CHAPTER- II

URBANIZATION AND URBAN LOCAL BODIES

2.1 Introduction

The present century is referred to as a ‘century for cities’, where in the transformation of human life on the earth will firmly establish ‘urban’ as the preferred locale for home and work alike across countries. Four fundamental transformations are occurring simultaneously, and impacting the way people self-govern themselves: democratization, urbanization, globalization and technology. Of these, the most compelling is urbanization – which is taking place even in countries where the other three transformations are less evident. Without regard to modernity, form of government or economy, every country is witnessing movement of its people into cities.

Urban Local Bodies created to take care needs of the urban society. Urban Local Bodies have the responsibility of providing urban municipal services as per provisions of the Twelfth Schedule of the Constitution of India. In addition, ULBs in Karnataka are also governed by the Karnataka Municipalities Act, 1964 and the Karnataka Municipal Corporations Act, 1976.

2.2 Growth of Urban Population in India

Urbanization along with industrialization may be termed as the major trend of development process in post-independent India. The pace of urbanization in India is very rapid. Urban population in India quadrupled in four decades from 62 million in 1951 to 217 million in 1991, 285 million in 2001 and 377 million in recent census of 2011. It touched a height of million at the turn of the century. The annual increment to urban population over the last five decades has been, on an average, 3.8 million. Urban population in the country is, at present, almost twice the combined urban population of France, Germany and United Kingdom. No other country in the world, except China, has urban system larger than in India. The fast pace of urbanization has imposed increasing pressures on the level of services in urban centers. Consequently, positive role of urbanization has been overshadowed by deterioration in the physical environment and quality of life in urban areas.
The level of urbanization has increased from 17.3 percent in 1951 to 25.7 percent in 1991 and further to 31 percent in 2001. The simple average increase in the level of urbanization in the fifty-year period has been about 2 percent per decade. The increase in urbanization level was more than double in the last 25(7 percent) compared to that in the first 25 years of this period (3 per cent). The level of urbanization in India is comparable to the rates in South Asian countries but is substantially lower than that in the developed countries (66-85 percent). Africa (45 percent) and South-East Asia (30 percent). India, along with other Asian countries, is among the least urbanized countries and is just embarking on urban transition - 50 percent is generally taken as a threshold level.

Table 2.1

<table>
<thead>
<tr>
<th>Census Years</th>
<th>Total population (million)</th>
<th>Urban population (Million)</th>
<th>No. of towns/UAs</th>
<th>Percentage of urban population to total population</th>
<th>Decadal urban growth rate(%)</th>
<th>Tempo of urbanization (Percentage per year)</th>
<th>Annual exponential growth rate</th>
<th>Annual gain in percentage of urban population</th>
<th>Annual rate of gain in percentage of urban population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>238.40</td>
<td>25.85</td>
<td>1827</td>
<td>10.84</td>
<td>0.00</td>
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<tr>
<td>1911</td>
<td>252.09</td>
<td>25.94</td>
<td>1815</td>
<td>10.29</td>
<td>0.35</td>
<td>0.03</td>
<td>0.06</td>
<td>0.09</td>
<td>-0.51</td>
</tr>
<tr>
<td>1921</td>
<td>251.32</td>
<td>28.09</td>
<td>1949</td>
<td>11.18</td>
<td>8.27</td>
<td>0.79</td>
<td>0.09</td>
<td>0.86</td>
<td>0.72</td>
</tr>
<tr>
<td>1931</td>
<td>278.98</td>
<td>33.46</td>
<td>2072</td>
<td>11.99</td>
<td>19.12</td>
<td>1.75</td>
<td>0.08</td>
<td>0.72</td>
<td>1.56</td>
</tr>
<tr>
<td>1941</td>
<td>318.66</td>
<td>44.15</td>
<td>2250</td>
<td>13.86</td>
<td>31.97</td>
<td>2.77</td>
<td>0.19</td>
<td>1.56</td>
<td>2.47</td>
</tr>
<tr>
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<td>361/09</td>
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<td>3.47</td>
<td>0.34</td>
<td>2.47</td>
<td>2.47</td>
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<tr>
<td>1961</td>
<td>439.23</td>
<td>78.94</td>
<td>2365</td>
<td>17.97</td>
<td>26.41</td>
<td>2.34</td>
<td>0.07</td>
<td>0.41</td>
<td>0.41</td>
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<tr>
<td>1971</td>
<td>548.16</td>
<td>109.11</td>
<td>2590</td>
<td>19.91</td>
<td>38.23</td>
<td>3.21</td>
<td>0.19</td>
<td>1.08</td>
<td>1.08</td>
</tr>
<tr>
<td>1981</td>
<td>683.33</td>
<td>159.46</td>
<td>3378</td>
<td>23.34</td>
<td>46.14</td>
<td>3.83</td>
<td>0.34</td>
<td>1.72</td>
<td>1.72</td>
</tr>
<tr>
<td>1991</td>
<td>846.30</td>
<td>217.61</td>
<td>3768</td>
<td>25.71</td>
<td>36.47</td>
<td>3.09</td>
<td>0.24</td>
<td>1.02</td>
<td>1.02</td>
</tr>
<tr>
<td>2001</td>
<td>1027.01</td>
<td>285.35</td>
<td>5161</td>
<td>27.78</td>
<td>31.12</td>
<td>2.73</td>
<td>0.31</td>
<td>2.07</td>
<td></td>
</tr>
</tbody>
</table>

Note:
1- Population data in includes projected population of Assam in 1981

Source: Census of India (1991a), Census of India (1991b)
Although urban population has shown tremendous increase, the annual rate of growth of urban population has declined from 3.8 percent (1981) to 3.1 percent (1991) and two percent in 2001. The level of urbanization increased by 2.4 percentage points during 1981-91 as compared to 3.4 percentage points during 1971-81. The decadal growth rate of population increased substantially from 38.2 percent during 1961-71 to 46.1 percent during 1971-81 but came down to 36.2 percent during 1981-91 and further to 31.20 percent in 1991-2001. This indicates that tempo of urbanization in India slowed down during the 1980s. The decline in urbanization rate can be explained by analyzing the contribution of various components of population growth such as natural increase, net migration from rural to urban and urban to urban areas and change in the status of areas as a result of re-classification and declassification, horizontal extension or the change in territorial jurisdiction of towns.

2.3 State-Wise Patterns of Urbanization

An analysis of state-wise patterns of urbanization (Table 2.2) shows that there is a large variation in the urbanization levels in the different parts of the country. While the urbanization level was 38.7 percent in the most urbanized State, it was only 11.1 percent in the least urbanized state. Out of the 15 largest states in the country, the level of urbanization in eight states was even higher than the national level.

