Technologies Ltd	450		Project agreement signed in Sept, 2000. Land lease agreement signed during the first week of November
3	Nagpur MC	BOO – 30 year concession extendable by another 30 years CICON Environmental Technologies Ltd in association with Enbee Infrastructure Ltd	520	470 (1999)	LOI issued in 1997 520 TPD treatment to produce electricity of 5.4 MW and compost of 170 TPD In year 2000 work commenced for setting up the facility.
4	Pimpri Chinchwad MC	–	100	184 (1998)	Under negotiation
5	Solapur MC	BOO/BOOT/BOLT (30 year period)	300		Technology Purchased by MSEB at Rs.2.25 per kwh (base 1994-95) and a 5% annual escalation)
	Tamil Nadu				
	Chennai Municipal Corporation with Tamil Nadu Industrial	BOOT M/s EDL (India) (P) Ltd (Australian Technology)	300	1300 (1999)	GO has been issued on 15 Jan, 1999 for selection

s.no.	State Agency/City	Implementation Arrangements and Private Promoter	Treatment Capacity TPD	Estimated project Costs (Rs. Mill)	Current Status/Remarks
	Development Corporation (TIDCO)				of the concessionaire, who is currently in the process of mobilizing resources.
	Uttar Pradesh				
7	Lucknow	Enkam India Ltd			At advanced stages of discussions
8	Agra MC	M/s Byford Leasing Ltd.			MOU signed
	Agra, Aligarh, Allahabad, Bareilly, Ghaziabad, Gorakhpur, Kanpur, Lucknow, Meerut, Moradabad, Varanasi (MCs) with NEDA	BOO UP state electricity board to buy power at tariff applicable to no conventional energy projects			NEDA invited proposals through a global tender separately for each city.

Source 1) Mehta Meera (May 1999) A review of Public Private Partnerships in Water and Sanitation Sector in India, Water and Sanitation Group, Department for International Development, India.
2) FIRE-D.

Table 5.5
Nature and Status of Private Sector Participation in water supply and sanitation during the Nineties

S.No.	City	Nature and status of PSP in water and sewerage
1	Tiruppur	Industrial and municipal water and sewerage project with 30 year concession. Initiated in 1994 and the Notice to proceed to contractor was issued in October 2001. Construction is to begin shortly based on renegotiations with the financial institutions.
2.	Hyderabad	BOT for Krishna Bulk Water Supply. Initiated in 1995. Abandoned. BOT for sewerage treatment plant. Initiated in 1996 Abandoned.
3.	Cochin	Industrial water supply project. Pre-feasibility conducted in 1996. Biding process was not initiated .
4.	Bangalore	BOT Project for Cauvery Bulk Water Supply. Initiated in 1997 and abandoned ROT (Rehabilitation-Operate-Transfer) of existing system. Initiated in 1997 and abandoned. BOT for two sewage treatment plants(two separate projects). Initiated in 1997 and abandoned.
5.	Chennai	BOT Project for Water Treatment Plant. Initiated in 1997 and abandoned. In addition few O&M contracts for pumping stations and treatment plants operational.
6.	Goa	BOT for source development and water treatment plant. Initiated in 1997 and abandoned in 1998.
7.	Pune	Build-Finance-Transfer(BFT) for water and sewerage system for construction, finance, operations and billing and collection. Initiated in 1997 and cancelled in 1998.
8.	Dewas	Long term concession for industrial and domestic water and wastewater system. Initiated in 1996 and underdevelopment.
9.	Vishakapatnam	Long term concession for industrial and domestic water system. Initiated in 1996 and underdevelopment.
10.	Nagpur	BOT for water treatment plant transmission and distribution system. Initiated in 1998 and abandoned in 1998.
11.	Kolhapur	BOT for water sewerage and solid waste management. Initiated in 1997 and abandoned in 1997. Solid waste management component is under construction through BOT arrangement.
12.	Surat	Initiated as long concession for water and wastewater in 1998 and abandoned the same year
13.	Alandur Tamilnadu	BOT for sewerage treatment plant of 14 years and construction contract for sewerage system. Initiated in 1997 and the contract was awarded in 1999. Construction is underway.
14.	Haldia	BOT for water source development. Iniated in 1998 and abandoned
15.	Four towns in Karnataka	Mysore, Hubli-Dharwad, Mangalore and Belgaon. Initiative by Anglian water international for operations and maintenance with appropriate investments. Initiated in 1998 and abandoned
16.	Kakinada in AP	Initiative by Northumbrian Lyonnaise International for operations and maintenance with appropriate investments. Initiated in 1998 and abandoned

S.No.	City	Nature and status of PSP in water and sewerage
17.	Tamilnadu	Villapur-Cuddapore water supply project on BOT basis. Four sewerage projects on BOT basis in cities of Pallavaram, Erode, Karur, Tambaram. Documentation initiated in 1997 and underdevelopment
18.	Delhi	BOT project for water treatment plant. Discussion initiated in 1998 and no action.

