

Theme Paper for the
56th Members' Annual Conference

Administration of Urban Development and Urban Service Delivery

K.K. Pandey



**INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
NEW DELHI**

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**Theme Paper for the
56th Members' Annual Conference
2012**

K.K. PANDEY
(Professor, Urban Management)



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ADMINISTRATION OF URBAN DEVELOPMENT AND URBAN SERVICE DELIVERY

ABSTRACT

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This theme paper on Administration of Urban Development (UD) and Urban Service Delivery is part of IIPA's annual exercise to deliberate on a contemporary issue to examine existing status on the subject and identify issues for further discussion and dialogue by professionals, policy makers, planners, researchers and senior administrators. The paper covers, urbanization pattern and prospects, management of urban development and services, and capacity Building to identify disconnects & opportunities and points for consideration to reorient administration for more inclusive and sustainable urban growth.

This paper reaffirms that urbanization is inevitable, and is directly linked with the process of economic development. It is also noted that stage is set to experience a rapid pace of urban growth to transform India into an urban majority society sooner than expected. The preliminary results from recent census (2011) show a positive trend towards a rapid pace of urbanization indicating a highest ever increase in the census towns and reversal of decline in the net increase in the percentage point in the level of urbanization over previous decades occurring since 1981. The states with higher levels of urbanization also have higher levels of per capita state income. It is equally striking to note that twelve states and UTs have already crossed 40 per cent mark and are closely moving towards urban majority society.

The data on access to urban services also confirm that the policies and programmes on urban development and services have made positive impact. Yet, the gap in the services is fairly wide and systems and procedures associated with inter-governmental arrangements on urban development and delivery of services are fairly diverse, overlapping and weak to respond to the requirements of inclusive and sustainable urbanization. This has affected the capacity of urban local governments (ULGs) to operate as per constitutional mandate to be a vibrant democratic unit of self government. The paper in this regard notes an eleven point typology of disconnects between (i) Urbanization and Municipalisation, (ii) Centre and states, (iii) Large cities and small and medium towns, (iv) States and ULGs, (v) ULGs and partner institutions, (vi) Deliberative and executive wings, (vii) ULGs and grassroots level, (viii) ULGs and their hinterland, (ix) Municipal Service and normative basis, (x) Municipal Funds and Functions and (xi) Urban Poverty and Productivity.

The prospects of Urbanization associated with a balanced economic development across the country provide an opportunity and a second turning pointing on the urban development of Indian democracy to reorient administration to minimize disconnects with a set of points to initiate future course of action which include (i) a holistic assessment of urban sector as was done during first turning point on urban development in India 1985 (ii) corrective measures in the intergovernmental systems and procedures to more effectively respond to the requirements of urban development and delivery of services.

INTRODUCTION

There is a global consensus that urbanization and economic development are complementary to each other. Global urban population being only three per cent in 1800, 13 per cent in 1900 and 30 per cent in 1950 has crossed 50 per cent mark in the year 2007. (UN, 2007) This journey of urbanization has witnessed a rapid pace of industrialization and expansion of business, industry and trade covering a sequence from Europe to America, Japan, NICS (Newly Industrialized Countries), ASEAN (Association of South East Asian Nations), China and South Asia. This dispersal of economic activities associated with competitive edge confirms that cities and towns are specifically known for their economic function and have economies of scale and economies of settlements (Michael Cohen, 1990). It is noted that urban economies account for 55 per cent GDP in low income countries, 73 per cent in middle income countries and 85 per cent in higher income countries (World Bank, 1999, Elements for a New Strategy on Urban Development and Municipal Issues. Washington, D.C.: World Bank). Therefore, cities and towns being engines of economic growth acquire crucial role to achieve national policy objectives of a welfare state. Accordingly national policies across the board are giving emphasis on urban development and associated delivery of services and infrastructure to a cross section of households.

Inter Country Agenda on Urban Development and Delivery of Urban Services

It is also recognized that urban service delivery is an integral part of urban development and enables cities to have economies of scale and economies of settlements. Accordingly, urban policies, institutional arrangements and initiatives have developed a frame-work of urban infrastructure to produce and deliver urban services to a cross-section of consumers. The citizen focus on services has involved three main factors namely efficiency, resource mobilization and equity. Yet, the gap in the normative base of urban services has significantly increased over a period of time across the countries with a particular reference to developing economies. At the same time innovative methods for alternative institutional arrangements, new patterns of financing covering marked borrowings, PPP and community mobilization have also emerged and recognized by international community. (Pandey, 2012)

The global attention on urbanization in the current context began with the International conference on Human Settlements in Vancouver in 1977 resulting in creation of UNCHS (United Nations Centre for Human Settlements) followed by intensive activities of two decades covering inter-country research, discussions and exchange of information and knowledge on the subject. This was accompanied by similar initiatives from other partners such as UNESCAP, UNDP, UNEP, bi-lateral and multilateral agencies. This led to Habitat Agenda in 1996 and Habitat II in 2001 focusing on global urban assessment on social and economic development, governance, environmental protection, service delivery and mutual cooperation along with development of urban indicators, documentation of best practices under Dubai International award etc. At the same time couple of other initiatives such as WSSD (1992 and 2002) and MDGs (2001) and Economic Liberalization Policies across the countries also gave due cognizance to the role of urbanization in the overall context of economic development and equity. These stakeholders, by mid-nineties, came to the conclusion that (i) Urbanization is inevitable (ii) Cities and towns are engines of economic growth (iii) National issues on environment, productivity, quality of life and poverty alleviation have local solutions, and (iv) Decentralization is essential to empower urban local governments for that reason. (UN Habitat 2007)

This consensus had special relevance for developing economies undergoing a rapid pace of urbanization associated with economic development. Accordingly last two decades have witnessed special focus of national governments on urbanization and related issues. It is in this context that administration of urban development assumes special connotation with the objective to achieve decentralization, equitable and affordable access to infrastructure and services, poverty alleviation and capacity building of stakeholders at different levels of governance.

Indian Focus and Turning Point on Urban Development

Creation of a separate Ministry of Urban Development in 1985 in the Government of India (GoI), for the first time in the history of Indian democracy marked a new era of special attention on urbanization and related issues at national level. This was a result of global emphases and indigenous factors such as rapid pace of urbanization during 1971-81 and emerging public attention covering various schemes and initiatives such as Rural Urban Relationship Committee 1963, Urban Land Ceiling and Regulation Act (ULCRA) of 1977, creation of HUDCO in 1977, GoI Programmes on IDSMT, IUDP, EIUS, etc. (Box I). Another milestone of turning point in 1985 was setting up of National Commission on Urbanization (NCU) to have overall assessment of urban issues and potential strategies and creation of National Housing Bank to accelerate supply of housing.

74TH CAA – THE PHASE OF URBAN SECTOR DECENTRALIZATION

NCU report was followed by wide ranging discussions and consultation with various stakeholders at different levels of administration such as town/district/state and other interest groups. This finally led to promulgation of 74th CAA also known as Power to People. This Act aimed at creating ULGs as a vibrant democratic unit of self government and paved way for decentralization with a particular reference to:

- Constitutional recognition to Urban Local governments (by insertion of part IX A in the article 243 of the constitution of India) as third tier of government having continuity of elected body which can not be suspended but can only be dissolved subject to fresh elections within a period of six months.
- A wider representation to women and other weaker sections of society which is now extended to 50 per cent in many states from the initial provision of 33 per cent in the Act.
- Inclusion of a list of 18 functions in the schedule XIIth in the article 243W of the Constitution of India.
- Creation of wards committees (article 243S) and MPCs (Metropolitan Planning Committees) and DPCs (District Planning Committees) as per article, 243ZE and 243ZD, respectively.
- Provision of State Finance Commissions as per article 243Y to identify methods to share proceeds from state taxes/fee and overall improvement in the financial management and revenue raising powers of ULGs.

As the urban development is a state subject, the follow up was to begin with the amendment of suitable Acts in respective states. At the same time centre has taken various steps to initiate several schemes and programmes to promote decentralization and empowerment of ULGs. This decentralization has been the guiding force to firm up administration of urban development and delivery of services to achieve objectives of inclusive and sustainable urbanization. This paper is organized into inter related sections namely (i) Introduction (ii) Urbanization Process and Prospects, (iii) Management of Urban Development (iv) Management of Urban services (v) Capacity Building , (vi) Disconnects and Opportunities, (vii) Points for Consideration to promote further deliberation and dialogue on the subject and (viii) Conclusion.

Box 1**1985-Turning Point on Urban Development in India**

With the creation of first ever Ministry of Urban Development (MoUD) in the Government of India, the year 1985 marked the beginning of a new direction on urban development and related issues in India. This was a result of growing focus on urbanization and related issues which emerged due to appearance of global and Indian focus on the subject since late seventies. These include 'human settlement focus of UNCHS emanating from International conference on Human Settlements (Vancouver) in 1977 followed by preparatory work on Habitat Agenda and UNICEF, World Bank UNDP, UNEP and UNESCAP initiatives on urban poor, sites and services, environment and urbanization for regional development etc.