If might have been expected that the more developed states would exhibit the normal phenomenon of accelerating urban growth with industrialization and development. On the contrary, West Bengal and Tamil Nadu, two of the most industrialized states, have exhibited urban growth lower than the national average.
<table>
<thead>
<tr>
<th>States</th>
<th>1981 Urban population</th>
<th>% of Urban population to total</th>
<th>1991 Urban population</th>
<th>% of Urban population to total</th>
<th>Annual %age 1981-91</th>
<th>Urban Population (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>21.99</td>
<td>35.03</td>
<td>30.54</td>
<td>38.69</td>
<td>3.34</td>
<td>41.19</td>
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<tr>
<td>Gujarat</td>
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<td>31.12</td>
<td>14.25</td>
<td>34.50</td>
<td>3.00</td>
<td>18.89</td>
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<tr>
<td>Tamil Nadu</td>
<td>15.95</td>
<td>32.95</td>
<td>19.08</td>
<td>34.16</td>
<td>1.81</td>
<td>27.24</td>
</tr>
<tr>
<td>Karnataka</td>
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<td>28.89</td>
<td>13.91</td>
<td>30.92</td>
<td>2.63</td>
<td>17.92</td>
</tr>
<tr>
<td>Punjab</td>
<td>4.65</td>
<td>27.70</td>
<td>5.99</td>
<td>29.54</td>
<td>2.56</td>
<td>8.24</td>
</tr>
<tr>
<td>West Bengal</td>
<td>14.45</td>
<td>26.47</td>
<td>18.71</td>
<td>27.48</td>
<td>2.62</td>
<td>22.49</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>12.49</td>
<td>23.32</td>
<td>17.89</td>
<td>26.90</td>
<td>3.66</td>
<td>20.50</td>
</tr>
<tr>
<td>Kerala</td>
<td>4.77</td>
<td>18.74</td>
<td>7.68</td>
<td>26.39</td>
<td>4.88</td>
<td>8.27</td>
</tr>
<tr>
<td>All India</td>
<td>159.46</td>
<td>23.34</td>
<td>217.61</td>
<td>25.71</td>
<td>3.16</td>
<td>285.35</td>
</tr>
<tr>
<td>Haryana</td>
<td>2.83</td>
<td>21.90</td>
<td>4.05</td>
<td>24.61</td>
<td>3.65</td>
<td>6.11</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>10.59</td>
<td>20.30</td>
<td>15.34</td>
<td>23.18</td>
<td>3.78</td>
<td>16.10</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>7.21</td>
<td>21.04</td>
<td>10.07</td>
<td>22.88</td>
<td>3.40</td>
<td>13.21</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>19.90</td>
<td>17.95</td>
<td>27.61</td>
<td>19.85</td>
<td>3.33</td>
<td>34.51</td>
</tr>
<tr>
<td>Orissa</td>
<td>3.11</td>
<td>11.95</td>
<td>4.23</td>
<td>13.36</td>
<td>3.12</td>
<td>5.50</td>
</tr>
<tr>
<td>Bihar</td>
<td>8.72</td>
<td>12.47</td>
<td>11.35</td>
<td>13.14</td>
<td>2.67</td>
<td>8.68</td>
</tr>
<tr>
<td>Assam</td>
<td>1.78</td>
<td>9.87</td>
<td>2.49</td>
<td>11.11</td>
<td>3.41</td>
<td>3.38</td>
</tr>
</tbody>
</table>

Note: Chhattisgarh’ Jharkhand and Uttarakhand were noted furcating Madhya Pradesh, Bihar and Uttar Pradesh respectively in 2000.


Among the least urbanized states, Madhya Pradesh, Rajasthan and Uttar Pradesh have experienced urbanization somewhat faster. All the advanced states (Gujarat, Maharashtra, Tamil Nadu and West Bengal) exhibit low levels of agricultural productivity, and industrialization in these states have little to do with the hinterlands. Industrial development in these states has not contributed significantly to overall
development in the rural areas. Hence, acceleration in urbanization which normally accompanies industrialization is muted. Haryana and Punjab, whose development has been more agriculture led exhibit a more balanced development pattern. They may be expected to undergo an accelerated urbanization in the years to come, as they also intensify their industrialization. In summary, the normal phenomenon of accelerating urban growth with industrialization seems to have been muted in the advanced industrial states in India, because of the absence of corresponding improvements in agricultural productivity.

Urbanization is most significant development in India. During 1901 about 11 percent of the people of India were living in urban areas. Urban population increased from 62.44 millions in 1951 to 377 millions in 2011. It is expected that the urban population would reach 660 millions by 2025.

**Table-2.3**

<table>
<thead>
<tr>
<th>Census</th>
<th>Total Population (Million)</th>
<th>Urban Population (Million)</th>
<th>% of Urban population to total Population</th>
<th>Decadal Urban growth rate(Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>361.08</td>
<td>62.44</td>
<td>17.29</td>
<td>-</td>
</tr>
<tr>
<td>1961</td>
<td>439.23</td>
<td>78.93</td>
<td>17.97</td>
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<td>1027.01</td>
<td>285.01</td>
<td>27.75</td>
<td>30.97</td>
</tr>
<tr>
<td>2011</td>
<td>1210.19</td>
<td>377.10</td>
<td>31.16</td>
<td>32.28</td>
</tr>
</tbody>
</table>


Even-though there is sluggish decadal growth of population in post independence era, there is overall increase in urban population from 17.29 in 1951 to
31.16 in 2011. Further, there is overall increase in urban population size of India, in comparison to the urban population of the world. Further population of the large cities has grown rapidly. As per NIUA(2000), about 25% of India’s population lives in urban areas and this population is growing at over 3 percent a year. Of this total, 65% live in 23 major urban centers with population over one million, while the remainder lives in more than 3,500 smaller centers.

2.4 Urbanization in Karnataka

Karnataka is India’s eighth largest state in terms of area and population. The state has an area of 1,91,791 sq.km, which constitutes 5.83% of the total geographical area of India. Karnataka’s urban population has grown at the rate of 28.85% in the last decade. 34% of Karnataka in terms of population and 1.62 % of the state in terms of area officially classified as ‘urban’ as defined in the Census of India. As per census 2011, population of Karnataka is 61.13 millions. Karnataka's population rose 15.7% in the past decade (2001-2011) compared with 17.5% increase from 1991 to 2001. Karnataka has 220 statutory towns, 24 urban agglomerations and 127 census towns. As per census, constituents of urban area are Statutory Towns, Census Towns and Outgrowths. This definition of urban areas and their classification is however not followed in most state government classifications. For purposes of planning and fund allocation etc. state governments tend to follow definitions based on their own legislations. Provision of municipal services to citizens, such as water supply, roads, solid waste management and street lighting is one of the fundamental responsibilities of the Urban Local Bodies. Though these are obligatory services of the ULBs, until now, there has been no concerted effort to assess either the quality of infrastructure or the service provided. As a result, the ULBs and other government agencies do not possess the adequate data, necessary to review and evaluate the status of infrastructure and service provision on both qualitative and quantitative parameters. While there is indeed a general perception that urban infrastructure services have not been keeping pace with the increasing needs of the citizens, the lack of relevant data has to a large extent hampered the ability of the ULBs and other decision-making bodies in taking the necessary actions to address and set right these deficiencies.
2.5 Urban Local Bodies Historical Perspective

Historically the urban local bodies are existed in India from time immemorial. In ancient India, ‘village republics’ were in existence to administer the large area, group of villages and towns. Excavations of Harappa and Mohenjadaro are proof for existence of well planned cities in India. Writings of Koutilya and Meghastanese give the description of city of Pataliputra and its administration during Mouryan period. Cities continue to flourish under the Mughals rule also.

