APPENDIX

URBAN DEVELOPMENT POLICY FOR KARNATAKA
EXECUTIVE SUMMARY

Background

1. During the last few decades, India has undergone a dramatic demographic shift; its predominantly rural population has been rapidly urbanizing, and over 300 million Indians now live in cities. India still has the world’s largest rural population, but by 2040 or so, it will be home to the world’s largest urban population. Karnataka has followed this national trajectory closely, led in particular by the spectacular growth of its capital city, Bangalore. During 1991-2001, urban Karnataka grew more than 2.5 times as fast as the rural areas. The future of Karnataka will increasingly be determined by the economic and social well-being of its cities.

2. The urbanization of the state has thrown up a number of challenges. The redistribution of political power away from the villages, the migration of large numbers of people to cities (including from other states), the changing nature of the new economy, the threats to the environment and the character of old cities, are all issues that we must grapple with and overcome equitably and sustainably. While some efforts, both at the Center and the State level, have been made to meet these challenges, through legislation (primarily the 74th constitutional Amendment and its several Schedules, and more recently the Jawaharlal Nehru National Urban Renewal mission) as well as administration, there is much more that remains to be done.

Against this background, on 31 December 2008 the Government of Karnataka established a Committee to discuss the various issues relating to urban governance, and prepare an Urban Development policy for the State. In doing so, this Committee
was tasked with charting a new course for urban areas in Karnataka, particularly in the context of the Constitution's call for decentralized governance by Urban local Bodies, and the consequent need to ensure that the ULBs have adequate administrative, financial, and technical capacities to manage themselves.

Before setting out to achieve this, it is advisable to take a positive view of urbanization itself. In the past urbanization has been viewed primarily as a 'problem'. To overcome this, it is first important to accept that urbanization is a welcome phenomenon, and that it reflects the aspirations of millions of people in the state. What is needed is not to discourage urbanization, but to steer it correctly towards ends that are desirable.

THE CHALLENGES

The challenges of urbanisation in the state may be understood through different lenses the spatial distribution of urban areas and their emerging demographic trends, the infrastructure shortfall on several fronts, the challenge of ensuring the basic welfare of the poor in urban areas, and the need for strengthening their governance, planning and administration.

1. Spatial distribution – during the last two decades, the size and economic role of Bangalore have both become disproportionately high within the state. This has created a self-fulfilling cycle by which even more new investment and migrants are attracted to the Bangalore metropolitan Region. Even the second largest urban conglomeration (Hubli-dharwad) is much smaller, its population is only 1/6th of that of Bangalore. Any pain for the future therefore, has to redress this imbalance, but imbalance, but given the importance of Bangalore to the economy of the state, this should be done carefully, without sacrificing the interests of the capital.

2. Welfare of the poor – the migration of large numbers of people to cities has been accompanied by one unfortunate trend – the rate of urban poverty in
Karnataka is now higher than that in rural areas. It is also, regrettably, higher than the urban poverty rate of several other states as well as the all-India average. Although only a small portion of the urban population in the state lives in slums, the monthly per-capita expenditure by poor families in Karnataka is lower than in many other large states. Therefore, it has become imperative to develop policies and programs by which the welfare of the urban poor is protected better. Of particular concern, in this regard, are their opportunities to education and jobs. This challenge is made harder to overcome by the fact that the problems of the poor are now tackled by a number of different government departments acting independently, rather than a single body with responsibility for their welfare.

3. Infrastructure shortfall – The growth of urban areas has vastly outpaced the State’s efforts to develop infrastructure to serve the growing needs of cities. There is now a substantial deficit of infrastructure in several key areas – roads and transport (both within cities and between important cities in the State), housing, drinking water supply, domestic sanitation, sewage treatment systems, solid waste collection and management, storm water drains, lakes in urban areas, and domestic energy. In all these cases, the gap between demand and supply is very large, affecting millions of families, with consequences for the quality of life in urban areas across many measures.

4. Resources- As the demand for infrastructure continues to grow, resources have to be mobilized to make new investments, and to adequately maintain the assets created. It is also important to ensure high standards in quality and design of construction.