Within India as well, the compelling factors covered creation of Slum Improvement Boards, Housing Boards, Initiation of IUDP (Integrated Urban Development Programme) for towns with population three lakhs and more, UCD (urban community Development) Project at Hyderabad and Indore, promulgation of urban Land Ceiling and Regulation. Act (ULCRA) of 1977 and creation of HUDCO (Housing and Urban Development Corporation) in 1977. This combined with unprecedented and highest ever urban growth (46.2 per cent) since independence during 1971-81 created a pressure group to promote importance of urban issues. These events paved way to a turning point on urban development which took a tangible shape in 1985.

As a first major step in this direction, MoUD in 1985 created National Commission on Urbanisation (NCU) to have a holistic view on urban sector issues in the country and suggest a generic agenda for suitable follow up and discussion at policy level. These deliberations contributed to inter state dialogue and consensus which finally emphasized on 'Power to People' / 'Decentralization' and 74th Constitution Amendment Act was promulgated accordingly. Statement of objects and reasons of the bill which was passed as 74 CAA emphasized on a need to make ULGs a 'vibrant democratic unit of self government'. At the same time a range of fiscal, institutional and planning related actions were also taken which inter-alia included creation of National Housing Bank (NHB), Promulgation of Housing and Habitat Policy (1988) and follow up activities on 74th CAA and a range of public sector schemes and programmes aiming at infrastructure, services, poverty alleviation and specific reforms in the sector.

The first turning point has also covered a journey of good governance in the urban sector to ensure further decentralization, accountability, transparency and civic engagement. Wards committees, Area Sabhas, accounting and budgeting reforms, IT application have been initiated at different levels of application. This has shown a tripartite consensus between centre, state and ULGs to have synergy and convergence for more effective administration of urban development in Indian cities and towns.

II**URBANIZATION PATTERN AND PROSPECTS IN INDIA**

The recent census held in 2011 has placed India's urban population as 377 million persons being 31.16 per cent of total population of the country. Successive census results since independence reveal a steady growth in urban population from 17.3 per cent of India's population in 1951 to 31.16 per cent in 2011. In absolute terms the urban population has grown from 62.4 million to 377 million registering a little over six time increase in number of urban dwellers in the country between 1951 to 2011 (Table 1).

Census data given in the Table 1 present welcome trends on the process of urbanization in the first decade of 21st Century. It has recorded (i) identification of highest ever number of settlements as census towns across the country being 2774 which indicate changes in the economic characteristics of human settlements and form a basis for further development of economies of scale and economies

of settlements among the new urban centres. (ii) reversal of decline in the net increase in the percentage point of urban population over previous decade since 1981 which was declining from 3.4 in 1971-1981 to 2.4 in 1981-1991 and 2.1 in 1991-2001, (iii) 3.4 percentage point increase in 2001-2011 which is equal to highest ever increase since Independence and (iv) highest ever increase in the urban population in absolute terms being 9.1 million persons during first of the twenty first century decade.

Table 1: Urbanization in India since Independence

Table: Growth in Population - All India - 1951 - 2011						
Year	Total Population (including Assam and J & K)		Urban Population (including Assam and J & K)			Total No. of Cities and Towns (Excluding J & K from 1951 to 1991 & Assam for 1981)
	Total Population (in crores)	Decadal Growth (per cent)	Urban Population (in crores)	Decadal Growth (per cent)	Urban population (per cent)	
1951	36.11		6.24		17.3	3035
1961	43.92	21.6	7.89	26.4	18.0	2657
1971	54.81	24.8	10.91	38.3	19.9	3081
1981	68.33	24.7	15.95	46.2	23.3	3891
1991	84.63	23.9	21.76	36.4	25.7	4615
2001	102.86	21.5	28.61	31.5	27.8	5161
2011	121.02	17.6	37.71	31.8	31.16	7935

Source: Census of India -2011& TCPO, 2012

It is equally important to note that according to the recent projections by UN, India by the year 2050, will add another 497 million people in the population of its cities and towns which is more than current urban population (377 million) and will also cross fifty per cent mark during 2045-50 (UN Projections, 2009). These developments reaffirm that India is on a rapid pace of urbanization and 21st Century will see India transforming into urban majority society sooner than projected.

State wise Urbanization

The data from 2011 census also show that although the urbanization level in India is low as compared to global average of 50 per cent as recorded in the year 2007, the state wise figures of urbanization vary considerably (Annexure ñI) and also reveal that :

- (i) Eighteen states and union territories (UTs ñ hereafter referred as states) out of a total number of 35, have recorded higher levels of urbanization than the national average of 31.16 per cent.
- (ii) Western coast and south India have shown higher levels of urbanization than the national average along with NCT of Delhi, Punjab, Haryana, West Bengal and Andaman Nicobar Islands. It is important to recall that Punjab, Haryana and West Bengal have historically or periodically developed a sound industrial base to attract interstate labour force for their economic activities whereas being the National Capital, NCT of Delhi has undergone rapid pace of expansion and economic development.
- (iii) Remaining part of India covering 17 states show lower levels of urbanization in a range of 10 per cent to 31 per cent of their respective population than the national average. These include states in the northern, north-east, centre and eastern part of the country.

Urbanization and Economic Development

As globally observed urbanization and economic development are complementary to each other. The recent data on Indian status on urbanization and productivity as given in Table 2 and Figs. 1 & 2 also reaffirm the global observation. It may be observed that:

- (i) All the states except for West Bengal with levels of urbanization higher than national average have per capita net state domestic product (PC-SDP) in a range higher than the national average (Rs. 46000) of net per capita national income in the year 2010.
- (ii) Similarly states having urbanization level lower than the national average show lower levels of PC-SDP except for Uttarakhand, Sikkim, Arunachal Pradesh and Himachal Pradesh. We may recall that these states have access to rich natural resources and royalty associated with their exploitation.
- (iii) This data, by and large, also confirms that (i) cities have economies of scale and economies of settlements and (ii) economic development and urbanization are associated with each other.

Table 2: Urbanization and Productivity among Indian States

Urbanization level	States	
Higher than national average (31.15 per cent)	PC-SDP Higher than PC NNI (2010)	PC-SDP Lower than PC NNI (2010)
	NCTD Chandigarh, Pondicherry, Goa, Mizoram, Tamil Nadu, Kerala, Maharashtra, Gujarat, Karnataka, Punjab, A & N Island, Haryana, Andhra Pradesh	West Bengal
Lower than the national average	Himachal Pradesh, Uttarakhand & Arunachal Pradesh & Sikkim	Manipur, Nagaland, Tripura, Meghalaya, Assam, J&K, Madhya Pradesh, Rajasthan, Jharkhand, Chhatisgarh, Uttar Pradesh, Odisha and Bihar