The modern municipal government in urban units is essentially a creation and legacy of British rule. It was imported in India by Britishers from their own land. However, it is said that the origin of local self-government had very deep roots in ancient India. On the basis of historical records, excavations and archaeological investigations, it is believed that some form of local self-government did exist in the remote past. In the Vedas and in the writings of Manu, Kautilya and others, and also in the records of some travelers like Magasthnese, the origin of local self-government can be traced back to the Buddhist period.

The Ramayana and the Mahabharata also point to the existence of several forms of local self-government such as Paura (guild), Nigama, Pauga and Gana, performing various administrative and legislative functions and raising levies from different sources. Local government continued during the succeeding period of Hindu rule in the form of town committees, which were known as (k)shthis and Mahajan Samitees. The representative character of these samitees was respected by the rulers. These Mahajans sometimes delegated their functions to their representatives or to Panehakulas (committees of five) who used to collect revenue on behalf of the state. In addition to Panchkulas, Talara, an officer of the state, supervised local administration and policing with the help of the elected representatives. In the Mauryan period followed by the Gupta era and subsequently in the medieval period, the system of local self-government continued lo more or less the same. However, the system of local self-government was quite different in the Mughal period. The Mughals were fond of building new cities and Maintaining them. Those cities were, by and large, centers of trade and industry. Surat, Patna and Ahmadabad, for example, happened to be provincial capitals and offered a rich market. Whatever urban administration was there, it was autocratic in form. The
City Kotwal, appointed by the limper or, was the key-centre of municipal administration. He was responsible for maintenance of inventory of houses, roads, levy and collection of local taxes, tolls, transit duties etc. The markets were controlled by him. He kept a check on weights and measures and a vigil on the local prices. These are basically municipal functions which were performed by him in addition to his foremost duty of maintaining law and order. Thus in kotwal of the Muslim period, offices of the modern Municipal Commissioner and the City Magistrate were combined.

British rule in India came to be extended through the East India Company, which was, in its origin, a commercial concern engaged in trade. The unsettled political conditions in India in the eighteenth century, and the rivalry between the trading companies representing different European powers led the Britishers to intrigue with the local rulers to protect their trading interests. As a consequence the East India Company found itself landed suddenly with liability to rule over vast tracts of land.

The company, at the same time, got concerned also with the health and conveniences of its servants. The basic necessities of a healthy and safe living, i.e. sanitation, light and roads were almost absent. The Britishers thought it proper to transplant some sort of municipal institutions in areas where the servants of the company and other Europeans had settled.

The present form of urban local bodies is of British legacy. Municipal institutions were the first to be created by the rule of East India Company by the orders of the Court of Directors. Municipal of Corporation was set up in Madras in 1688. The presidency towns of Calcutta and Bombay had set up their own corporations in 1772 and 1793 respectively. Budget speech (1861-62) of Samuel Laing, member of Viceroy’s council mandated services by the local bodies by the local resources. Concept of elected representatives was introduced by the Lord Mayo’s resolution of 1870. Lord Rippen is considered as father of local self Government, laid foundation of local self government in modern India. Resolution of 1882 introduced the concept of municipal bodies as units of self –government and deals with constitution of local bodies, their functions finances and powers.
Since independence there is increase trend of urbanization. Later part of twentieth century witnessed the rapid urbanization due to industrialization and modernization.

There was no uniformity in the types of local bodies in different states. The Constitution of India was framed on federal principles. Indian Constitution makers divided the government functions in three lists: federal, state and concurrent. Local government bodies are covered in the State List and are governed by the State Statutes. It was envisaged that the State control and supervision over local bodies is necessary as the local authorities are legal creations of the state; they govern only a tiny part of the state, in the interest of the uniform development of all areas and coordination; local authorities cannot command so much technical skill as the state and financial assistance. Growing urbanization has not only affected economic structure of the country but also its social pattern and cultural profile.

Even though the urban local bodies are created to cater the needs of the city dwellers, the urban services are much neglected. The inherent capacity of the urban local bodies to deliver the services was weak.

People representation in the ULBs was missing as the elections to the local bodies were not regular. Even the presence of elected representatives had meager impact on the development of the city or services, as the financial position of the ULBs were so weak that there would be no funds to carry out any kind of developmental activities. The weak financial base of the ULBs was mainly due to two reasons. By eliminating Octroi, imposing restrictions on taxes, etc., state governments suppressed the ULBs from enhancing their revenue resources and made the ULBs to look towards the state for grants which was irregular. Increase in the urbanization and additional works of the ULBs lead to a condition where in ULBs were totally dependent on the state even to disburse the salaries of its staff. The capacity of the ULBs is also a major issue from the service delivery view. The staff recruitments were made locally on temporary basis irrespective of the skill sets. As there was no proper career opportunities and training programs, even though such recruitments fulfilled the urgent need, which adversely affected the service delivery aim in a longer run.
Recent years have witnessed an increasing in need and importance of local self-government. The Constitution (74th Amendment) Act, 1992 is a landmark initiative of the Government of India to strengthen local self-government in cities and towns. It is built upon the premise that all 'power' in a democracy rightfully belongs to 'the, people'. It prescribes that the elected municipal representatives must have a decisive role in the planning, provision and delivery of civic infrastructure and services. 74th Constitutional Amendment Act gave new boost to the position of the ULBs. It has constitutionally ensured to maintain the continuity of elected leadership through regular elections and financial strengthening through the formation of State Finance Commissions for directing on financial devolutions. Salient features of the 74th CAA are:

- Introduction of the Twelfth Schedule in the constitution, which lists 18 functions of the urban local bodies covering, planning, regulation and developmental aspects
- Establishment of District and Metropolitan Planning responsible for the election of representatives for the preparation of development plans at district and metropolitan levels;
- Establishment of ward committees in areas having a population of over 300,000;
- Statutory powers and responsibilities entrusted to municipalities and ward committees;
- Holding of periodic and timely elections; if a municipality is dissolved for any reason it should be reconstituted within 6 months;
- Statutory sources of municipal finance and their periodic review by a statutorily constituted SFC and by making it obligatory on the part of the Central Finance Commission to recommend measures needed to augment state resources to assist the municipal governments;
- Restrictions on the power of state governments to do away with democratically elected municipal governments;
- Reservation of one-third of seats for women and weaker sections in municipal bodies; for minorities there are no reservations.
The Twelfth Schedule of the 74th CAA (Article 243W), which consists of a list of 18 functions, has been inserted to guide the state governments in the assignment of various functional responsibilities to municipalities as below:

1. Urban planning, including town planning.
2. Regulation of land use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the disabled and mentally retarded.
10. Slum improvement and upgrading.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational, and aesthetic aspects.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops, and public conveniences.
18. Regulation of slaughter houses and tanneries.
2.6 Evolution of Local Government

'Local Government' has a variety of meanings. Many attempts have been made to define the term by the different theoreticians and practitioners of public administration. It might be thought that local government could be easily defined, but this is not the case. Renowned jurists have admitted the difficulties in proposing a sound definition. For example, Sir Ivory Jennings states: "The explanation of these difficulties of definition lies in the fact that local government is not a logical division of government. As soon as the jurist sets to work to provide his logical categories, he finds that local government is not one of them. The result is that draftsmen of Acts of Parliament avoid such juristic distinctions".