5. Governance issues – The far-sighted and enabling provisions of the 74th Constitutional Amendment have not been fully embraced in Karnataka. As a result, Urban Local Bodies suffer from two kinds of shortfalls- one, they do not have the necessary financial strength or autonomy that is necessary to develop their capacity for municipal administration, and must therefore rely on state-level funding for their various programs. Secondly, only a subset of the various responsibilities given to them under the Constitution has been
transferred by State, and citizens' participation in the governance of urban areas remains an unfulfilled promise (unlike rural areas, where panchayati raj institutions have greatly devolved power to local communities.)

GOVERNMENT INTERVATION

Until very recently, the focus of most development funding and initiatives by the Government has been on rural areas, but with the rapid transformation of the urban spaces, there is now a belated effort to plug the development gap that has arisen here. The interventions have taken the form of: (a) higher financial allocations for urban areas; (b) a constitutions Amendment to devolve 18 administrative functions to urban local governments everywhere, and to establish Metropolitan Planning Committees in cities and District-level planning authorities for other regions; (c) an effort to develop smaller towns as alternatives to the big cities; (d) urban employment assistance, especially for the poor.

These schemes have had mixed, or limited results at best. Against this background, the Center introduced the JnNURM, a mission jointly funded by the Center and the States to give governance and infrastructure development a renewed thrust. Under this program, the release of funds has been made contingent on devolution of development planning and governance, as well as reforms in urban management. While this has raised the resources available for revitalizing urban areas, the mission’s focus is on the larger cities. The UIDSMT provides assistance for small and medium towns, but mostly the burden is on the states themselves to address the problems of the large number of small towns and cities.

The programs taken up so far, supported additionally by external aid for some projects, have improved basic infrastructure in cities, but there continues to be a significant lag between demand and supply. The planning-oriented interventions also have been only partially successful, for several reasons—poor quality of land use data, lack of capacity for planning within government departments, and uncoordinated
development of areas due to multiple planning agencies. Amidst all this, industrial development in the private sector continues to put stress on the existing infrastructure.

**URBAN DEVELOPMENT POLICY**

Having concluded from all of the above that intervention in a piece-meal fashion will not ensure the development of urban Karnataka, the State Government has decided that a policy-driven approach is needed to take a holistic view of urban growth, and suggest appropriate steps for the future. This approach, it is hoped, will be better suited to improve the economic productivity of cities and towns, to ensure that their growth is inclusive of all economic sections, to promote environmentally sustainable choices, and to ensure strong local governments that are attentive to the needs of citizens and adequately empowered to respond to them.

The Committee to debate and deliberate upon the various considerations has put forward seven key components of the policy framework.

1. **A Strategy for Urban Development**

The development of urban areas has so far been taken up without a clear view of how such development should fit within a larger vision for the state, and without an understanding of the specific strengths that we should develop for various cities and regions in the state. The development of various policies – e.g. an Industrial development Policy for the State, an Infrastructure Policy, or Sectoral policies for specific industries in isolation can lead to distortions; each of these must be properly coordinated with other policies that impact it. Along that same principle, it is of the utmost importance that the proposed urban development policy too should align with the overall strategy for the development of the state, to dissipate the current tendency to produce unbalanced development in some areas and sectors alone.
There are a number of key steps to be taken, to ensure this. First, in the case of Bangalore itself, the emphases on development should shift to the larger metropolitan region (BMR) around the core city. Second, specific corridors of industrial development connecting the key cities in the State may be taken up (Hospet-Bellary-Raichur; Tumkur-Bangalore-Hosur-Mysore-Mandya; Belgaum-Hubli-dharwad-Davangere-Harihar; and Ratnagiri-Goa-Karwar-Mangalore). Second, industrial zones may be established near smaller towns and cities so as to encourage the development of those areas, allowing them to emerge as growth centers. And third, local governments must be empowered and encouraged to develop plans for their own economic development, around key strengths identified by them. A Local Economic Assessment must be carried out, to begin this exercise, and to help these cities become competitive in the global economy.