PC-SDP = Per capita State Domestic Production in 2010

P NNI = Per Capita net national Income being Rs. 46,000

Source: TCPO and Economic Survey 2012

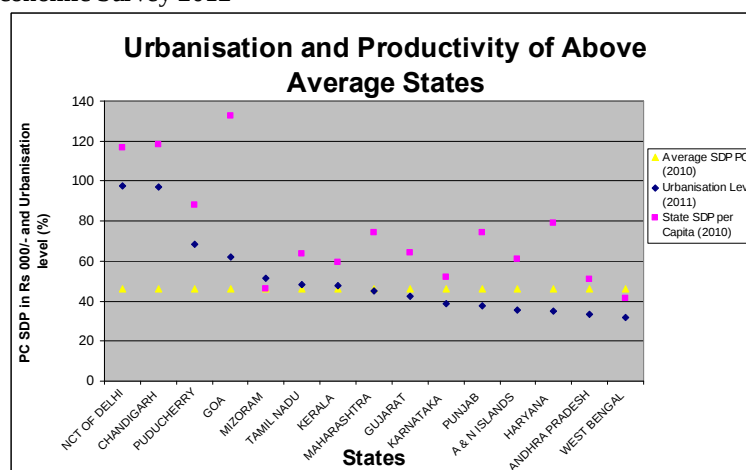


Fig. 1

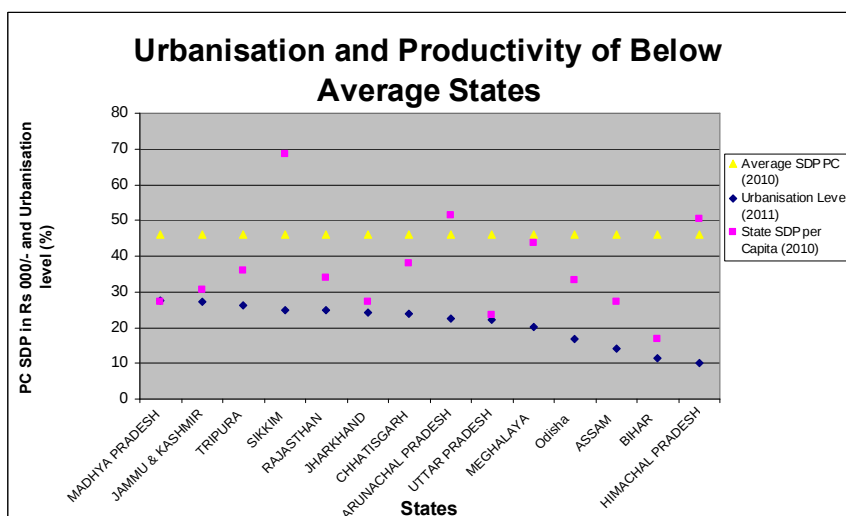


Fig. 2

Population Distribution of Metro Cities and other Towns

It is striking to note that million plus cities show their dominance in the net and proportionate increase in their population over previous decade as compared to non-metro towns. The data reveal that millions plus cities have gone up from 35 to 53 during the same period registering an increase of 63 per cent whereas other cities and towns have gone up from 5126 to 7882 recording an increase by 54 per cent during the decade. In absolute numbers the 90 million increase in the urban population in the country is distributed as 40 million among million + cities and 50 million among other cities and towns which show an increase of 33 per cent and 30 per cent respectively since the year 2001. It is equally important to note that as against the increase of 33 per cent in the population over 2001, 53 metro cities account for nearly 45 per cent of increase in the urban population of India whereas other cities and towns constitute 55 per cent of total addition in the urban population over the last census.

Table 3: Distribution of Urban Population by Million+ and other Cities

Category of Cities/Towns	Population (Million)					No. of Towns			
	2001	2011	Net increase (millions)	per cent increase	per cent Share of net increase	2001	2011	Net increase (millions)	per cent increase
Million+ cities	121	161	40	33	45	35	53	22	63
Other cities and towns	166	216	50	30	55	5126	7882	2756	54
Total urban Population/No. of towns	207	377	90	31	100	5161	7935	2774	54

Source: Census of India 2011 and 2001

Distribution of Urban Centres

Annexure III gives state-wise numbers of urban centres which include statutory towns, census towns and their distribution among respective states. It is important to note that statutory towns are those as notified by respective states and have local governments such as Municipal Corporation, Municipalities and Town (Nagar) Panchayats irrespective of their demographic characteristics. The census towns, on the other hand are identified on the basis of their population size, density and economic characteristics of labour force (Annexure II).

Population Concentration among Class I Towns/Cities

Data from Census 2011 also show that Majority of Urban Population live in Class I Cities (with a population 100000 and above). It is important to note from Table 4 that on the whole Class I towns (including million cities) constitute a vast majority (70%) of urban population whereas small and medium towns constitute only 30 per cent of population. It is noted that:

Table 4: Distribution of Population and Size of Major Categories of Towns

City Type	Nos.	Population in 2011 (Million)	Share (%)
10 Million + cities	3	48.83	13
5 to 10 million cities	5	36.2	10
1 to 5 million cities	45	73.35	19
Other Class I cities	415	105.59	28
Small & medium towns	7477	113.13	30
All	7935	377.1	100

Source: Census 2011

- There is a particular concentration of the urban population in large urban centres and existing city agglomerations (Class I urban centres with population over one lakh) accounting for 70 per cent of the urban population.
- There are large variations in the spatial patterns of urbanization across the States and urban centres.
- Metropolitan cities can be classified under three main categories namely (i) 10 million+ (ii) 5 to 10 million and (iii) 1-5 million population accounting for 13 per cent, 10 per cent and 19 per cent urban population of India, respectively (TCPO/census 2011) whereas other 415 class I cities account for 28 per cent of urban population. We may also recall that remaining 7477 urban centres account for only 30 per cent of urban population of India.
- The pattern of population concentration in large urban centres reflects spatial polarization of the employment opportunities. This needs to be diversified in a larger context of balanced regional development particularly among the states falling in the lower levels of urbanization than the national average.

Emerging Scope of Small and Medium Towns

Yet another feature of census 2011 which deserves special mention is a record increase in the census towns since Independence (1947). Data in Table 5 show that first decade of 21st Century has paved a way for massive urbanization during next few decades which will in due course transform India in to

an urban majority society. A large number of census towns across the states confirm changes in the economic character of human settlements which need to be given due cognizance while planning for development policies.

Therefore suitable economic base needs to be created among 7477 small and medium sized towns which have potential to generate competitive edge due to their access to labour force within the town and their hinterland. We may recall that these urban centres can absorb a sizable part of surplus and unskilled labour force provided their economic base is upgraded suitably. This may include arrangements for secondary education, vocational training and developing agro-based and related industries and other economics activities. We may also recall that as per Labour Report of McKinsey & Co. the Global economy in the next twenty years will add 94 million surplus and unskilled labour out of which India will constitute 47 million or 50 per cent of such labour. (Mint, 7 June, 2012) This can erode our competitive edge if corrective actions are not taken. Small towns in this regard deserve spatial dispersal of economic activities as above.

It is particularly important that some major lower per capita SDP states such as Bihar, Odisha, MP, Chhattisgarh, Jharkhand etc. (Fig. 2) have shown substantial increase in the census towns which can be used to trigger urbanization process and economic development among these states (Annexure iii). These centres should be viewed as potential focus areas to absorb future urbanization to achieve a balanced urban growth across the country.

Table 5: Increase in the Number of Cities and Towns

Year	No. of cities and towns	Net increase	per cent change
1951	3035	-	-
1961	2657	-378	-12
1971	3081	424	16
1981	3891	810	26
1991	4615	724	19
2001	5161	546	12
2011	7935	2774	54

Source: Table 1 (some towns of 1951 were declassified in 1961)

Urbanization, therefore, appears to be a positive force contributing in the process of national development. India is going to experience a rapid pace of urbanization and will become urban majority society sooner than expected. A large number of census towns and polarization of population among class I towns provide an opportunity to gear up administration of urban development towards suitable actions to achieve a balanced urban growth so that economic potential of class I (100000 and more people) and metro cities is fully utilized and spatial dispersal of economic activities is also promoted to develop small and medium towns as more effective service centres to their hinterland.

III

MANAGEMENT OF URBAN DEVELOPMENT

This section examines the management of urban development with a particular reference to (a) Intergovernmental Institutional Arrangements (b) Urbanization and Municipalisation (c) Administrative Structure of ULGs (d) Governance of Metropolitan and City Regions and (e) Fiscal Decentralization and Empowerment of ULGs.

Intergovernmental Institutional Arrangements

We may recall that urban development is a state subject as per federal structure of India. Accordingly intergovernmental roles and responsibilities are performed by a range of institutions among states and cities. At the same time Government of India under the two ministries namely - Urban Development (MoUD) and Housing and Urban Poverty Alleviation (HUPA) in the GoI carry out strategic role to guide, motivate, facilitate, engage and support inter governmental stakeholders (states and ULGs) to take suitable actions on management of Urbanisation and Urban Development. In this sense, intergovernmental institutional structure of urban governance and administration is fairly complex with the involvement of a range of institutions at central, state and local levels (Chart ñ I).

Central Level

The two ministries of GoI namely (i) MoUD and (ii) MHUPA which are responsible for urban development have different sub-ordinate offices, departments, agencies etc. with an overall focus to supplement and support the urban governance at local level through various contact points in respective state. Secretary UD is administrative in charge of the Ministry of Urban Development, GoI. Other senior positions in MoUD include one position of Additional Secretary for Estates/CPWD and Vigilance and six positions at JS or equivalent level covering (i) Urban Transport, (ii) Urban Development, (iii) Mission Director JNNURM, (iv) Delhi Division (including NCR), (v) Budget and Accounts and (vi) coordinator/public grievances. Similarly Ministry of HUPA besides the Secretary as overall in charge has one Additional Secretary HUPA and two positions of JS covering Rajiv Avas Yojana and Housing.

It is observed that Ministry of Urban Development, GoI has a significant amount of work pertaining to Delhi, CPWD, printing etc. which consume fairly good time of attention at different levels of functionaries. It is felt that there may be a separate department within the ministry or suitable alternative should be evolved to have exclusive work on UD to guide, motivate, support and engage the sector at inter-state level.

The two ministers have a range of subordinate offices, PSUs and other institutions which include CPWD, CPHE, TCPO, NIUA, CUS (IIPA), RCUES, etc. under MoUD and HUDCO, NBO, BMTPC etc. under MHUPA. (Annual Reports of MoUD & MHUPA, 2010-11). Successive studies and reports (including HPEC) have deliberated on the scope of work of the two ministries and have found considerable amount of overlapping in the functions of respective ministry. They have also suggested that there should be only one ministry on urban development and poverty alleviation or Urban Affairs. This issue needs to be re-examined taking into account recommendations of various committees with a view to have more effective coordination within GoI, with various states and elsewhere.

