

Report No: ACS5813

Republic of India

Workshop on Innovations in Urban Governance

Summary of the proceedings: Conference on “Innovations in Urban Governance”

26-27 August, 2013, Vigyan Bhavan, New Delhi

September 11, 2013

SASDU

SOUTH ASIA



Standard Disclaimer:

This volume is a product of the staff of the International Bank for Reconstruction and Development/ The World Bank. The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Copyright Statement:

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development/ The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA, telephone 978-750-8400, fax 978-750-4470, <http://www.copyright.com/>.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA, fax 202-522-2422, e-mail pubrights@worldbank.org.

Summary of the proceedings of the Conference on “Innovations in Urban Governance” 26-27 August, 2013, Vigyan Bhavan, New Delhi

Context:-

It took nearly 40 years (1971-2011) for the urban population to increase from 109 to 376 million, while it will take only half the time to add the next 250 million. The population of urban areas has increased from 19.9% to 31% from 1971 to 2011 while the contribution of urban areas to the GDP growth has shown a phenomenal increase from 38% to 60% over the same period. In the last 10 years, 2001 to 2011, rural population increased by 90 million whereas urban population has increased by 91.1 million in absolute terms.

The 74th Constitutional Amendment Act (CAA), 1993 was intended to create a third tier of government by ensuring devolution of the three Fs - functions, finances and functionaries. Nearly twenty years after the amendment coming into existence, the objectives remain largely unaccomplished. The citizens of India should be allowed to secure access to their livelihoods, to basic infrastructure and public services, and to the political processes that make these possible. Urban Local Bodies (ULBs) in India are the instruments of service delivery to the residents of cities and towns. They are responsible for and are expected to mobilize local resources, provide urban planning and deliver services. With cities being seen as critical to the growth of the Indian economy, the trend is to increase the role of local authorities in provision of services. This places considerable pressure on both the finances and capacity of the urban local authorities to meet the new responsibilities.

The conference on “Innovations in Urban Governance” organized by the Ministry of Urban Development was held during 26th and 27th August 2013 to bring together community of city and State government officials, policy makers, practitioners and researchers to share perspectives on urban governance, challenges faced and innovative governance practices in cities both within and outside India.

The objective of the conference is to draw a framework for the structural and institutional questions of how urban growth and development can be managed better and how such cities could be more appropriately governed. The main objectives of this conference were to a) Understand what good governance means in an Indian urban context; b) begin to develop a "vision" for better governance of Indian cities; c) discuss innovative practices and best practices in areas of institutional structures, service delivery, financing and citizen participation; d) discuss the emergence and challenge of governance and service delivery in peripheries; e) discuss policy directions to inform the urban governance agenda in the government policies and programs.

The deliberance of the conference held over one and a half days' duration was divided into five sessions based on different themes, which are summarised as below:

Inaugural Session:-

Inaugurating the conference the Hon'ble Minister of Urban Development Shri Kamal Nath emphasised on the need for capacity building at ULB level. In addition to that Hon'ble Minister also stressed upon the need for a paradigm shift in Urban Development across the country which requires focusing on sustainable urban development, resource effectiveness, managerial efficiency and increased capacity building for enhancing the delivery of urban services. To achieve that he emphasised on the crucial need to ensure capacity building at organisational and human levels and to set up institutes, which can cater to the need of the hour. He also emphasised on the need to develop a cadre of municipal officers. Mr. Onno Ruhl, Country Director, World Bank discussed the development of urban areas through the lens of those moving to urban areas for livelihood purposes and that the economic prosperity and quality of life of such persons are inextricably linked to the ability of cities to provide for basic urban persons. Mr Sam Pitroda, Advisor to PMO pointed out that the lack of urban services is visible by way of unkempt urban areas, insufficient access to water etc.

Key points which emerged from the session were:

- Capacity building and managerial efficiency of service providers in urban areas is an immediate need of the hour.
- Cities in India are constantly trying to catch up in the area of providing urban services. Cities now need to move a step forward and plan in terms of the population growth expected in coming decades.

Thematic Sessions:-

Session 01: Local Empowerment and Accountability:

ULBs in India are key providers of services to urban citizens. They are responsible for and are expected to mobilize local resources, provide urban planning and deliver services. However, they are not accountable to the citizens directly and not always responsive to consumer demand. Transformation of the present scenario requires cities, which are accountable to their citizens both in terms of service delivery and governance.