Source : Mehta Meera(1999) A review of Public-Private Partnerships in Water and Sanitation in India a study for DFID and information based on discussions.

Table 5.6
Nature and Status of on-going Private Sector Participation Efforts in the Present Decade

S.No	City	Nature and Status of PSP
1.	Bangalore	Management contract for two pilot areas of 1 million population each. Consists of operation and maintenance to improve the service quality and efficiencies. Initiated in early 2001. Vivendi and Northumbrian Lyonnaise International have jointly submitted a proposal recently and the contract is under negotiations and expected to be signed during early 2002.
2.	Karnataka 13 towns	Proposal for management contract for O&M in 13 towns. Initiated by the Government of Karnataka in 1999 with the support from the World Bank. Under preparation. Model of regional water company with ownership from cities along with PSP is being explored.
3.	Mumbai	Proposal for management contract for O&M in pilot area with million population. Initiated in early 2000 and under preparation.
4.	Sangli (medium town) Maharashtra	Proposal for management contract in Phase I and a concession in Phase II. Initiated during 2000 with the support from the Government of Maharashtra, IL&FS and the FIRE Project and under preparation.
5.	Hyderabad	Proposal for either institutional restructuring along the lines of Johannesburg or concession along the lines of Manila. Initiated in June 2001 with the support from the Feedback Ventures Ltd.
6.	Greater noida	A seven year operation and maintenance contract for water and sewerage with investment proposal for sewage treatment plant. Underdevelopment with the support from the Feedback Ventures Ltd.
7.	Jamshedpur	Initiative by Vivendi for management contract. Under negotiations
8.	Zahirabad in AP	BOT for entire system. Initiated in 2001 and underdevelopment with the support the HMWSSB
9.	Delhi Jal Board	Water Treatment plant with 10 year O&M contract awarded in 2001

Source : Information based on discussions

Table 7.1
Index of Decentralisation- Urban Local Bodies

Sl. No.	State	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	13	14	
		Timely notification of State Municipal Legislation	Authority for imposing intervention/restriction	Functions assigned in the State Municipal Acts vis a-vis 12th Schedule	Functions transferred by way of Orders/Notifications etc.	Taxation powers assigned to ULBs as per State Municipal Acts	Taxes levied by Urban Local Bodies	Timely constitution of SFCs and submission of Action Taken Reports	Action taken on major recommendations of the SFC	Timely elections to the ULBs (T-4.9)	Timely constitution of District Planning Committees (T-4.10)	Frequency of A	Frequency of B	Frequency of C	Frequency of D	Marks (A=3; B=2; C=1; D=0)	Timely issue of Rules/Notifications etc. relating to functions assigned	Timely issue of Rules/Notifications etc. relating to taxation powers assigned	
1																			
1	Andhra Pradesh	A	B	C	B	B	B	A	A	A	D	4	4	1	1	21	A	A	
2	Arunachal Pradesh	D	D	D	D	D	D	D	D	D	D	0	0	0	10	0	D	D	
3	Assam	A	B	B	D	B	B	A	B	A	D	3	5	0	2	19	D	A	
4	Bihar	B	B	B	D	B	D	D	D	D	D	0	4	0	6	8	A	A	
5	Goa	A	B	B	B	A	A	D	D	A	D	4	3	2	3	20	A	A	
6	Gujarat	A	A	B	A	B	A	B	D	A	D	5	3	0	2	21	A	A	
7	Haryana	A	B	A	B	A	B	B	D	A	A	5	4	0	1	23	A	A	
8	Himachal Pradesh	A	B	A	A	A	B	A	A	A	A	7	2	0	1	25	A	A	
9	Jammu & Kashmir	D	B	C	B	B	D	D	D	D	D	0	3	1	6	7	D	D	
10	Karnataka	B	B	B	A	C	B	B	B	A	B	3	6	1	0	22	A	A	
11	Kerala	A	B	A	A	B	B	A	A	A	A	7	3	0	0	27	B	A	
12	Madhya Pradesh	A	B	B	A	A	A	B	A	A	A	7	3	0	0	27	B	A	
13	Maharashtra	A	B	A	A	A	A	B	A	A	D	7	2	0	1	25	A	A	
14	Manipur	A	B	B	C	B	B	B	A	A	B	3	6	1	0	22	D	A	
15	Meghalaya	D	B	C	C	B	B	D	D	D	D	0	3	2	5	8			
16	Mizoram	D	D	B	D	B	D	D	D	D	D	2	0	0	8	6	D	D	
17	Nagaland	D	D	C	B	C	C	D	D	A	D	1	1	3	5	8	D	A	
18	Orissa	A	B	B	A	B	B	B	B	A	D	4	5	0	1	22	A	A	
19	Punjab	D	B	A	A	B	A	A	C	A	D	4	3	1	2	19	A	A	
20	Rajasthan	A	B	B	A	A	C	A	B	A	A	6	3	1	0	25	A	A	
21	Sikkim	B	B	A	D	B	D	D	D	D	D	1	3	0	6	9	D	D	
22	Tamil Nadu	A	A	A	A	B	A	A	A	A	A	9	1	0	0	29	A	A	
23	Tripura	B	A	A	A	C	B	B	A	A	A	6	3	1	0	25	A	A	
24	Uttar Pradesh	A	B	A	A	A	B	B	A	A	D	6	3	0	1	24	C	A	
25	West Bengal	B	A	B	A	B	A	A	A	A	A	7	3	0	0	27	A	A	