State Level

Similarly, there are different departments and state line agencies which are interacting at local level to create or maintain urban infrastructure and service. Unlike the centre having two core ministries on urbanization, states in most cases have more than two departments which are in one way or other responsible for various activities pertaining to Urban Development. Director, local bodies (under the Department of Municipal and Administration/Local self Government or UD) is the nodal officer to deal with ULGs on administrative matters. However, in case of Municipal Corporation the administrative arrangements are significantly different and these are, in most cases, directly supervised by Department of UD or LSG or Municipal Administration. These arrangements, however, vary from state to state. There is a view that should there be one department of urban development at state level? This needs to be examined further for a national level consensus.

Various state departments also have subordinate offices and line agencies (Parastatals) to take up tasks pertaining to (i) Finance (state Urban Infrastructure Municipal Finance Corporations, Board at

Karnataka, Andhra, Tamil Nadu, Gujarat, West Bengal etc.) (ii) Poverty Alleviation ñ State Urban Development Authority (iii) Housing ñ State Housing Board (iv) Planning ñ Town and Country Planning Department (almost all states), (v) Metropolitan Planning Committee (few states only ñ Maharashtra, West Bengal, Karnataka, Andhra Pradesh, etc.) and (vi) District Planning Committee (almost all states) (vii) Development Authorities, Improvement Trust (viii) Services ñ Water, Slum Improvement etc. by state owned PSUs or departments such as PWD, PHED etc. and Boards /Corporations. Parastatals have to continue for one or other reason. Question is whether there should be one state agency at city level or there could be more like the current system?

State departments and line agencies as above operate at state, district and town level ñ some times directly or some times through District Collector or district level specific agency which also work under the over all supervision of District Collector such as DUDA (District Urban Development Agency) for Poverty Alleviation and District Disaster Management Authority. In addition departments of Planning and Finance also have limited connection in relation to consolidation of data and allocation of funds from Finance Commissions. These departments also operate through District Collector. Therefore, it appears that District Collector plays critical role to coordinate Urban Development activities pertaining to different departments among ULGs within the district. It is further important to note that land and town planning at local level among major cities are handled by Development Authorities/Improvement Trust which are directly under Department of Housing in respective states.

Therefore, the institutional framework at state level is fairly complex, although the target group for their intervention is same i.e. ULG and city community as a whole. In this case, a bottom up assessment, participation and coordination is found fairly poor. This ultimately affects efficiency, equity, accountability and civic engagement for the delivery of urban service and infrastructure.

Local Level

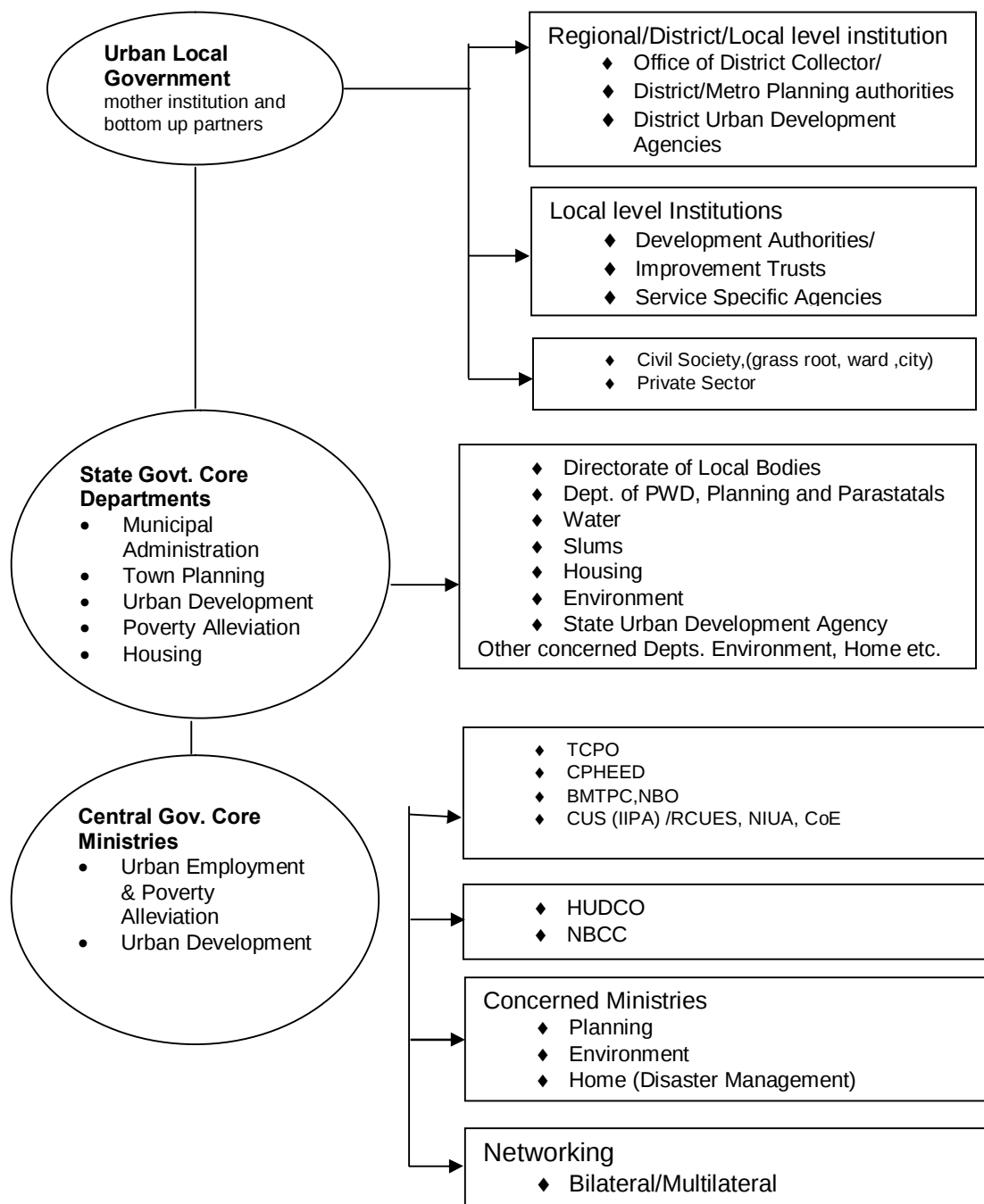
Urban Local Government is the mother institution in urban development/administration in respective city or town. Before the Independence even during the period of limited participation grudgingly allowed by our colonial masters, the municipalities and corporations were indeed in charge of cities. (Sivaramakrishnan, 2012) Subsequently, Powers and functions to ULG were devolved by respective states as per article 243 of constitution of India. However, over a period of time a number of regional/local institutions have been created by respective states to supplement and perform municipal functions as listed in schedule XIIth of Constitution. These institutions operate in the local domain of functions without having due accountability towards ULG.

The promulgation of 74th CAA initiated a process of decentralization wherein ULG was identified as mother institution at local level. Other partner institutions and stakeholders, therefore, are expected to supplement ULG efforts to have inclusive and sustainable development of respective cities/ towns. The network of partner institutions responsible for water/ sanitation, poverty alleviation, slum improvement on the other hand has made adverse effect on local governance at grass root level. It is observed that (a) ULGs do not have full control over existing city area and part of it remain outside their jurisdiction, (b) many of their *de-jure* functions and powers are exercised by state parastatals/line agencies or local level institutions and (c) their linkages with civil society and private sector are also by and large weak.

These types of institutional arrangements have contributed to a common obsession as to 'who is incharge of city' (Sivaramkrishnan 2012). This also reaffirms that the statement of objects and reasons of 74th CAA to make ULGs a vibrant democratic unit of self government has not been achieved in the letter and spirit of constitution amendment.

Inter-governmental Institutional Arrangements for Urban Development in India

Governance Level-ULGs, States and Centre



Urbanization and Municipalisation

One important barrier observed in the process of balanced and orderly urban growth is the mismatch between urbanization and municipalisation which means ñ óto make (i) into a municipality or (ii) municipal ownership or (iii) settlement as urban by competent authority (American Heritage Dictionary of English). States in India are empowered to notify census town under law as statutory town. We may recall that census town qualifies the minimum prescribed criteria of a settlement as laid down by Government of India in this regard. Further states are empowered to notify statutory towns to have a city government operational in such town (Annexure II). Accordingly states in India having regard to their municipalization characteristics notify statutory towns out of the census towns. Any other settlement having strategic importance as may be decided by states can also be declared as urban area. Similarly states also have powers to notify boundaries of respective cities and towns and frame rules to regularize illegal land sub-division or construction as per respective Acts or bye-laws.