The concerns were raised by mayors of various cities regarding lack of sufficient powers in the running of the municipality, though they were popularly elected. Acknowledging the problems being faced by the mayors, the chair of the Session Shri R Ramanujam, Secretary to Prime Minister mentioned the fact that the urban local bodies are expected to discharge several responsibilities for which they do not have adequate powers and capacity. Most decisions are taken by the State governments and there is no active participation of the local bodies. He regarded this as a structural problem.

Key points which emerged from the session are:

- Presently, the role of the Mayor in the working of the city is largely ceremonial. Mayors can be given greater executive powers, an option that could introduce visionary leadership in local politics. This will help to address the perceived need for stronger leadership able to act quickly and responsively. It will also "give a face" to local government authority.

- Fragmentation in Indian cities is disempowering as it is among unequal players. Complex procedures make coordination across multiple institutions and public access to institutions difficult. For example, approvals for urban initiatives often involve not just the municipal council but also the state government and/or regional agencies. And there is hardly any coordination between them. This fragmentation and overlapping clearly hampers efficient service delivery and makes it easier for the institutions and officials to shed or mask responsibilities, making it difficult or often impossible for the public to hold them accountable.

Session 02: Municipal Finance

With respect to urban finance, ULBs have little decision-making power over their finances and still remain heavily dependent on central and state funding. The share of the total ULB revenues is of all publicly raised resources is very low, including that of the central and state governments. Similarly municipal expenditures are also very low. This, for instance, is in sharp contrast to the more prominent role, played by cities in Brazil, another large developing country, where they account for 45 per cent of all public investment in infrastructure.

- Mr Gaurav Gupta, Regional Commissioner, Bangalore Division stressed upon empowering cities financially, administratively and politically which is not the case now. He also stressed upon the importance of decentralized governance, sharing of information and engagement of citizens.
- Mr. Natwar Gandhi, Chief Financial Officer (CFO), city of Washington DC explained how the city experienced a turn around from an Urban decline to a Fiscal glory by adopting different fiscal measures through policy reinforcement and avoiding fiscal profligacy. Mr. Gandhi emphasised on how even a strong economy can sometimes cover up bad governance and weak fiscal management, but in an economic downturn, weak fiscal management can swiftly trigger a fiscal crisis. Explaining on certain instruments how the real impossible thing of putting the city on the path of financial sustainability he gave away the following instruments, which were adopted.
 - Strong financial controls over the operating and capital budgets through
 - The Office of the Chief Financial Officer (OCFO) enforces hard budget constraints by keeping expenditures below revenue projections, and ensuring that the city cannot implement laws that are not fully funded
 - The city has a debt cap that limits the total debt service to 12 percent of annual expenditures
 - There is constant agency level financial oversight
 - The city focused on longer term financial planning through
 - Balancing of budget over a four-year financial plan period
 - Formulation of a five year capital plan that regulates borrowing
 - Strong pension funding (to improve the financial out go from city budget)
 - To balance the fiscal position, city employees hired after 1997 have self-funded retirement accounts with a modest match from the city government
 - Pensions for teachers, fire fighters, and police officers, and other post employment benefits are fully funded

Ms. Sushama Nath, Member, 14th Finance Commission, while complimenting the panelists emphasised the need for ensuring an enabling environment for municipal finance reform.

Key points which emerged from the session are:

- ULBs discretion over expenditure and flexibility of budgets are limited. They are fiscally dependent on transfers as funds are mostly tied to state and central government schemes. The sources of municipal revenue such as property taxes are many times seen as static compared to the more progressive taxes. ULBs have also been unable to collect user charges and even increase them in many cases. As a result, local budget planners lack reliable knowledge and authority which help to determine the amounts and timing of resources available.
- ULBs lack adequate financial management systems and practices, with the result that they cannot make plans based on a sound financial or economic basis, manage assets or liabilities or poor maintenance of data and limited financial and technical expertise account for the way funds are spent.

Session 03: Management of Peripheries/ Metropolitan areas:

The massive transformation in India represented by the shift to the cities will rank as the 21st century's second-largest urbanization, only after China's. Immense challenges are already evident. More than 70% of India's urban workers earn their livelihoods in the informal economy; and about 50% are poor or otherwise vulnerable to the deprivations that typically attend rapid urbanization. Nearly 100 million Indians live in slums; in Mumbai more than half the population, in Chennai more than a third.