2. A new approach to Urban planning

The historical focus on town planning is simply inadequate to ensure the proper development of cities and their neighbouring regions. Therefore it is important to replace this highly local planning method with a broader spatial approach – through Metropolitian Planning committees in Bangalore, Hubli-Dharwad and Mysore, and through district planning Committees elsewhere. The Urban Development Authorities may be abolished, and their functions transferred to the MPCs and the DPCs. District-level spatial planning should consolidate the various plans that are made by local planning authorities, and develop a draft plan for the improvement of the district as a whole. In addition, the planning efforts should selectively channelise social and economic activities to second order cities, and concentrate new investments in clusters that can have a high multiplier effect. Planning should also recognize the need for integrating industrial development with social development too, and ensure that social infrastructure (schools, colleges, parks, hospitals, housing etc) are co-developed along with industries.
Land use is an area of particular concern, where bottlenecks to development persist. It is the responsibility to the government to ensure an adequate supply of land use for productive as well as community purposes, and ensure that all sections of society have access to land and shelter. This can only begin if we first document the actual state of land-use, especially in the cities, as opposed to creating various proposals that take no account of existing land use, whether legal or otherwise. The segregation of land use by purpose has also failed as a policy. A committee to review the various land use regulations may be set up, and based on its recommendations, an Urban land Policy may be formulated.

A speedier process for land acquisition for development projects is also needed, along with rules to ensure that acquired land is immediately put to the purpose for which it is being taken. At the same time, land acquisition should be guided so that it conforms to planning; for instance, land acquisition by the KIADB should also be made only in consultation with the municipal or planning authorities, and not in isolation. It is further imperative that all land records in the state be computerized, and an Urban Bhoomi program launched to clear land records of their various discrepancies and disputes to title. Land-based taxes, including the taxation of vacant land in specific areas, should be introduced.

Reforms are also needed in the legislative arena, to ensure that the objectives of the new policy are met. The Karnataka Land Revenue and Reforms Act may be revised and its rules simplified. The Karnataka Town and Country Planning Act may be replaced by a Karnataka Urban and Regional Planning Act.

3. Reducing and eliminating poverty

Nearly a third of the State's population lives below the poverty line. In urban areas, the growth of employment in the informal sector has not been accompanied by corresponding rise in the availability of housing; as a result large numbers of people now live in slums, without adequate access to education, health or sanitation. The actual extent of this shortfall is also not well known, as the data on poverty reflect the
cost of living in urban areas. The development programs for the poor are also not sufficiently participatory, and this too must be revise.

After due assessment of the extent of urban poverty, programmes focusing on shelter, employment, education, health and community participation must be developed. These initiatives must also be managed in an integrated manner, ideally through a single agency (an Urban Poverty Alleviation Cell or Authority) with comprehensive responsibility for all aspects of povety alleviation, focusing not only on issues listed above, but also on economic aspects such as livelihoods, skills, access to credit, etc. The Karnataka Slum Clearance Board Act also needs to be revise to revised to cede portions of its mandate to the new Cell. Considering the range of issues that need to be managed under the broad umbrella of 'urban poor', a policy may be devised separately to address these in an integrated manner.

Since the very origin of slums is due to the lack on availability of suitable low-cost housing for the poor, an extensive program of housing development focused on this section of the population must be developed. Legislation to recognize the tenurial rights of the urban poor in slums must be enacted. Public-private partnerships that allow an effective transition from slum housing to properly developed alternatives should be put in place. These should also be linked, wherever possible, to skills development and employment training so that the urban poor become self-reliant as quickly as possible.

4. Provision of urban Infrastructure Services

Infrastructure provides the backbone for development, and without adequate strength in this aspect, urban development will continue to be constrained. A powerful strategy to strengthen the backbone of infrastructure for four key urban areas – drinking water supply, sanitation, solid waste management and transport – is needed. Local bodies must be made responsible for responsible for water supply, and KUWS&DB as well as BWSSB should be suitably restructured to work on capacity
creation in the cities. A regulatory authority is needed to complement this. Apart from providing services to the poor on a subsidized basis, it is important that an appropriate mechanism be developed for recovering the cost of water supply. Unaccounted-for water must be halved at least, from the present 30-40 per cent to no more than 10-15 per cent.