Typology of Municipalisation

By and large, municipalisation includes four different types of activities namely (i) Creation of statutory towns (ii) Expansion of city limits (iii) Intra city transfer of colonies and assets created by partner agencies to ULGs and (iv) regularization of illegal land sub-division/unauthorized colonies and illegal construction which are hitherto outside the formal records of municipal system. We may recall that first three types of municipalisation is directly notified by respective state governments, the fourth category too is done by state with active involvement of ULGs for arranging necessary data and calculation for provision of infrastructure and services in such areas. Empirical evidence on four type of municipalisation indicates a ògo slowô approach on part of state to promote orderly growth of cities and towns. This leads to a substantial erosion of revenue base (taxes and user charges) and normative base of infrastructure and services. Almost all urban centres in the country suffer from one or other type of delays on municipalisation.

Creation of Statutory Towns

Identification of statutory towns is far below the potential for urban expansion in respective state. It may be noted from the annexure III that the slow pace of municipalisation is recorded across the states. It is particularly important to note that out of 1362 census towns in the year 2001 which form basis of municipalisation, the number of statutory towns increased by 247 towns only (some of them may not have been a census town) in 2011 which is only 17.77 per cent of census towns in 2001. It is further important to note that statutory towns increased by only six per cent whereas census towns recorded an increase of 186 per cent during 2001-11 as compared to 54 per cent increase in the total number of urban settlements (Table 6). Example of Haryana (also many others from Annexure III) needs special mention. The number of statutory towns in Haryana has declined from 84 to 80 whereas census towns have increased from 22 to 74. This confirms that states have a ògo slowô approach towards municipalisation.

Expansion of City Limits

Another related area of ògo slowô in municipalisation is expansion of city limits. The number of urban agglomerations which is a continuous urban spread covering a town and adjoining outgrowths has increased from 384 in 2001 to 475 in 2011 whereas outgrowths (OGs) have gone up from 962 to 1981 (Census results-TCPO) during the same period. These agglomerations and OGs are practically part of expanded main city. Therefore a sizeable part of these settlements deserve to be included in the jurisdiction of main town and adequate policies need to be evolved to include them in a time bound manner as soon as they become eligible to be considered so. Similarly, the status of small and medium towns in relation to expansion of city limits is no better. There is significant urban growth without suitable municipalisation among these towns.

Intra-City Transfer of Colonies and Assets to ULGs

Third important type of municipalisation is transfer of colonies/assets created by partner agencies to municipality/ULGs. It is normally observed that partner agencies (operating under the direct control of respective states) particularly development authority, improvement trusts, Housing Boards keep the developed area under their control for a quite long time or transfer them without meeting necessary commitment on infrastructure and services. However, part of O&M obligations and subsequent supply of trunk infrastructure to these areas is borne by respective ULG. The delays in transfer of such areas lead to significant revenue loss to ULGs on account of user charges and municipal taxation. This again is a nature of 'Go slow' approach on municipalization due on part of respective state.

Table 6: Increase in Number of Census and Statutory Towns

Statutory Towns		Census towns		Increase in Statutory towns		per cent of increase during the decade		
2001	2011	2001	2011	No.	per cent of Census towns in 2001	ST	CT	All
3799	4041	1362	3894	242	17.77	6.37	185.9	53.7

ST Statutory Towns CT Census Towns

Source: Annexure III

Regularization of Illegal Land Sub-division/ Unauthorized Colonies/ Construction

Fourth area causing slow municipalisation is proliferation/mushrooming of illegal land sub division/construction outside the legal framework (building bye-laws, regulations and codes). It is observed that regularization is done over a period of time without taking into account the cost on providing infrastructure and amenities in such areas. Environmental and social angles in regularized areas remain far from satisfactory to ensure, necessary circulation, school, waste collection points, preventive health care centre, space for medical centre etc. Delhi, Bangalore, Mumbai, Kolkata, etc. are live examples of this type of mismatch on municipalisation. Regularization of unauthorized colonies is a critical issue with high political sensitivity. It is experienced that Delhi has failed to recover proposed development cost and Bangalore is struggling to resolve issues on Krama Akrama.

It is therefore evident that states and other competent authorities have adopted 'Go slow' approach on different forms of municipalisation due to specific reasons and applications of municipalisation is far from satisfactory. The first two types of municipalisation are mainly guided by (i) political considerations (ii) local resistance to urban status due to possible burden of taxes and (iii) losing the benefits under rural development programmes whereas the other two show states' reluctance to loose control over land and local ignorance towards enforcement of law/ regulations within the city.

Administrative Structure of ULGs

ULGs in India have been created either by the statute itself, (Delhi Municipal Corporation Act (1957), or by the state government concerned as per specific Act in accordance with article 243 of the Constitution of India (Golandaz and Mohanty 1993). The municipal powers, authority and state government control thereon depends on the scope given under the respective Act. Subsequently, ULGs make laws that are called bye-laws within the framework of the Municipal Act for the civic governance within their jurisdiction. These are guiding factors of urban growth within the jurisdiction of a city government in India.

The three types of ULGs as indicated earlier namely (i) Nagar Panchayat, (ii) Municipal Councils and (iii) Municipal Corporations have political (deliberative) and executive wing of governance which vary from one category to other and within one category also as per necessary provision in the respective states. (We also have cantonment boards created under the Union List of the Seventh Schedule of the Constitution. These are created under Cantonments Act, 1924 which was modified and re-enacted in 2006 taking feedback from 74th CAA to improve governance of CBs. These are created by the Union Ministry of Defence. The elected represented in the boards are generally in a minority. Therefore, being a special case this paper does not deliberate on cantonment boards at much length.)

The Deliberative and Executive Wing of ULGs

The political (deliberative) wing of Municipal Corporations include the elected body, the Standing Committee, and the Mayor, whereas the executive wings comprise the Municipal Commissioner, the Deputy/Assistant Municipal Commissioner, the Municipal Engineer, Accountants and subordinate administrative staff. Municipalities and Town Panchyats too have deliberative wing covering elected body, President/ Chairman, Councilors, and the executive wing covering Executive Officer/Municipal Officer, Engineers and other subordinate staff. (Mohanty, B, 1999) The Mayor in the Municipal Corporation and the President of Council is elected by the members of ULG or directly by the people as may be the provision in the respective state.

All the three types of ULGs draw similar sets of powers as defined by respective Acts. We may recall that the state control is exercised by Directorate of Local Bodies in case of Municipalities/TPs and mostly by Department of Urban Development/Municipal Administration in case of Corporations. The Directorates exercise supervision over the local bodies and sometimes also act as cadre controlling authorities for the common cadre of municipal personnel in many states.

In order to carry out various functions, ULGs deploy staff under different departments/ sections such as Conservancy and Waste Management, Engineering, Financial Management, Audit, Public Healthcare, Education, Culture, and Revenue. In most cases staff is under the employment of the ULG, whereas some senior positions are given on deputation by the State Government. It is observed that ULGs by and large do not have requisite staff along with necessary know how and do how. Lack of specific norms and cadre at state level is a common issue for attention. Further, the availability of funds is also low to expand the staff as per requirements. Specific norms need to be devolved to create state level municipal cadres along with deployment and promotion policy and recruitment on cost sharing bases by centre and state

The Balance of Power

The balance of power between deliberative and executive wings differs from one type of ULGs (MCs) to other (Municipalities and TPs). What chiefly distinguishes a corporation from a municipality is the almost complete separation of the deliberative functions from the executive functions and vesting of all executive authority in a Municipal Commissioner, who is relatively independent of the elected body. Therefore, Municipal Corporation have wider functions and larger powers than municipalities. (Mohanty, B, 1999) However, the executive power among the Municipal Corporations vest with a bureaucrat appointed as commissioner (Jha and Vaidya, 2011) We may recall that Municipal commissioner is appointed or deputed by state out of Indian Administrative Service or respective state services. The Commissioner's powers are classified into two broad categories: those listed in the statute creating the corporation and those delegated by the Corporation or the Standing Committee. (Jain L.C., 2005)

The relationship between these two wings has been a matter of concern and discussion. People have advocated a strong or weak mayor, an independent city manager, a completely statutorily independent executive, an executive, which is wholly subordinate to the deliberative wing (Mukerji R K 1958 and

Singh UB 1997). In the light of our focus on local democracy, it is difficult to support any of these except the last one. Yet, to facilitate the implementation of these policies determined by the local government, the executive machinery should be given reasonable freedom from day to day interference and allowed to function in an atmosphere not surcharged by individual or group prejudices or whims. A certain amount of power of the surveillance over the executive machinery should vest in the statutory committee of the local government or in the Mayor/President of the local body. It is argued that there can be a political executive (as the mayor in council in West Bengal). However, what is required is to promote professional approach to municipal governance and management of service delivery under the overall leadership of an elected executive (Jha and Vaidya, 2011). But it is suggested that a limited degree of state control is also essential.

In these circumstances we have to find a suitable option to draw a balance of power between deliberative and executive wings taking into account efficiency, transparency and downward accountability in the municipal administration.