Sir John Maud and S.E. Finer observed: "Before starting to discuss local government, it is necessary to consider what is meant by local government; and this question is so difficult to answer clearly in a few words, that it seems best to introduce the subject by inventing a myth". About the local government institutions, which now exist in England, William Robson said that they were a curious compromise between ancient forms and modern need. Contrary to it, Smellie writes: "Modern English local government was established to deal with the problems which arose in the middle of the 18th century when the use of machinery began to shape the modern world".

The term "Local government' has two words, 'Local' and 'Government". The term 'Local' relates to specific portions of the country defined by Locality, implying a definite area and the population living therein. The 'Local' institutions are concerned with the needs and problems of the area thus defined. The second word 'government' refers first to its representative character as it has to form part of the constitutional structure of the country, and in the second place to the 'autonomy' it possesses. The local authorities are the same flesh and blood as the sovereign, but to a limited extent. Each council is elected (directly or indirectly) by the people of an area, and it is answerable to that local electorate, just as the sovereign is ultimately responsible to the national electorate. Thus, local government becomes an integral part of democracy.
It can, thus, be said that local government is the regulation in particular localities, of matters of primarily of local importance by locally elected bodies raising the money necessary for their activities, by the imposition of local taxes and generally subordinate to the Central/State Government. Although the local authorities are elected bodies, they have to operate within the framework of the Constitution of the country and the law under which they are created.

Local Government is established to make life possible; it could be used to make life good. With the passage of time, people desired to have an increasingly wide choice in everything that affected them. They wanted to look after their own affairs. As this matter of choice differed from country to country, the emphasis on the local affairs, requiring the establishment of local government also varied. Thus, local government in England in primary stages was administering the ‘poor laws’, whereas in British India for the Britishers, the law and order problem was paramount and the local government was required to raise the taxes for meeting the cost of ‘watch and wards”. These functions could have been met by the central or state authority, but it was thought, that since the need was local in nature, the locality should pay for it. The service was arranged either by the local community or by the state, on behalf of the citizens of the area. As the local needs continued to grow with the increased awareness and consciousness, the desire for better life has been at the root of improvements in the standard of services and of introduction of new services. Thus, the essence of local government lies in the fact that local inhabitants, through their democratically elected representatives, determine what should happen locally, should it happen and how should it happen. This process involves, not only those who are elected but also who elects them.

The local authorities can be called local states. The citizens of a country are on the one hand, organized as a national state and on the other as local states. In India they are organized at a middle level, also known as province/state. The local organizations, thus, have three outstanding features.

1. They are allowed to exist for purposes specified by the national state;

2. Each local state resembles the national state within the given jurisdiction, both having a representative institution, executive machinery and the power of issuing commands, which the inhabitants of the area have to obey; and
3. They are used for certain purpose as agents of national state.

Whatever may be the degree of resemblance, the local state is a creation of the national state or of the provincial state. It has been the practice throughout, both in England and India. Not only that, irrespective of the independence given, the local authorities, i.e., the locally elected bodies, have to operate all the time within the framework established by the State Government. The services to be provided and the functions to be performed are pre-determined or approved by the Parliament/state legislature. Then, they are subjected to many ministerial regulations and approval.

The minimum and maximum of each service to be provided by the local authority can be prescribed through the Legislative Acts and statutes. There lies a wide area of discretion between the two extremes. And it is this area of discretion, which provides the base for local autonomy. The citizen is concerned with the provision of services, and more, with their effective provision in terms of efficiency and convenience. His satisfaction is vital and for securing it, local government units become sovereigns in a larger democratic structure. The citizen very much wants to exercise control on these units through democratic process. He expects the elected representatives to be accessible, responsive and also removable, if possible. Thus, the local authorities function also as an instrument of public opinion.

From political point of view, local government is called 'democracy on the doorstep'. It contributes to the social and political education of the citizen. It is educative for the electors, who are called upon to do their voting in relation to issues that are readily comprehensible to them; and for the councilors, who can gain experience in the act of responsible leadership. Thus, it has both political and educational value. The democratic value of liberty, equality and fraternity become real in the self-governing community.

Modern local government has, in addition, to play a vital role in the economic development of the country, whether it is the town planning, housing activity, and trade or poverty alleviation. It should be used as a positive instrument in this direction. The economic value of local authorities is being increasingly recognized.
Major milestones in the evolution of urban local government in India during British period are as follows:

- 1687- Setting up of first Municipal Corporation in India at Madras for the purpose of transferring financial responsibility of city administration to the newly created corporation.

- 1720-The Royal Charter of 1720 provided for the establishment of a mayor's court in presidency towns- Madras, Bombay and Calcutta.

- 1850- The Act of 1850 provided for the establishment of local committees in all cities of British India to take care of public health.

- 1870-Lord Mayo's Resolution of 1870 made provisions for strengthening the urban local bodies and increasing the association of Indians in local bodies.

- 1882-Lord Rippen's Resolution of 1882 provided for the expansion of local urban bodies, more devolution of financial resources, reducing the official element in urban local bodies to one-third and adopting election process for the Constitution of these bodies. This Resolution of 1882 is called the Magnacarta of local self-government in India and Rippen is called as father of local self-government in India.

- 1907- The Royal Commission on Decentralization, 1907 was appointed to study the failure of local bodies. The Royal Commission found that the strict official control, narrow voting rights, less resources, lack of awareness and committed persons were the main reasons for the failure of local bodies in India and recommended the reform of local bodies.

- 1919-The Government of India Act, 1919 is another milestone in the evolution of urban local bodies, which introduced the system of Diarchy in the provinces and the Urban local government was put under the charge of a popular minister as a transferred subject. The main provisions of the Act included increasing the taxation power of urban local bodies, expansion of franchise and reducing the official/ nominated members. The communal
representation was also extended to the election of municipalities. The Cantonment Act was passed in 1924.

- 1935-The Act of 1935 was based on the concept of provincial autonomy thus giving major control of popular ministers over state affairs including local self government. The Act of 1935, did not assign any tax to local bodies.