Alongside, an equal focus on conservation is needed so that the available water is put to the best use. The role of the private sector in urban water supply needs to be examined carefully. The ultimate goal must be 24/7 water supply.

Sanitation – i.e. the waste management of human excreta, but also the management of larger public health issues linked to this – must be the responsibility of the local bodies. Toilets must be provided to every home in all urban areas, and a target date fixed to achieve this. Since the capital expenditure needed for sewerage systems is high, these must be confined to the larger cities, and in the smaller towns more local solutions for sanitation must be developed, using funds also from the Centrally sponsored scheme for Integrated Low Cost Sanitation. Sewage treatment plants must also be established wherever sewerage systems are in place, reuse of treated water for non-potable purposes must also be taken up widely.

Solid waste management services, provided by ULRs must be integrated and self-contained, including the development of appropriate means locally to handle waste management activities. Awareness programs to promote good sanitation and waste management practices must also be taken up.

Transportation services within cities should focus on multiple modes, including a separate and clear emphasis on non-motorised transport. City mobility plans should be prepared for all Class I cities. The policies and initiative for city transport should prioritise public transport so as to achieve a much higher share for this sector than for private transport. The financing and pricing of public transport, as well as the pricing of private transport-linked needs like parking, should also reflect this new priority.
Inter-city connectivity along the identified corridors for urban development should also be strengthened, and seamless transfers between different types of public transport solutions should be facilitated everywhere. Airports in Mysore, Hubli-Dharwad and Belgaum should be upgraded to serve as new hubs of connectivity in the state.

The Bangalore Metropolitan Land Transport Authority, as also the transport planning bodies in the other areas where MPCs are constituted, should be made a statutory body, with the powers to necessary enforce its planning decisions. Also, in transport, as well as in water supply and sewerage, an Urban Service Regulatory authority may be contemplated, to clarify the policy on cost recovery and subsidy.

5. Environmental sustainability of urban areas

Without enforced standards for the quality of air and water, and also for the consumption of energy, our urban areas will become unsustainable, and this must be addressed urgently to halt and then reverse the decline in environment quality in urban areas. Programs for conservation of water resources, rejuvenation of lost resources, and for management water to increase re-use, is needed. Air quality monitoring should also be made more wide-spread, and linked to the public health focus in cities and towns. Energy conservation must be incentivized through proper pricing of power, and also through programs that recognizes efforts to reduce the need for power.

Alongside these, a focus on the built, natural and cultural heritage of the cities and towns should also be developed. This is especially needed to ensure that there is no further erosion or loss of this heritage. An Urban Arts/Heritage Commission should be created for both Bangalore and Mysore, and another for the State as whole. This body should be able to call upon sufficient funds to ensure heritage conservation and protection. Legislative amendments needed to enable the conservation of privately-owned heritage buildings are also needed.
6. Democratic urban governance

Despite the passage of the 74th Constitutional amendment almost two decades ago, most states, including Karnataka, have not fully devolved urban governance functions to their respective local bodies. Also, the full extent of citizen participation in urban governance that is envisioned in the Act has not yet taken place. The clear need on this front is to complete this transformation towards full, devolved, participatory governance, in line with the report of the Kasturirangan Committee (Expert Committee on Governance in Bangalore), and subsequent recommendations from other advisory bodies to the State Government.

The separation of power between a deliberative council and an executive commissioner must be replaced by a system where political accountability and responsibility go together. To achieve this, executive powers must be vested in the elected representatives. A number of steps may be taken in this regard, including the institution of directly elected mayors in cities and towns, who along with a mayoral committee drawn from the councilors, will exercise executive powers. Alternately, the mayor be drawn from among the councilors themselves, but with more powers than he currently holds, and also a meaningfully longer tenure in office (Mayor-in-Council). Such direct accountability is preferable, as it helps to build city leadership everywhere in the state.