Intra-City Decentralization

74 CAA also expected intra-city decentralization to bring city administration closer to grass-root level. This includes wards committee as per article 243 S and later addition of Area Sabhas as per Nagar Raj Bill/Act at grass-root level comprising all the voters of one or two adjoining polling stations which will elect an area representative who will also be a member of wards committee. The progress of grass-root decentralization has been far from satisfactory. It is noted that Only seven states have set up wards committees (Sivaramakrishnan ñ 2011), these include more than one ward and in most cases wards committees are not linked with Area Sabhas, although 13 states have passed enabling Acts for adoption of Nagar Raj Bill/Act. There are also alternate arrangements such as Advance Locality Management in Mumbai and Mohalla Sabha in Ludhiana. However, these need to be recognized for larger adoption.

Second ARC has deliberated on the issue and observed that clubbing more than one ward is not logical and endorsed a system of Area Sabha to send representatives to ward committee (not wards committee as made by several states as per 74 CAA). This recommendation is accepted by GoI. Hopefully, the intra city decentralization will move on similar lines and also include civil society and local representatives from RWA's and other community structures to have greater synergy and convergence for bottom up planning and asset management at local level.

Intra-city decentralization is also linked with effectiveness of grievance redressal and taking the governance to the doorstep of citizens. These two assume special significance in the context of role of ULGs from womb to tomb (registration of birth and death) which include the period to consume a range of services and infrastructure during a life span. Several cities have attempted (i) one window approach for necessary approvals and convergence of various programmes and schemes at grass roots level. Mission convergence of government of NCT (also referred to Box-7) of Delhi and Saukaryam (www.gvmc.gov.in/about/web.asp) in Andhra Pradesh need special mention for wider replicability.

Urban Rural Linkages

Urban rural linkages are important across the size class of towns. These are (i) jurisdictional and distributional aspects of common concern. These include access to land, space and natural resources (water etc.) for mutual consumption. In this regard Metropolitan Planning Committees and Distt. Planning Committees were proposed as per article 243ZE and 243ZD of 74th CAA respectively. The purpose was to prepare integrated plan for the metropolitan region/district by consolidating plans prepared by urban and rural local bodies. The status of this provision on the ground is far from satisfactory. It is observed that states have adopted a 'Go Slow' on this account to continue with the existing system which appears to be more convenient to them. (Pandey et al, 20011) Only a few states have taken effective steps to MPCs such as Maharashtra, West Bengal, Karnataka and Andhra

Pradesh etc. Yet, the MPCs are either not in place or do not function as per the mandate. In this regard GoI has issued two advisories to states ñ the latest one in 2012 itself. Similarly, DPCs as created among states do not serve the purpose and have become a platform to transfer backward area grand fund.

Another area in this regard is enabling the small and medium sized towns to operate as a service centre to their hinterland. This needs more initiatives at town level in the form of services and facilities pertaining to vocational education, storage of food products, marketing facilities, banking and agro based industries etc. It is felt that the role of district collector in this area need to be strengthened to mobilize necessary projects in the rural and urban context.

Governance of Metropolitan and City Regions

As indicated earlier, larger cities (primarily the metropolitan areas) have a city region comprising of ULGs, Outgrowths and Agglomerations. Main city in such areas has the status of Municipal Corporation or municipality during the transition period from small to a large municipality. These city regions also have villages falling in the overall area of respective region. These are also prominent centres of economic growth and have international, interstate and inter divisional/district significance on promotion of economic, social, administrative and cultural activities and high stakes from a cross-section of public, private and civil society stakeholders. It was against this background that separate development authorities, parastals and line agencies were created to coordinate urban governance in a city region.

Accordingly public policies over a period a time have given special attention on administration of a city region which normally has more than one local governments. Beginning from creation of improvement Trust in Mumbai in 1898 to Delhi Development Authority Act of 1957, a number of Development Authorities / Improvement Trusts were created by respective state governments to plan for larger city regions.

Development Authorities

There are more than 150 Development Authorities, of them 35 are Metropolitan Development Authorities, and 28 Housing Boards in the country. (XIIth plan working group) They have been mandated with the implementation of the Master Plans as formulated by them or the State Town and Country Planning Departments from time to time. For the purpose, they raise resources by the sale/ lease of Land, Development charges and some fees for various approvals on proposed development. There are four modes for disposing the land by these state agencies, i.e., Auction, Tender, Firm Allotment and Allotment through Draw. DAö and Housing Boards, therefore, have access to a huge kitty of monetization of land and mobilize huge amount of money out of which no specific norms are in place to share it with ULGs.

Planning and Land Development in a City Region

Urban planning and land development are in most cases under the control of development Authorities/Improvement Trusts or state line agencies/parastatals which are under the direct control of state government. These institutions are not adequately accountable to elected body of ULGs in the respective cities.

This process separated planning from ULGs and created parallel exercise of urban governance which was largely under the control of respective state. At the same time creation of parastatals/line agencies to implement projects has diversified planning exercise into a project level. In this sense, planning is conventionally done in a top-down project based manner combined with isolation from a framework of systematic implementation (Pandey et al 2011). It is noted that:

1. Master plan prepared for the cities could not be implemented in a time bound and phased manner and therefore become outdated.

2. The City Development Plans (GDP) prepared under JNNURM are by and large consultant driven whereas some other towns have access to sectoral plans for specific services provided by respective parastatal / state level agency. These plans somehow remains detached from the 'local' components of planning and does not adequately cover local /actual priorities. The city plans are not prepared to address alternative scenario i.e. long term, medium term and short term perspective and such planning lead to project based and ad-hoc approach depending upon resources, schemes, programmes and political/bureaucratic awareness and push.
3. These projects are also not linked with systematic reduction of backlog.
4. Urban infrastructure in a city region has a value added role. The local development and state line agencies due to their land development and allocation activities have access to huge amount of funds generated through sale of land, assets and services. This is not adequately shared with ULGs.
5. Information on the activities of these Development Authorities has been limited and very few studies have covered the subject of land monetization. (XIIth Plan Working group). Specifically, no studies have looked at the potential of land as a revenue generating source in India's municipalities. As it is outside municipal functional domain, the importance of land assets in municipal balance sheets or the revenue stream from land is not assessed.
6. Jurisdiction of respective ULGs in the metropolitan area is yet another point of concern. As elaborated earlier city boundaries are not extended in line with the expansion of city. In addition, formal development carried out by planning and development agencies is not timely brought under the control of ULG although due to political pressure, urban services to such areas are provided by ULGs without having requisite funding for upkeep of infrastructure and services.

Administrative System of Metropolitan Cities

In the Indian system metro cities are broadly classified under three categories namely: 10 million plus, 5-10 million and 1-5 million cities. There is a debate that due to their economic, global and strategic significance, the administrative system of first two category cities should be the same or different than other metropolitan cities in a range of 1-5 million cities (Table 4).

The Second Administrative Reforms Commission (SARC) has also looked into the metropolitan governance and has specifically recommended a suitable institutional frame-work covering:

1. A Metropolitan Police Authority in all cities with a population above one million to oversee community policing, improve police-citizen interface, suggest ways to improve quality of policing, approve annual police plans and review the working of such plans.
2. A Unified Metropolitan Transport Authority (UMTA) in all mega cities should exist to co-ordinate planning and implementation of urban transport solutions with overriding priority to public transport.
3. For Metropolitan Corporations, with a population exceeding 5 million, Metropolitan Planning Committees (MPCs) may be constituted with the Chief Minister as the Chairperson, whereas other MPCs may have a routine structure of governance.
4. All cities with a population exceeding five million should have a Metropolitan Environment Authority to carry out environmental management within the city limits and
5. Due cognizance should be given to primacy of ULG in a metropolitan region and development authorities should be transferred to ULG or profit made by Development Authorities should be shared with ULGs.

Points suggested by SARC are also deliberated by XIII FC and IIPA study (Pandey et al, 2011) with a similar focus. These points should be suitably adapted taking into account a broader view on the importance of metropolitan areas in the process of national development.

Fiscal Decentralization and Empowerment of ULGs

Municipal governments in India suffer from a fiscal imbalance caused by their inability to raise requisite funds to provide their mandated functions. The reasons for the inability to have requisite funds are attributed to low utilization of own sources and fiscal imbalance at intergovernmental level (covering the combined revenue base and its utilization by central, state and local governments). Therefore fiscal decentralization broadly means rationalization of intergovernmental fiscal transfers and building the municipal ability to raise optimum level of funds from own sources.

Recent estimates given in the XIII National Finance Commission report suggest that barely half of the municipal expenditure is financed through own sources and size of municipal expenditure as part of GDP has declined from 1.7 per cent in 1998-99 to 1.5 per cent in 2007-2008. Share of municipal budget in the total budget of centre, states and local governments is around four per cent only as compared to 10-25 per cent share among several other countries (XIII FC, 2010). On the other hand cities contribute nearly two third of national income and an overwhelming share of taxes, fee etc. is collected from urban centers. Therefore overall economy is not financing the urban sector to its full potential (Pandey, 2011). This indicates existence of fiscal imbalance at municipal level. Fiscal decentralization as envisaged by 74th CAA and its follow up, therefore, emphasize on (i) the Mobilization of own sources to its full potential and (ii) the rationalization of inter governmental fiscal imbalance.