Source: EFC Report (2000)

Table 7.2
Allocation to States for Urban Local Bodies according to the Index of
Decentralisation.

Sl. No.	State	Marks (Max=30)	Grade*	Urban Population (1991)	State's share		(Rs. in lakhs)
					Share (=4x5)	(%)	
1	2	3	4	5	6	7	8
1	Tamil Nadu	29	A (=4)	19077592	76310368	10.267	1026.66
2	Kerala	27		7680294	30721176	4.133	413.31
3	Madhya Pradesh	27		15338837	61355348	8.255	825.46
4	West Bengal	27		18707601	74830404	10.067	1006.75
5	Himachal Pradesh	25		449196	1796784	0.242	24.17
6	Maharashtra	25		30541586	1.22E+08	16.436	1643.59
7	Rajasthan	25		10067113	40268452	5.418	541.76
8	Tripura	25		421721	1686884	0.227	22.69
9	Uttar Pradesh	24		27605915	1.1E+08	14.856	1485.61
10	Haryana	23		4054744	16218976	2.182	218.21
11	Manipur	22	B (=3)	505645	1516935	0.204	20.41
12	Karnataka	22		13907788	41723364	5.613	561.34
13	Orissa	22		4234983	12704949	1.709	170.93
14	Andhra Pradesh	21		17887126	53661378	7.219	721.95
15	Gujarat	21		14246061	42738183	5.750	574.99
16	Goa	20		479752	1439256	0.194	19.36
17	Assam	19		2487795	7463385	1.004	100.41
18	Punjab	19		5993225	17979675	2.419	241.89
19	Sikkim	9	C (=2)	37006	74012	0.010	1.00
20	Bihar	8		11353012	22706024	3.055	305.48
21	Meghalaya	8		330047	660094	0.089	8.88
22	Nagaland	8		208223	416446	0.056	5.60
23	Jammu & Kashmir	7		1839400	3678800	0.495	49.49
24	Mizoram	6		317946	635892	0.086	8.56
25	Arunachal Pradesh	0		D (=1)	110628	110628	0.015
Total (25 States)				207883236	7.43E+08	100.000	10000.00

Arithmetic Mean= 18.76

Std. Deviation= 8.29

A.M.+0.5 s.d.= 22.90

A.M.-0.5 s.d.= 14.62

*A=Above (A.M.+0.5 s.d.)

B= A.M. ± 0.5 s.d.

C=Below (A.M.-0.5 s.d.)

D=0

Source: EFC Report (2000)

ANNEXURES

Annexure-A

Officials of Select ULBs in Tamil Nadu Interviewed

S.N.	Name	Designation	Name of Municipality
1	S. Kumarasamy	Assistant Commissioner	Tirunveli Corporation
2	K Santhamoorhy	Commissioner	Arani
3	M Samsudeen	Commissioner	Arcot
4	S Shanmughavelu	Commissioner	Aruppukottai
5	L A Pappa	Commissioner	Ramanathapuram
6	Pappa Mayalagu	Commissioner	Ranipet
7	G Chitra	Commissioner	Rasipuram
8	T Kumar	Commissioner	Srivlliputhur
9	K KAnniyappan	Commissioner	Tindivanam
10	S Gupta	Commissioner	Vaniyambadi
11	S Ethiraj	Commissioner	Virudhachalam
12	Smt. V Vimala	Town Planning Officer	Tiruvannamalai
13	R Chinnathurai	Municipal Engineer	Rajapalayam
14	B Kadher Mohidheen	Municipal Engineer	Padmanabhapuram
15	M Ramasamy	Municipal Engineer	Tiruchengode
16	N Kamalanathan	Municipal Engineer	Rasipuram
17	C Vdappanpillai	Municipal Engineer	Kulthalal
18	K Kanakaraj	Assistant Commissioner	Trichy Corporation
19	V Narayanasamy	Commissioner	Sivaganga
20	C Vijayakumar	Commissioner	Tenkasi
21	K Muthuchellam	Commissioner	Tirupathur
22	TN Rakmdram	Commissioner	Padmanabhapuram
23	A Sundaram	Commissioner	Periyakulam
24	Chellapan	Commissioner	Cuddalore