Urban Local Bodies after Independence

The new Constitution of India was adopted on January 26, 1950. Though the Constitution made specific provision for the establishment of Panchayat Raj institutions in Article 40 under the Directive Principles of State Policy, there was no specific provision for the establishment of urban local bodies. The urban local government found mention under Entry 5 of state list of 7th Schedule. This entry includes, the Constitution and Powers of Municipal Corporations, Improvement Trusts, District Boards, Mining Settlement Authorities and other local authorities for the purpose of local self-government or village administration.

According by the constitution and powers of all local bodies are within the jurisdiction of state government. Urban planning is indirectly included in 'Economic and Social Planning' which is mentioned under Entry 20 of the concurrent list. Its implication is that while powers and constitution of urban local bodies is the sole jurisdiction of state government, the urban planning falls within the jurisdiction of both the state and the union government.

After Independence the National Government appointed a committee in 1948 known as the Local Finance Inquiry Committee, to report on ways and means for improving the financial resources of local bodies. The report came in 1951. The taxation Enquiry Commission, set up in 1953, was also baffled with this problem. The Central Government though, under the Constitution not charged with the responsibility of local government, has been the principal source of reforms in the municipal field. It is the Central Government, which has been responsible for setting up committees and commissions and other organs devoted to study the problems of local government.
The other significant committees and commissions appointed were:

1. The committee on the training of Municipal Employees, 1963;
2. The Rural Urban Relationship Committee, 1963-1966;

The Centre Council of Local Self-Government constituted by the Central Government, has also played a significant role in laboring on reforms needed in the various aspects of municipal government and administration. The Rural-Urban Relationship Committee devoted itself to both functional and financial aspects and was largely microscopic in its approach. One more report came from another committee of the council on the service conditions of municipal employees (1965-68). Then in 1985, the Central Government appointed the National Commission on Urbanization, which gave its report in 1988. This was the first commission to study and give suggestions on all aspects of urban management.

Apart from the contributions made by the Central Government, committees were appointed in different states in order to improve the municipal organizations and administration there under. Municipal legislations have been suitably adapted from time to time keeping this end in view. Major structural changes had not taken place except in the larger and important cities, where municipal corporations had been established, and in U.P. in 1966, where Centralization of Municipal Services took place, until 1992, when the Constitution 74th Amendment Act was passed.

2.7 Types of Urban Local Bodies

Urban local bodies in India are broadly classified as follows:

1. **Municipal Corporation**- Municipal Corporation is established by the Act of state government for the big cities of states and by the Act of Parliament for the big cities of Union Territories. A corporation has three authorities. First is the corporation council headed by the Mayor, who is assisted by the Deputy Mayor. The councilors and Mayor are directly elected by the people. Council is a deliberative and legislative organ of the corporation. Second organ of the
corporation are the standing committees to deal with various activities like health, education, public works and are empowered to take decisions in their respective fields. The third authority of the Corporation is the Municipal Commissioner, who is a government officer and is responsible for the implementation of the decisions taken by the council and standing committees.

2. **Municipalities**- Municipalities are setup by the Acts of state legislature for the administration of small cities or towns. It also has three authorities. First the municipal council is the legislative branch of the municipality, and is headed by the Chairman, who in turn is assisted by a Deputy Chairman. The standing committees facilitate the work of municipality in various fields such as health, taxation finance etc. The third authority of the municipality is the Chief Municipal Officer, who is appointed by the state government and is responsible for the general administration of the municipality. The municipality may be known by other names also such as Municipal Board, Municipal Council or Municipal Committee etc.

3. **Notified Area Committee**- This may be created either in a town which is fast developing or which may not fulfill the conditions for the creation of a municipality. It is known as Notified Area Committee because it is created through a notification of the state government published in the official gazette. It is not a statutory body and all its members and chairman are nominated by the government. It performs similar functions as performed by a municipality.

4. **Town Area Committee**- It is created by a separate Act of state government for the administration of small towns. It performs a limited number of functions like street lighting, drainage etc. As provided in the Act, it may be wholly elected or totally nominated or partly elected or partly nominated body.

5. **Cantonment Boards**- They are established to perform municipal functions for civilian population living in cantonment or military areas. Its noticeable feature is that it is created and works under the central Act of 1924 under the administrative control of Ministry of Defence. There are three types of Cantonment Boards depending upon the number of civilian population in the Cantonment Area. It consists of partly elected and partly nominated members.
The members are elected for a three year term. The military officer commanding the cantonment station is the ex-officio chairman of the Cantonment Board.

6. **Townships**- Townships are established by a public sector undertaking as its housing colony to provide civil amenities to its employees living in township. It has no elected members and its affairs are managed by a Town Administrator appointed by the public sector undertaking.

7. **Port Trusts**- Such urban bodies are established by an Act of the Parliament to manage and protect ports and to provide civic amenities to the port area. It is headed by an official appointed by the central government. It has both elected and nominated members.

8. **Special Purpose Agencies**- The state governments establish some special purpose agencies to perform some specific functions of municipalities. They function as separate bodies not under the control of municipalities. They may be created either by an act of State Legislature or by an order of the executive. Some of these agencies are Housing Board, Water Supply Undertaking, Electricity Supply Undertakings, and Urban Development Authorities etc.

### 2.8 Finances of urban local bodies

Urban local bodies prepare their Budgets on annual basis in the forms prescribed by the state government. Before execution, the Budget is to be submitted to the state government in February for its approval. Only after the approval of the state government the Budget of a local body is implemented. The Budget is prepared on the basis of priority areas and availability of finances.

### 2.9 Sources of finance

Sources of finance of urban local bodies are broadly classified as follows:

1. **Collection of Local Tax Revenue**- Urban local bodies levy some taxes in their area; such as octroi, property tax, profession tax, entertainment tax, advertisement tax, animal tax, market tax, water tax, pilgrim tax, toll on new bridges etc. The revenue from taxes constitutes the two-third of the total
revenue of urban local bodies. Octroi has been abolished in Uttar Pradesh, which was a major source of income.

2. **Non-Tax Revenue** - It consists of fees, receipts, fines or income from remunerative activities of the urban local bodies. The fees is collected through various forms and processing fees. These bodies also collect some non-tax revenue through parks and exhibition grounds.

3. **Grants-in-Aid** - The state government gives grants-in-aid to the urban local body for special purpose. Under the 74th Amendment, a State Finance Commission is established to recommend the principles governing the grants-in-aids to the urban local bodies by the state governments. Now Grants-in-aid stands as important source of finance.

4. **Loans** - Under the respective Municipal Acts, the urban local bodies are entitled to raise loans from the state governments. The loans are to be paid back within prescribed time limit along with the interest. The proposals of loans are to be cleared by the Reserve Bank of India.