Mobilization of Municipal Own Sources

Successive studies on Municipal Finance have noted that ULGs fail to utilize full potential of city economy to provide municipal finance (NIUA, 1986). A recent study by IIPA places on record that municipal own sources by and large constitute only one per cent of city income whereas given a chance (with better financial management and devolution or powers to collect revenue from city potential) ULGs can mobilize as high as 6 per cent of city income. (Pandey et al 2011). HPEC (High Powered Expert Committee) report, has also given emphases on mobilization of own sources and requisite actions at state and municipal level to meet growing requirements of municipal finance. Mobilization of own sources include inter governmental actions to be taken by both the state and ULGs.

Centre/State Policy Level Actions for Own Source Mobilization

HPEC has suggested specific actions at policy level to improve financial position of ULBs. These include, (1) Insertion of a Local Bodies Finance List (LBFL) along the lines of the Union and State Lists in the article 243 X of constitution covering exclusively levy property tax, profession tax, entertainment tax, and advertisement tax and retain the whole of their proceeds. In addition Property Tax Boards being constituted as part of XIII FC recommendations will prepare a base for land based taxation which should also be included in the LBFL covering development charges, exactions, impact fee, betterment levy and valorization (wherever applicable) and (2) Enabling ULGs to raise municipal bonds as already done by several towns. These bonds can be raised as per guidelines already issued by Ministry of UD, GoI and Pool Finance Development Funds (PFDF) of GoI. The bonds could be General obligation bonds dedicated to a project (as issued by Ahmedabad) or refinancing (Madurai) or pool finance (select towns of Tamil Nadu under support from TNUDF)

Municipal Level Actions

These include mobilization of full potential of own sources covering taxes and non-tax instruments as indicated to be assigned during centre/state level actions. These can cover specific actions to be taken by ULGs.

Property Tax – The Mainstay of Municipal Finance

Property Tax is the mainstay of municipal finance and is stated to be 0.16-0.24 per cent of GDP in India (many developing countries collect around 0.6 per cent). Major factors for poor realization are low coverage and collections under the PT net. NIPFP study for XIII FC places on record the scope to mobilize Rs. 220000 to Rs. 320000 million if collection and coverage of PT are improved. HPEC and XIII FC and IIPA study have suggested specific measures on the basis of innovations in the sector to rationalize PT system. These are given in Box-2.

User Charges

User charges being collected in the country are not linked with unit cost of production. These are also not revised periodically. As suggested by HPEC user charges should be based on units cost of production whereas development charges on the unit cost of extending infrastructure to new developments should also be levied. This should also include differential pricing as per capacity to pay. HPEC report has suggested a range of actions to improve user charges which include complete listing of users/consumers, efficient o&m to minimize leakages and management tools to work out costing, pricing (differential), ABC analysis and incentives, concessions and penalties for better collection.

Box-2 Innovative Actions to Mobilize PT

- Property tax (PT) should be levied on built properties as well as vacant land
 - Property tax under ABS (Area Based System)/Capital value method
 - Vacant land tax @ 0.5 per cent of ready reckoner capital value
- Timely and periodic valuation
- Autonomy to fix rates to ULGs
- Complete listing using GIS mapping to have accurate register of tax payers/base
- Service components like water/ sewerage tax to be separated
- Setting up of Property Tax Board
- Organize collection camps/collection through vendors/Banks etc.
- Insurance cover on timely payment (as done by Mumbai)
- Attachment of bank account of defaulters (as done by Delhi)

City Resource Pool

Basically own sources are formed by a pool of beneficiaries of municipal infrastructure which is defined as City Resource Pool (CRP) as per IIPA study (Pandey, 2011). As given in Table 7 CRP utilization may include several fiscal instruments as applied by cities and towns in India and elsewhere. These attempt to raise revenue from (i) City economy, business, industry and trade, (ii) Value added role of infrastructure and (iii) Use, sale and consumption of municipal assets.

As may be seen from Table 7 several cities in India are attempting innovative instruments to utilize CRP. These need to be widely recognized. At the same time financial management system of ULGs should also be rationalized to enable them to levy innovative instruments to successfully use the optimum potential of their revenue base. (Pandey, 2011) These include DEA (Double Entry Accounting) System, participatory and performance linked bottom up budgeting, innovative auditing,

grievance redressal and e-governance along with downward accountability and transparency in the municipal governance.

Table 7: Utilization of City Resource Pool

Local Resource Pool	Suggested Fiscal Instruments
City Economy Including Local Elasticity	1. Cess (only applied at Navi Mumbai) / Local body Tax (Proposed for ULBs in Maharashtra) 2. Surcharge on Electricity consumption (Applied in Haryana, Odisha) 3. Profession Tax (Applied in Haryana, Odisha) 4. Convergence (Andhra Pradesh, Tamil Nadu, Madhya Pradesh) / Participatory Budgeting (slowly emerging)
Value Added Role of Municipal Infrastructure (Primarily Emerge from Land Value gains)	1. Tax on lands & Property (widely applied) 2. Stamps Duty (Assignment in Haryana, UP) 3. Local Area Development Tax (Haryana) 4. Valorization 5. Exemption 6. Development charges (Delhi) 7. Impact Fee (Hyderabad) 8. Transfer of Development Rights (Maharashtra) 9. Advertisement Fee (widely Applied) 10. Building License Fee (widely Allied)
Sale/Transfer/ Use of Municipal Services and Assets	1. Water charges (widely applied) 2. Individual charges on Other Services (slowly emerging) 3. Partnership Arrangements (selectively applied) 4. Using land as a Resource (selectively applied)

(Pandey, 2010)

Rationalization of Fiscal Transfers

In order to minimize fiscal imbalance at municipal level, Taxes and fee collected by national govt. and states, are shared through the mechanism of national finance commission and State Finance Commission. Recent decades, particularly after 1992, have witnessed a significant change and mark departure from past practices of revenue sharing.

National Finance Commission (FC)

Insertion of a reference under clause (c) in article 280(3) of the constitution has added the terms of reference of National Finance Commission to make recommendations regarding the measures needed to augment the consolidated fund of the states for supplementation of the resources of the municipalities. This has paved way for upward shift of transfers to states for onward transfer to ULGs. Accordingly the X, XI and XII finance commissions constituted after the insertion of above sub clause (c) have started allocation for ULGs and also increased the amount in a significant and gradual manner from 10000 million, Rs. 20000 million and Rs. 50000 million, respectively for the period of 1995-2000, 2000-2005 and 2005-2010. At the same time, these FCs also placed emphases on financial management and efficient delivery of services.

XIII Finance Commission

The report of XIII FC is a mark departure from earlier reports and has for the first time recommended share transfer from the divisible pool being a general basic grant amounting to 1.5 per cent and performance grant amounting to 1 per cent of the divisible pool. This method has increased the volume of transfers to the tune of Rs. 231110 million which is 4-5 times higher than 50000 million of XII FC. While doing so, XIII FC has quoted, 'local bodies (rural and urban local bodies) need to be supported through a predictable and buoyant source of revenue, substantially higher than the present levels, in addition to their own tax revenues and other flows from Central and State Governments. Simultaneously, local bodies should also be made more accountable in the discharge of their functions (NIUA, 2011). Their accounts and audit must be up-to-date. In order to promote efficiency and accountability, XIII FC has also recommended for an amendment of Article 280(3) (bb) and (c) such that the words 'on the basis of the recommendations made by the Finance Commission of the State' are changed to 'after taking into consideration the recommendations'..ö this was done to ensure synchronization of FC with the SFC reports. XIII FC also introduced a reform agenda to be linked with performance grants. The agenda include nine points aiming at rationalization of transfer of funds, financial management, mobilization of own sources and normative delivery of infrastructure and services (Box-3).

Box-3 **Reform Agenda of XIII FC**

- I. Accounting system of ULBs to be on Double Entry Accounting mainly based on National Municipal Accounting Manuals as prepared by Government of India. It will bring transparency in accounts along with the efficiency in the mobilization of assets/revenue.
- II. Auditing needs to be improved through assignment of technical guidance and supervision/ (T&GS) to CAG (Controller and Accountant General), office of India. It will induce fiscal discipline.
- III. Appointment of Independent Local Body Ombudsman or Lokayukta to check updation and malpractices.
- IV. Grants to be transferred electronically to ensure transparency and timely disbursement.
- V. Lay down qualifications for the members of state finance commission to improve equality and competence of SFC.
- VI. Property Tax should be levied on all properties including central/ state government properties.
- VII. State should constitute Property Tax Board to have complete coverage, lay down norms for PT system and revenue enhancement on land based mechanism.
- VIII. States / ULBs should present service standards (as 31st March) to be accomplished during the next financial year particularly in relation to core municipal services such as Water Supply, Sewerage, Storm Water Drainage and Solid Waste Management
- IX. All the towns with a population above one million should have a fire fighting service on their own.