Annexure-B

Details of Interviews Conducted During the Study Period (01/01/03 to 28/02/03)

S.No	Date	Organization	Name of Experts	Issues discussed
1.	01/01/03	NIPFP, 18/2 S.V. Marg, New Delhi-67	Prof. O P Mathur	1.State- Local relations 2. Privatization of urban services
2.	06/01/03	HSMI, HUDCO House, New Delhi.	Mr. Vijay Kumar	Local Development through ULBs initiatives
3.	07/01/03	World Bank, Lodhi Estate, New Delhi.	Ms. Alison Barette	Issues related to urban decentralization.
4.	15/01/03	FIRE-D, Vasant Vihar, New Delhi.	Mr. Chetan Vaidya Mr Alok Ms Kirti Mr Satyanarayan Mr Hitesh	Issues related to Decentralization, Privatization, and Accountability, accounting (double entry system).
5.	16/01/03	IHD, HUDCO House, New Delhi.	Dr. Benam-Tai	Decentralization issues.
6.	16/01/03	HSMI, HUDCO House, New Delhi.	Dr. Kulwant Singh	Status of decentralization from the view point of elected and officials of the ULBs from various states. View of the Council of Local self governments (Min of UD & PA), New Delhi
7.	22/01/03	HSMI, HUDCO House, New Delhi.	Prof. K. K. Pande	Discussion on TNUDP and the status report on urban decentralization
8.	23/01/03	DFID, 28 Tara Crescent, Qutab Institutional Area, New Delhi.	Mr. Supdito Mukerjee and Mr. Debasis Bhattacharya	Urban decentralization and public expenditure, case study of Karnataka
9	24/01/03	Asian Development Bank, 4, San Martin Road, Chanakya Puri, New Delhi.	Mr. Munawar Alam	Urban Decentralization and privatisation of urban civic services. The special reference to the role of parastatal agencies and the ULBs in the provision of urban drinking water. Case studies of Karnataka, Rajasthan, Madhya Pradesh, and West Bengal.
10	24/01/03	Institute of Social Sciences, Vasant Kunj, New Delhi.	Mrs. Viduyat Mohanty	Major issues related to urban decentralization.
11	25/01/03	Nagarpalika Network, Janakpuri New Delhi.	Dr. Shipra Mitra	State level urban decentralization.
12	28/01/03	Ministry of Urban Development, Government of India, New Delhi	Mr. S. K.Singh/ Mr. Subhas Chandra, Mr. Sumit Chatterjee, Mr. S.C. Sharma, Mrs. Munjal	Issues related to Pooled Financing, City Challenges, Public-Private Partnership, Municipal Bonds etc.
13	28/01/03	IL&FS, India Habitat Centre, New Delhi.	Ms. Sujatha Srikumar	Urban Decentralization and capital market
14	28/01/03	Executives (Commissioners, Engineers etc.) of the ULBs of Tamil Nadu	Number of Executives, as listed, interviewed	Issues related to Progress and the present status of the decentralization at level ULBs in the State of Tamil Nadu.

S.No	Date	Organization	Name of Experts	Issues discussed
15	30/01/03	World Bank, Lodi Estate, New Delhi	Dr. M. Mukandan	Decentralization- A different approach.
16	18/02/03	HUDCO, New Delhi	Dr. Kiran Wadhwa	Role of HUDCO
17	20/02/03	GoI, MoUD, New Delhi	Mr . Subhas Chandra, Under Secretary	26 th Meeting of the Central Council of Local governments and urban development.
18	25/02/03	DFID	Dr Debasis Bhattacharya	Filed Work conducted by the DFID team in Karnataka on Double entry accounting system in Urban Local Governments
19.	24/02/03	SPARC, Mumbai	Dr. Sunder Bura	Involvement of NGOs and CBOs in urban decentralized governance in Maharashtra (Mumbai and Pune).
20	25/02/03	DFID-I, New Delhi	Ms Jaya Singh Verma	Local Economic Development in Andhra Pradesh- interventions by DFID.
21	26/02/03	Siliguri Municipal Corporation	Mr Partho Choudhury, Commissioner	Accountability, Mayor-in-council system in Siliguri.
22	27/2/03	Jawaharlal Nehru University	Prof. Amitabh Kundu	Issues in urban decentralisation