### 2.10 Requirement of finances

The resource requirement for creating urban infrastructure is very huge. Rakesh Mohan Committee Report (1996) had estimated the total fund requirements for urban infrastructure are in the range of Rs. 94,000 crores for the period 1996-2001. The fund requirement of water supply and toilet facilities in urban areas was estimated at Rs.21,000 crores for 2001-2011 and Rs 22,800 crores for 2011-21. It had assessed that the total annual investment needs for water supply, sanitation and road sectors in urban area at Rs.28,036 crores per year for the period 1996-2006.

The Eleventh Five Year Plan (2007-12) estimated the urban infrastructure investment requirement as below:
Table-2.4

Urban Infrastructure Investment Requirement

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Sub-sector</th>
<th>Estimated amount (Rs crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Urban water supply</td>
<td>53,666</td>
</tr>
<tr>
<td>2</td>
<td>Urban sewerage and sanitation</td>
<td>53,168</td>
</tr>
<tr>
<td>3</td>
<td>Solid waste Management</td>
<td>20,173</td>
</tr>
<tr>
<td>4</td>
<td>Drainage</td>
<td>2,212</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,29,219</td>
</tr>
</tbody>
</table>

Source: Report of steering committee on urban development for eleventh FYP(2007-12)

The Central Public Health Engineering Organization (CPHEEO) estimated that by the year 2021, Rs.1,72,905 crores required for providing safe water supply and sanitation to the urban population.

On the basis of data collected from 19 states, the ministry estimates the resource gap of the urban local bodies as under:

Table-2.5

Resource Gap of the ULB

(Rs.in Crores)

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount (Rs Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Requirement for all 28 states based on a uniform per capita requirement of Rs. 1578 per annum for provision of core services</td>
<td>63,893</td>
</tr>
<tr>
<td>ii</td>
<td>Requirement of O&amp;M for new assets funded under central schemes</td>
<td>20,000</td>
</tr>
<tr>
<td>iii</td>
<td>Requirement under state schemes</td>
<td>16,400</td>
</tr>
<tr>
<td>iv</td>
<td>Impact of the Sixth Pay Commission</td>
<td>24,288</td>
</tr>
<tr>
<td>v</td>
<td>Capacity building</td>
<td>1,290</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,25,871</td>
</tr>
</tbody>
</table>

Source: 13th Finance commission Report
It is also pointed out in the 13th Finance commission report that, The ministry also pointed out that the aggregate resource requirement of ULBs for fulfilling all their functions is significantly larger. For the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) cities this is estimated at Rs. 2,76,822 crores for 2005-12. The requirement for all urban areas is projected at Rs. 7,91,080 crores.

Being third tier in the democratic set up, urban local bodies had limited financial autonomy for their development. Constitution of India does not indicate the sources of revenue for urban local bodies. Power to determine the revenue base for ULBs rests with the state governments. Sources of revenue for ULBs may be broadly classified as below:

Table-2.6

<table>
<thead>
<tr>
<th>Source</th>
<th>Major Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Internal Sources:</td>
<td></td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>Property taxes; tax on vehicles, animals, trade, show tax, advertisement tax, etc.,</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>Rents, user charges, fees, fines, etc.,</td>
</tr>
<tr>
<td>(B) External Sources:</td>
<td></td>
</tr>
<tr>
<td>Grants-in-Aid</td>
<td>Various grants</td>
</tr>
<tr>
<td>Shared Taxes</td>
<td>Entertainment tax, motor vehicle tax, land revenue, profession tax, etc.,</td>
</tr>
</tbody>
</table>


ULBs prefer to indirect taxes like octrai, even though it is opined that the direct taxes like property tax, are suitable because of localized character. Performance of the ULBs may be measured by their capability to generate internal resources. Internal revenue generation of ULBs is very small compared to their obligations to be performed. As per 2001 figures, the revenues of urban local governments formed 3.07 percent of the resources of central government and all state governments combined respectively 57.5 percent and 39.5 percent. It was 0.63 percent as a combined Gross
Domestic Product. International comparisons of local Government revenues is given in the following table

**Table-2.7**

**International Comparisons of Local Government Revenues**

<table>
<thead>
<tr>
<th>Country</th>
<th>Local government revenues as per cent of total government revenues</th>
<th>Local government revenues as per cent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>5.21</td>
<td>0.02</td>
</tr>
<tr>
<td>Austria</td>
<td>17.43</td>
<td>0.10</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.31</td>
<td>0.05</td>
</tr>
<tr>
<td>Canada</td>
<td>12.15</td>
<td>0.10</td>
</tr>
<tr>
<td>Germany</td>
<td>13.42</td>
<td>0.10</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.58</td>
<td>0.01</td>
</tr>
<tr>
<td>South Africa</td>
<td>10.55</td>
<td>0.04</td>
</tr>
<tr>
<td>Spain</td>
<td>10.61</td>
<td>0.06</td>
</tr>
<tr>
<td>Switzerland</td>
<td>20.72</td>
<td>0.10</td>
</tr>
<tr>
<td>USA</td>
<td>15.87</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Source: Ebel (2001)

Fiscal relationship between the state governments and the urban local bodies were redefined by the 74th constitutional amendment. This constitutional amendment provides for review of the financial position of ULBs once in five years, insists on revenue-sharing between them and to explore options to the ULBs to improve their revenue base. Amendment of Article 280 and the insertion of a sub-clause (3) (c), set up of the Finance Commission, to recommend ‘measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State’, which made the provision of supplementary central assistance to the ULBs over and above the recommendations of the Finance Commission of the state.
Analysis of finances of Urban Local Bodies shows existence of huge gap between revenue generation and expenditure. Most of the revenues of ULBs used for the non-plan expenditures such as salary and they will be left with no option except to look at the State Governments for assistance. Apart from absence of autonomy in issues of tax rate settings, ULBs exhibit reluctance to determine and fix appropriate charges for their services, due to local/ political compulsions. These have created a negative impact on the resource generation capabilities of ULBs. 74 th CAA not only brought the stability in tenure, but also financial strength to the ULBs. Creation of State Finance Commissions gave way for mandatory financial devolutions to the ULBs from the States. Devolution of funds to the ULBs of Karnataka based on the recommendations of the Second SFC devolutions is as follows:

Table-2.8

<table>
<thead>
<tr>
<th>Year</th>
<th>% on NLNORR(Non-loan net own receipts)</th>
<th>Devolution Amount (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>6.0%</td>
<td>1160.00</td>
</tr>
<tr>
<td>2006-07</td>
<td>6.5%</td>
<td>1530.18</td>
</tr>
<tr>
<td>2007-08</td>
<td>7.0%</td>
<td>1904.39</td>
</tr>
<tr>
<td>2008-09</td>
<td>7.3%</td>
<td>2025.27</td>
</tr>
<tr>
<td>2009-10</td>
<td>7.5%</td>
<td>2419.68</td>
</tr>
</tbody>
</table>

Source: Directorate of Municipal administration Karnataka

2.11 Resource mobilization Options

Asian Development Bank classify the projects as (i) Non-Revenue earning and (ii) Revenue–earning.