- Mr D P S Madan, Metropolitan Commissioner, MMRDA stressed upon the issues in the growing metropolitan regions where there are planning, financial and managerial issues arising due to the additions of new unplanned areas, prioritization of resource use and multiplicity of issues. In light of all these issues he also highlighted the need to empower the regional development authorities.
- Dr Jyoti Parikh, Executive Director, IRADe stressed upon the need for green urbanization by addressing environmental, physical, economic, political and social sustainability issues. She said cities can use a combination of key institutions, enabling policies and financing options. She also mentioned that there is a need for advanced understanding, greater level of motivation and empowered actions across scales to address climate change impacts which is emerging as an overlaying issue along with others. She stressed that there is a need to facilitate adequate investments with appropriate institutional mechanisms with an enabling policy framework for climate informed urbanization.
- Prof Meera Mehta, Professor Emeritus, CEPT explained through example from Gujarat and Maharashtra as how innovative methods have been used in performance assessment systems in Water and Sanitation sector at ULB level. She stressed upon the need of performance assessment of service levels of the ULBs, which will be crucial to bring improvement in urban service delivery.
- Ms Nisha Singh, JS (Mission), MoUD brought in the context of peri-urban issues around the major cities and urban agglomerations exerting pressure over the need for the massive investment requirement for urban infrastructure. She also highlighted the various challenges faced by peri-urban areas and the factors necessary to be considered while dealing with unorganized growth in and around the cities and

urban agglomerations. She emphasised the need for statutory recognition for Regional development for ensuring better governance and planning.

While concluding the Session, the Chair Shri V.Narayanasamy, Hon'ble MOS for Personnel Grievances & Pensions, while complimenting all the speakers also emphasised that plans need to overcome the fragmented solutions in order to be in consonance with District Plans, Regional Plans, Plans of various municipalities etc.

Key points which emerged from the session are:

- **Prepare city development strategies with a 10 year horizon** for all cities over 100,000. These strategies should be updated annually to reflect development change and required planning and policy adjustments. City development strategies are to be viewed as flexible and enabling, they should emphasize accommodating urban development while protecting the environment and reducing
- **Establish/strengthen Metropolitan Planning Committees/Development Authorities** in Tier I cities to coordinate strategic planning, structure planning, infrastructure capital investment

Session 04: Service Delivery

Cities and towns of India are visibly deficient in the quality of services they provide, even to the existing population. Considering that the Indian economy is now one of the fastest growing economies in the world, current service level standards are too low, relative to the needs of urban households and what would be required to sustain the economic productivity of cities and towns.

- Mr. Vikram Kapoor, Commissioner, Chennai Municipal Corporation summarised the key challenges in delivery of urban services which are Accountability to citizens, Capacity issues (project management, PPP), Financial constraints, Enforcement of rule of law, Areas for reforms (land titles, statutory clearances, property tax, user charges), Socio-economic inclusion and targeting of subsidies. He also gave an array of possible solutions which can make things easier, i.e., ULBs to overcome multiplicity of agencies, Investment in human resources (cadre of city managers), Accountability of officials / public representatives to rule of law, Innovative financing, especially debt instruments like bonds, City planning as tool to unlock value of developed land Transparency using technology (e.g. online bin tracking software), Partnerships with civil society, academia, industry and other stakeholders.
- Dr. M. Ramachandran, former Secretary (MoUD) deliberated on envisioning of JnNURM, its achievement and some constructive way forward. Some of the future strategies which are worth mentioning here are, focussing on capacity building, prepare for the 2nd phase of JnNURM, a thoroughly worked out reform agenda, having provision for incentivizing good work, clearly formulated e-governance agenda of 468 one lakh plus Cities in the first phase, accommodate smart cities concept, citizen satisfaction index for each city, action plan for empowering Mayors.
- Dr. Shrikar Pardeshi, Commissioner, Pimpri Chinchwad explained about the innovative initiatives which has been taken up in Pimpri Chinchwad to reach out to citizens to enhance the level of services to the citizens like SARATHI - Helpline for Citizens, SLB Connect- Citizens feedback by mean of Enhancing Service levels through Public Participation

Mr. Sam Pitroda, the Chair of the Session succinctly mentioned the takeaways from the session, as addressing the issue of multiplicity of agencies; need for domain experts; improving implementation; better PPPs; need for regulators; sharing of best practices; use of e-governance; ICT etc