Alongside this, a system of elected ward committees, with members ideally drawn from different neighborhoods within a ward through elections, should also be introduced in all class I cities (neighborhood committees themselves are needed in all municipal areas). The winners in each of the neighborhood area elections may be the members of the ward committee, with the council as the chairman, of the said committee. Further, citizen engagement should also be taken up through the establishment of a system of grievance redress, and instituting 'time-bound' delivery of public services, along with monitoring and review. Citizens may also be brought into the budgeting process, so that the plans for various cities and towns reflect the priorities of the locals themselves.
To complete this transformation, the delineation of powers to local bodies should be followed by providing the requisite financial autonomy to them, as also administrative freedom. The extent of these may vary according to the size of the urban area, but over a phased period all functions listed in the 12th schedule be devolved. The various state government-level para-statals currently performing some of these functions should be brought under the authority of the municipal body itself.

The legal framework around municipal governance will also need to be overhauled, with suitable revisions to laws governing planning, development and regulation in addition to the Karnataka Municipalities Act, 1964 and the Karnataka Municipal Corporations Act, 1976. Specific legislation is also needed to address the development of Bangalore, whose problems and needs are of a vastly different scale from those of other cities.

7. Mobilization of adequate financial resources

The resource gap for the development of urban areas in Karnataka is estimated to be nearly 100,000 crores, with Bangalore alone accounting for over 50% per cent of this. However, ULBs are usually unable to raise anything like this figure (ironically, despite this their expenditure has remained lower than their revenues!). Town municipal councils and town panchayats, in particular, are badly off, depending on grants for very high proportion of their financial needs.

Property tax administration needs to be improved, particularly in terms of coverage and collection. Various exemptions are granted to educational and charitable institutions, as also government properties; these must be reviewed. Property taxes must be delinked from other levies, which should be made on their own merit. The potential of advertisement tax also needs to better exploited. A rationalization of tariffs for various services provided by ULBs is also needed, based on the principle of full cost recover, after subsidies have been duly excluded.
A number of alternative sources of funding may also be considered, including (a) treating land as a resource, and pricing its use accordingly, (b) accessing capital markets and multilateral institutions for loans, (c) PPPs to reduce the government burden on expenditure, especially capital expenditure, and (d) out-sourcing of non-governance functions. The creation of capital assets should not be treated as a government responsibility alone.

ENSURING CONTINUITY IN URBAN DEVELOPMENT

One of the key shortcomings in past efforts at developments has been the lack of continuous attention for the development of urban areas. To avoid this in the future, a State Urbanisation Commission or Council should be set up, with proper membership from experts to periodically review progress based on the State’s Urban Development Policy, and to make revisions as and when they are deemed needed by the government. This Commission may take the place of the State Town planning Board, and hold a more comprehensive mandate suitable to the development of policy as well as oversight of implementation.

A Karnataka Urban Renewal Mission is also needed to focus proper attention to those cities that are now outside the ambit of JnNURM.

AGENDA FOR ACTION

1. Set up State Urbanization Commission/Council (in place of the State Town planning Board)
2. Constitute Metropolitan Planning Committee for Bangalore, Hubli-Dharwar, and Mysore
3. Reconstitute District Planning Committees as per the 74th Constitutional Amendment.
4. Prepare State Spatial Perspective Plan / Regional Development Plans
5. Reorganize ULB structure / Introduce new Mayoral System (Directly elected Mayor or Mayor-in-Council)
6. Constitute Ward Committees in Class I cities (by direct election) and Neighbourhood Committees in all municipal areas.
7. Devolve functions to ULBs as per XII Schedule to the Constitution over a phased period.
8. Abolish urban Development Authorities – vest planning powers in ULBs.
9. Formulate Urban Land policy – Set up a Committee to review land Use Regulations.
10. Establish Karnataka Urban Renewal mission (KURM) to focus on infrastructure development in small and medium cities.
13. Restructure para-statal organizations – KUWS&DB, BWSSB, BDA, BMRDA, KSICB
14. Set up Urban Services Regulatory Authority – clarify policy on cost recovery and subsidy (water, sewerage, transport)
15. Prepare City Mobility Plans for Class I cities.
17. Promote transparency and accountability through citizen participation.
18. Formulate Municipal Personnel Policy – to guide recruitment, postings, promotions and training.
20. Promote research and capacity – building in urban planning and administration.
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