Following is the list of Non-revenue earning sectors, subsectors, and project activities.

- **Sectors:** Accountability Improvement, Economic Corridors Development, Ecosystem Management, Environmental Improvement, Environmental Protection(acid rain), Finance, Governance and Legal Reforms, Information

- **Subsectors**: Education Skills Transfer, Judicial and Legal Reform, Labor Retraining, Land administration, Teacher Training, Women in Development.

- **Projects**: Agriculture Development, Basic Education, Civil Service Reform, Coastal Resources Management, Ecotourism, Health Services, Interregional System Improvements, Natural Resources Management, Non formal Education, Post-Secondary Education, Rural Infrastructure, Rural Poverty Reduction, Rural Productivity Enhancement, Social Sector Development, Urban Development (e.g., drainage), Urban Environment.

The following is the indicative list of revenue-earning sectors, subsectors, and project activities.


- **Subsectors**: Buses, River Erosion Prevention, Toll Roads.

- **Projects**: Electric Power, Flood Management, Grain Productivity, Irrigation, Microfinance, Road Transport, Rural Electrification, Rural Finance, Small-and Medium-Scale Enterprise (SME) Development, Urban Development (e.g., water supply), Urban SME Business Development, Water Resources.

### 2.12 Urban Services

Urbanization is associated with bundles of problems. Quality of life linked to the living conditions in the urban areas. Urban Local Bodies are finding it difficult to address the needs of its citizens. Basic infrastructure facilities need to be created to
provide services to the citizens. Even though urbanization is indication of economic growth, increase in population creates lot of pressure on the urban society, as urbanization is associated need for creation of infrastructure facilities. Study of urbanization, cities and growth should also provide interesting elements to incorporate in a discussion on the role of infrastructure policies in the context of development. Indeed, most of the development-induced processes of urbanization result in large pressure being put on local city infrastructure services. However, as stressed by Henderson (2005), formal models that endogenize transport costs and the spatial structure both across and within cities meaningfully by considering infrastructure investment are still needed. Most of the channels highlighted in the context of growth theory sustain a link between infrastructure stocks and economic growth. This is of course the case of the direct productivity channel, which capture the impact of an increase in the quantity of infrastructure capital on the productivity of other factors. Constitution seventy fourth Amendment Act, 1992 focused on and gave constitutional status to the role of municipal governments in financing urban infrastructure and services.

Report by the Central Public Health and Environmental Engineering Organization (CPHEEO), Ministry of Urban Development, Government of India Status of Water Supply, Sanitation and Solid Waste Management in Urban Areas (June 2005) states that “Providing water and sanitation to India’s millions is a challenging task. With over 20 million people without access to safe water supply and 100 million without safe sanitation, the sheer numbers indicate the massive effort required to provide these basic services to the people of the country. Just providing access, however, will not solve the problem unless the issues of quality and adequacy are also addressed. The minimum needs should be met and the quality of the services provided should be acceptable. The study was focused on three basic services - water supply, sanitation and municipal solid waste management. It covers over 300 cities and towns in the country including all metropolitan cities and selected Class I and Class II urban centres. The study covers all the states and union territories including the capitals, excepting Patna and Gandhinagar. The study was commissioned in 1999 and the data collection work took about a year. The main objectives of the study were to a) assess the status of water supply, sanitation and solid waste management; b) analyse the revenue receipts and revenue expenditure of these services; and c) estimate the
additional capital investment requirements for full coverage of population by these services from 1999 to 2022 (at five yearly intervals). The study covers the physical and financial aspects of all the three services selected for the study. A conscious decision was taken in the study to cover only the municipal area of the urban centres and not the areas falling within the jurisdiction of other authorities such as development authorities, cantonment boards, railways etc.

Overall, the study confirms the normal notion that the metropolitan cities are better provided for than the other size class of urban centres. The coverage of population with basic services is higher for metropolitan cities than for other size class of urban centres. The investment levels are higher in the metropolitan cities due to large concentration of population in them. This could be one of the reasons for more people flocking to metropolitan cities – due to better provision of basic amenities.

The water supply situation, though much better in metropolitan cities at an aggregate level, is reasonably good in many Class I and Class II urban centres too. The situation with respect to wastewater management is much worse in smaller urban centres than in metropolitan cities. A similar situation is obtained in respect of solid waste management where the metropolitan cities fare much better than the other size class of urban centres. Financially also, the metropolitan and larger urban centres fare much better than the smaller ones. However, there are large variations in the status of 3 individual urban centres with respect to these services. The study found that in some cases the smaller urban centres showed much better service provision than others. These isolated instances would be exceptions than the rule.

2.13 Challenges to Urban Services

It is observed that increasing coverage of infrastructure is not matched by improvement in the service levels. Even though the rate of growth is lesser, the size of the urban population makes the situation complex. This is causing the deterioration of services over the years. This would affect the services further. Hence service delivery cannot be treated in isolation. Services should be focused to the urban centers as they are the major revenue generating spots.
A new approach to urban governance and service delivery is essential, which can address critical institutional roadblocks such as overlapping authorities, regulation, and limited mandate. Considerable confusion exists as to the authorities responsible for each component of the service delivery process. Allowing a single agency to undertake all the activities hinders the ability of the government to set ‘outcome targets’ for the service provider and the regulator to ensure that the service provider meets those targets. Overlapping of different roles in a typical city, which showcases responsibilities assigned to various agencies.

**Fragmentation and duplication**

Service delivery is fragmented, with multiple entities involved in each service. These entities are also often accountable to different departments of the state government, which means that reform also has to involve state governments. Fragmentation of responsibility of service delivery and its duplication are common phenomena.

**Limited autonomy**

ULBs have limited influence over the key service providers in their jurisdictions. Instead, key service providers are often accountable to the state government, as they are parastatal institutions. This compromises the scope for ULBs to pursue their own goals and policies in line with their city needs. Also, the state government has to prioritize between competing needs of different urban centers within its jurisdiction and it also has a wider basket of responsibilities. Thus, urban issues, especially for non-metro cities, do not get the required attention.

**Weak links with citizens**

Due to fragmentation of service delivery responsibility, urban governance is not adequately responsive to citizens. Inclusion of state parastatal agencies in service delivery makes it even more remote from urban citizens. While the state government is also accountable to the citizens, it is far removed and, therefore, not in the same position to respond to local requirements.
The performance criteria for service bodies are not geared towards overall service outcomes, but are more concerned with internal procedures within the government structures. This situation compromises accountability. There have however been cases of consultation with citizens.

**Lack of capacity**

This problem cuts across the cities and organizations and is manifested in different ways. Some departments are understaffed whereas others are staffed with people who do not have adequate skills. Performance incentives are geared towards input controls rather than service outputs so that it becomes difficult to match people having specific skills with their functional responsibility, which would enhance services.