Key points which emerged from the session are:

- **Water supply:** While urban inhabitants generally have relatively good access to water and sanitation infrastructure, no Indian city has water twenty four hours a day, seven days a week. The service delivery model does not recover costs for operations and maintenance, and as a result the system is in a continuous downward spiral;
- **Solid waste management:** Solid waste management is inefficient and ineffective, due largely to the absence of a sustainable business model covering the full spectrum waste management activities.
- **Urban planning and land use:** The Master Plan model used in India is widely acknowledged to be inappropriate for the rapid pace of urbanization and results in distorted land markets, and inefficient infrastructure

Session 05: Citizen and Community Participation:

Urban India lacks an equivalent to the Gram Sabhas that have been established in rural areas as instruments for direct citizens' participation in municipal affairs. For instance, the Community Participation Bill intends to assign a substantial role to localized structures, such as area sabhas, in addition to the existing ward committees. Across Indian cities, many ward committees have hardly met and their lack of administrative skill makes them dependent either on the attitude of the ward councillors or the capacity and determination of pressure groups.

- Emphasising on the community participation in Urban Governance & Service Delivery Ms Bhadra B, Deputy Mayor of Cochin Municipal Corporation made a presentation on the practices adopted by the city of Cochin and how it has benefited from the same.
- Ms Bijal Bhatt from Mahila Housing Sewa Trust made a presentation on the Parivartan Programme implemented as a replicable community based approach to improve the basic physical infrastructure and community development in the urban slums of Ahmedabad. This programme achieved sustainability through complete involvement of the stakeholder, provision of services to the poor irrespective of availability of land title and tenure rights, instilling ownership through cost sharing and demand driven strategy adopted to increase the availability of toilet in the households.
- Shri Vijayanand, Additional Secretary, MoRD, Government of India in his speech stressed on the need to build the capacity of the local government functionaries and generate awareness among the citizens before developing a scheme and starting implementation. He also stressed upon the importance of including people in the planning process and also on the need for having participatory approaches at multiple stages and setting up of multiple forums for knowledge exchange.

Mr. Arun Maira, Member, Planning Commission, and the Chair of this session, highlighted upon some key points, which came out of the discussions which include the importance of participatory process to meet the desired objectives during all stages of project and programme formulation and implementation. Mr. Maira also insisted upon involvement of people in all stages of planning process. He also emphasised on documentation of participatory process conducted through people's participation according to different thematic situations so that, it could serve as a training material and knowledge base to learn from the real life situations which would result in enormous amount of saving in time and arriving at possible resulting solutions.

Key points which emerged from the session are:

- Local government provides opportunities to use council-level functional committees as instruments of accountability. By locating citizen forums within functional areas, it will be possible not only to get local demands articulated, but also have a realistic chance of responding effectively to those demands in a coordinated manner. Established functional committees would ensure continuity, while issue-oriented committees with a limited lifespan may facilitate a dynamic process of engagement between the council, officials and citizens. Participatory budgeting initiatives aimed at linking community priorities to capital investment program would also form part of such accountability mechanisms.
- **Accountability to citizens as customers.** For many citizens, their main contact with local government is through the consumption of municipal services. The most direct route for enabling citizens to influence delivery is therefore to make local bodies (and where relevant their contractors) responsive to their needs as consumers and end-users of municipal services.

Conclusion:-

The One and a half day deliberations focussed on the paradigm shift in urban development across the country which requires the focus to be more on Sustainable urban development, resource effectiveness, managerial efficiency and increased capacity building for enhancing the delivery of urban services, besides the balanced development of peri-urban areas. With more and more shift in demographic growth towards urban centres the effect on the services delivered by our civic bodies and para-statal agencies comes to the centre stage of attention. The rapid growth of population and technology has changed the lives of the people by the way they work, commute to the work place and consumption pattern due to large disposable income etc. While chairing the concluding session comprising of Mr. Sam Pitroda, Dr. Ashok Singhvi and Mr. Barjor Mehtra, Smt. Deepa Dasmunsi, MOS, MoUD reiterated the need for innovative financing mechanisms, longer term financial planning, freeing cities from the complex situation of multiplicity of agencies, more effective e-governance to make service delivery more meaningful so that the growth story of India will be written on the canvas of planned urbanisation. She also stressed on the need for making future Indian cities safe and gender friendly.

Key recommendations proposed are:

- 1. Implement the 74th Constitutional Amendment by empowering and strengthening municipal institutions.** Given the increasing scale and complexity of municipal service systems, it is essential to have appropriately empowered Urban Local Bodies (ULBs) with clear and effective service delivery and management responsibilities.
- 2. Clarify the roles of State Governments and their ULBs with commitments to strengthen politically empowered and accountable ULBs.** There is ample evidence that committed locally elected leaders who can be held accountable by their electorates have been responsible for significant and visible improvements in civic affairs and service delivery. Formalizing and institutionalizing such empowered and locally accountable political arrangements at the ULB level are of immediate importance. State Governments must begin to effectively devolve constitutionally mandated functions together with appropriate responsibilities over financial and functionary matters.
- 3. Professionalize ULB management to address the requirements of a changing sector.** Rapid changes in service delivery and management systems require professional management and technical skills in ULBs (and also in the State Municipal Administration Departments which support them). There needs to be a shift from performing relatively narrow technical tasks (for example, running a fleet of trucks) to managing complex municipal service delivery organizations which require professional skills. Creation of professional municipal cadres thru accredited standardized structured learning and training opportunities are urgently required. Scaled up processes to build institutional capacity and performance benchmarking must be put into place quickly.
- 4. Modernize ULB management systems, methods and procedures.** At present there are virtually no effective measures to manage, monitor and assess performance of municipal service delivery. Most “norms” and “guidelines” are related to standardizing inputs rather than assessing outputs or achievements. A critical area that requires considerable attention and effort, especially in services that have a bearing on public health such as water supply, sewerage, storm water drainage and solid waste management (SWM), is that of technical and labor efficiency. The Ministry of Urban Development, state departments of urban development and the ULBs should make all efforts to design, streamline and roll out management systems such that they respond to current needs and are able to meet the challenges of rapid urban growth.
- 5. Promote inclusion of ULB-wide delivery of services on the local political and civil society agenda.** There is considerable agreement that locally elected officials and locally active civil society groups are essential for effective ULB performance. However, there is no concerted effort to ensure that such views are voiced and accepted in the political arena. This needs to change and platforms need to be created across the states where locally elected officials and civil society groups can work together for the benefit of all urban residents.
- 6. Establish clear goals and service level benchmarks.** ULB sector wide benchmarking of service delivery standards and unit costs are one way in which cities can compare themselves against their peers and chart plans for improvement. Regular and institutionalized and transparent comparison systems need to be institutionalized. While such benchmarking provides feedback to ULBs, it also enables state governments to manage, monitor and plan for the urban sector as a whole.
- 7. Strive for financial sustainability.** A modern municipal service delivery system should be financially self-sustaining, taking into account government equity through past investment in facilities, infrastructure and equipment. This requires the state and ULBs working together to operate efficiently and raise sufficient revenues to cover the costs of capital investment and upgrading. While state governments will have to identify and assign predictable revenue streams for

the urban sector as a whole, ULBs will have to use updated budget and expenditure management systems to ensure financial sustainability. This vision is quite different from current practice, where most ULBs use general revenue and grants to fund services.

- 8. Provide a clear and effective institutional and regulatory framework.** Empowered ULBs require a well formulated regulatory framework to be in place. State governments will need to respect such frameworks and ensure they are followed in a transparent and equitable manner across all ULBs in their states.
- 9. Communicate a clear vision of the role of the private sector.** There already is a significant level of private sector activity, such as in solid waste management, but there still is unease among some constituencies about the highly varied efforts and capacities of the private sector. Experience worldwide shows that the private sector can have a very significant role in municipal service delivery systems, especially once the service system matures. There is a need for governments, at all levels, to develop a clear and consistent understanding of the appropriate role of the private sector – which will vary as the sector develops – and to use this understanding to build a common vision of a successful and an efficient service delivery industry.
- 10. Foster accountability through participation.** Citizens have a legitimate interest either individually or through associations in ensuring local policies, programs and projects reflect their preferences. New technologies are available to widen the scope and content of participation by citizens in the affairs of their ULBs and which need to be used effectively. In this effort, the locally based youth are the best partners of ULBs. Enhanced local participation is essential for a wide range of municipal functions and needs to be fully utilized.