**Lack of incentives**

Improving services, and changing the management arrangements, requires that ULBs and service agencies view it to be in their interests to change the way they conduct business. A number of roadblocks weaken such incentives. The current fiscal approach does not require ULB service provider’s performance to be evaluated against outcome standards. There is no provision by which a service provider may be threatened with revocation of license in case of non-performance and the reissuing of the same to another service provider. The overlapping and fragmentation mentioned above also weaken the incentives for performance because service agencies, councils and others are not held responsible for specific aspects of governance, management and service delivery.

**Urban Reforms**

Streamlining of the legislative and fiscal arrangements in India across the three tiers of government is a continuous process in India. There exists a sound policy framework (74th Constitutional Amendment Act, 1992, Right To Information Act, 2005 etc.), reform led nationally sponsored initiatives (Jawaharlal Nehru National Urban Renewal Mission, National Municipal Accounting Manual etc.), instances of best practices at state/local level, and increasing demand from civil society for
transparency and reforms. However, there is a need for greater institutionalization and more visible results in the areas of PFMA in ULBs.

ULBs are governed by respective state municipal acts. While comprehensive in areas such as financial control, budgeting and audit, there are gaps in procurement, monitoring and enforcement. Since these laws were primarily directed to make ULBs accountable to the state government, they are weak on participative planning, public accountability and modern accounting, audit and management practices. Although, the legislative reform environment is positive (including a Model Municipal Law issued by the Government of India in 2003), ULBs lack in capacity.

Urban Local Bodies (ULBs), as the providers of urban services face the challenge of meeting these demands through better management of resources and identifying new and innovative sources of funding. It also requires ULBs to shift their dependence for funds from the traditional central / state government grants to the citizens (for taxes), external financiers (for borrowings) and development agencies (for soft loans). With this gradual increase in external stakeholders, ULBs cannot continue to function as closed dominions with their set systems. ULBs now need to demonstrate an efficient system of public financial management, an ability to provide cost effective services and an environment of accountability and transparency to their stakeholders. It is in this context that improved Public Financial Management and Accountability (PFMA) has become crucial not only for better governance but also for improved service delivery.

2.14 Recent Approach in Urban Water services

Karnataka urban water sector improvement project (KUWASIP):

Government of Karnataka is implemented a project called “Karnataka Urban Water Sector Improvement Project” (KUWASIP) with the World Bank assistance. This is a project for reforms in Water Sector at the State and ULB levels. The primary objectives of the project are reforms and service improvements through Private Sector Participation in water sector in Karnataka. For this purpose, three cities viz., Belgaum, Gulbarga and Hubli-Dharwad have been selected for investments for improvement of water supply services. The total cost of project is Rs.237 Crores. The project is
implemented by Karnataka Urban Infrastructure Development & Finance Corporation (KUIDFC), which is the nodal agency for implementing urban infrastructure projects in Karnataka State.

The project mainly comprises of two components viz., “Sector Development & Technical Assistance” and “Physical Investments”. Under the first component, the following studies are carried out:

- Establishment of Karnataka Urban Water Supply Council
- Review and Establishment of the Regulatory and Legal Framework
- Water & Sanitation Sector Investment & Tariff Framework
- Strengthening of Urban Water Supply and Sanitation Service delivery in ULBs
- Creation of Water & Sanitation Information system and benchmarking of service provision
- Tariff design for continuous water supply

Under the second component the following works are carried out:

- Priority Investment Works are implemented by Karnataka Urban Water Supply and Drainage Board (KUWS&DB) to increase the bulk supply to the project cities.

- Refurbishment of distribution system to transform the existing system into a 24 x 7 water supply system, which includes 2 years Operations. This component is implemented in the 5 selected Demonstration Zones, spread over the three cities by a Private Operator
Situation after implementation of initiative:

The situation after implementation of the project is as under:

Table 2.9

<table>
<thead>
<tr>
<th>City</th>
<th>Bulk Supply in MLD</th>
<th>Service Level (LPCD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgaum</td>
<td>84</td>
<td>182</td>
</tr>
<tr>
<td>Gulbarga</td>
<td>55</td>
<td>101</td>
</tr>
<tr>
<td>Hubli-Dharwad</td>
<td>113</td>
<td>125</td>
</tr>
</tbody>
</table>

There is improvement in supply of bulk water to Belgaum, Gulbarga and Hubli-Dharwad by 27 MLD, 30 MLD and 2 MLD respectively. Savings to an extent of about Rs.1.50 crores per annum is anticipated in energy charges in Hubli-Dharwad. There is overall improvement in distribution of water in the three cities.

There is continuous pressured (24x7) water supply in 5 Demonstration Zones viz., (i) Belgaum (South), (ii) Belgaum (North), (iii) Gulbarga, (iv) Hubli and (v) Dharwad, which represent about 10% population in each city.

Outputs and outcomes:

Continuous pressured (24/7) water supply has been operationalised in all the five Demonstration Zones viz., (1) Belgaum (South) (2) Belgaum (North) (3) Gulbarga (4) Hubli and (5) Dharwad during 2007-08 and the O&M period commenced from 3.4.2008 and people are getting 24x7 water supply since 2008.

Currently, there are 25000 individual house service connections (HSCs) in the Demonstration Zones and a population of about 1.80 lakhs is benefited.

The performance targets are accomplished by the operator and following are the perceivable differences in the Demo Zones, where continuous water supply is in operation.
- Per capita supply of 104 lpcd, as against 135 lpcd assumed
- Equitable water supply to all customers without operating a single valve
- Scientific pressure management without throttling the valves
- Distribution pressure ranging from 7m to 18m
- 100% metering of the customers
- Losses within the levels stipulated in the Contract
- Improved water quality
- Reliable water supply
- Improved customer satisfaction
- Customers are saving money since no pumping of water from sumps
- Improved data management – customer data base and asset database

2.15 Summary

Urbanization is an important phenomenon of Twenty First century. From an overwhelmingly rural, the world has fast transformed itself into an urban society. Urbanization is likely to “Overshadow” the other upcoming changes and transformations. Industrialization and urbanization are the twin phenomena becoming the hallmarks of independent India. There has been a large-scale migration of people from the rural areas to cities in search of jobs.

Urbanization is associated with bundles of problems. Quality of life linked to the living conditions of citizens in the urban areas. Urban local bodies created to cater the needs of the urban society, loaded with bundles of responsibilities without sufficient financial strength. Urban Local Bodies are finding it difficult to address the needs of its citizens. 74th Constitutional Amendment Act of 1992, to some extent addressed the issues of instability and poor financial strength by ensuring periodic elections and devolution of funds by the state Governments.
Basic infrastructure facilities need to be created to provide services to the citizens. Lack of funds to create the infrastructure in the absence of proper resources is of major concern. Aid from external funding agencies are definitely boon to break the vicious circle of ‘No resources-No infrastructure -No services- No resources’. Such assistance should be utilized properly, at least in revenue generating projects such as water, wherein further improvement in services against bench mark, along with increase in user network is possible. Creation of self sustainable projects are important, so that the objective of extending services to the citizens would be realized.