XIII FC recommendations have started a new era of fiscal decentralization based on a proportionate sharing of the divisible pool of central revenue which will strengthen the municipal finance considerably. Timely transfer of funds, normative assessment of services, reduction in governance deficit and updating land and property records will inject more effective self governance at ULG level. It will also ensure bottom up feed back for assessment of municipal finance through timely availability of reports of State Finance Commissions. Further, these recommendations are in line with the reforms initiated by JNNURM and will also guide the agenda of future reforms to be taken in this regard.

State Finance Commissions

243-I and Y of 74th CAA made it mandatory for state governments to constitute state finance commissions (SFCs) every five years to review the financial position of the panchayats and urban local governments, and to make recommendations for the subsequent five-year period on (a) the principles to govern the distribution and allocation of the taxes, duties, tolls and fees levied by the state, and the allocation between the panchayats / local governments of such proceeds, the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the panchayats/local governments; (b) The grants-in-aid to the panchayats/local governments from the Consolidated Fund of the state; (c) The measures needed to improve the financial position of the panchayats/municipalities and (d) any other matter referred to the SFC by the governor in the interests of sound finance of the panchayats/ local governments. Accordingly states have, by and large, constituted three generations of SFCs. Many of them have also received their fourth generation of SFC reports.

Barriers of SFCs

It is observed that the recommendations of the SFCs were not uniform. Further, the SFCs have formulated the fiscal packages without access to a clear directive on the functional jurisdiction of municipalities, particularly with reference to the functions enumerated in Schedule XII of the Constitution. Absence of clarity in respect of the functional domain of municipalities constitutes a serious gap in the functioning of the SFCs (NIUA-2011). Another document has identified five main issues that will need to be addressed as the SFCs' functions mature: (Om Prakash Mathur and George Peterson, 2006). These are (i) Delays in constituting SFCs and completing the reports, (ii) Conflict of timing with CFC report (of the 25 state, only 10 were presented to the XIIth CFC, and 9 were presented to the 13th CFC), (iii) Lack of state and local data on municipal finance and services, (iv) Inconsistent analytical methodologies which fail to provide realistic assessment and (v) Ad hoc Acceptance of SFC reports and recommendations by state governments i.e. Unlike the CFC reports, the state reports are rarely accepted automatically.

Positive Impact of SFC's

Despite the above shortcomings in the system of SFCs, the implementation of its recommendations have brought a significant change in the liquidity status of ULGs and their application of funds which covers (i) There is an advance assessment of the funds to come from state, (ii) Although the methods and norms of disbursement vary from state to state, there is a normative basis in place for devolution from consolidated funds of state, (iii) There has been a quantum jump in the transfers from state and (iv) It has helped realistic allocation (budgeting) within the ULG and (v) It has also improved normative delivery of services as the reports of respective SFCs have given focus on delivery of services.

Agenda for Fiscal Empowerment of ULGs

Chief Ministers' sub-committee on urbanization, set up by NDC appointed a working group on the subject which has specifically covered fiscal decentralization and has recommended in its report a series of initiatives. These include: synchronization of FC reports with SFC recommendations, insertion of a local list of taxes, rationalization of transfers particularly part of proceeds from GST which will subsume many of municipal taxes and identification of a divisible pool at state level, optimum utilization of PT base and application of innovations in the tax system.

In addition HPEC report has also suggested introduction of formula-based sharing of the divisible pool of states with the ULBs and also grants-in-aid to ULBs from the divisible pool of state. Centre should make a suitable constitutional provision in Article 266 defining consolidated fund of state on lines similar to the consolidated fund of India. (Alok, VN 2009) Divisible pool for shared taxes should include proceeds from all taxes on goods and services levied by the state governments

including value added tax (VAT)/sales tax, stamp duty, electricity, purchase tax, luxury tax, taxes on lottery, betting and gambling, entry taxes in lieu of octroi, etc. and non tax sources such as user charges, trade licensing fee, FSI charge/Betterment charge/Impact fee/Development charge. Next FC should take a view on these issues.

The NDC-working group and HPEC have carefully examined the suggestions for suitable adaptation taking into account the functional domain and related requirements of funds at ULG level. In this regard NFC and SFC should carryout detailed assessment and identification of suitable strategy to promote liquidity and fiscal sufficiency at municipal level.

Key Issues in the Management of Urban Development

It is, therefore, evident that the systems and procedures for urban development are fairly diverse and weak to respond to the growing requirements of urbanization and institutional frame work is fairly complex with overlapping roles and responsibilities leading to dilution of the position of ULGs to operate as a vibrant democratic unit of self government. In this regard we may particularly note:

- ◆ Should there be one core ministry on Urban Affairs in the centre and states? or the current system can continue with some necessary changes.
- ◆ States have adopted a go slow approach on timely inclusion of urban growth in the system of formal governance.
- ◆ Functional domain of ULGs is not updated as per schedule XIIth of constitution.
- ◆ Should there be a separate administrative system for mega cities and other types of metros(1-5 and 5-10 million cities)
- ◆ Parastatals have to continue for one or other reason. Question is whether there should be one state agency at city level or there could be more like the current system?
- ◆ Powers and functions to deliberative and executive wings are not adequate (need suitable devolution) and lacking a balance for efficient delivery of municipal administration.
- ◆ Technical capability and deployment of staff is far below the requirements..
- ◆ The mechanism of fiscal transfers needs further improvement to have bottom up assessment and subsequent allocation.
- ◆ ULGs instruments and systems to raise funds from city economy are weak. Further devolution and capacity building is requires in this area.

IV

MANAGEMENT OF URBAN SERVICE DELIVERY

Urban service delivery determines the scope for urban governance as per the mandated functions assigned to ULGs. We may also recall that urban infrastructure provides a system for the production and distribution of services. Therefore, the two are invariably linked with each other. The following analysis examines the urban services in a wider context of (i) Institutional Arrangements for Urban Services, (ii) Normative Base of Delivery which specifically explains (a) environmental implications (b) emergence of Disaster management as a municipal function (c) Magnitude of physical and fiscal gap, (d)Emerging Pattern of Financing and Alternative institutional arrangements and (e) Urban Poverty Alleviation & Slum Improvement and (iii) Performance indicators covering recent census results on select services.

Institutional Arrangements for Urban Services

Urban services typically include a range of core municipal services and infrastructure as listed in schedule XIIth of the constitution. These include water, sanitation, solid waste management, roads and public conveniences and urban poverty alleviation and slum improvement socio-economic development plan etc. (Annexure IV) Accordingly ULGs acquire the principle role to deliver the services to a cross-section of citizens. However, a number of partner institutions have been involved in the delivery of services. These include:

- (i) State Level Water Supply & Sewerage Boards (Karnataka, U.P. etc.) or Public health / Works Departments. (Rajasthan, Maharashtra etc.) of respective states
- (ii) City level institution for water & Sewerage (major cities in UP, Delhi, Bangalore, Chennai etc.)
- (iii) Roads by Public Works Departments of state either all or partly (like Delhi)
- (iv) Poverty Alleviation by state agency (Delhi)

These institutions carry out their project work or o&m or both which ever the case may be in respective states. It is observed that quite often they are not duly accountable to ULGs and therefore, are not able to address local priorities as per requirements. However, there is a greater awareness and these functions are gradually being assigned to ULGs or they are involved in the management of partner institutions. SARC and XIII FC have made specific recommendations to minimize de-jure and de-facto assignment of functions to ULGs.

Inter-governmental initiatives for Urban Services

There have been a range of intergovernmental initiatives to expedite delivery of urban services. MoUD and MHUPA have taken several initiatives to motivate states and ULGs to upgrade services as per requirements. (Annexure V) Similarly states also have done several innovations as mentioned in the poverty alleviation section of this paper. Jawaharlal Nehru National Urban Renewal Mission is a flagship programme of GoI which is considered as most effective initiative taken in this area so far by the GoI and deserve a special mention. JNNURM tends to create tripartite partnership for the delivery of urban services. The programme was launched in 2005 for a seven year period, but owing to its importance, the JNNURM has been extended for two more years. The second phase of JNNURM is also being planned to carry forward the mission beyond the year 2014 to meet the growing requirements of urban services in the cities and towns of India. (Box 4) At this stage it is important to ascertain whether the JNNURM has been able to fulfill the inspiration of people? and what else do the expect from JNNURM and two other initiatives namely Rajiv Avas Yojana and National Urban Livelihood Mission? These questions need further deliberation at state and town level to have a bottom up assessment..

Despite the implementation of JNNURM and several other programmes at state and local level, the Gap in the delivery of urban service is fairly wide and increasing constantly.

Normative Base of Service Delivery

Successive studies on urban management have shown that the gap in the delivery of urban services is fairly wide and increasing constantly. (NIUA 1981 and Pandey 2011) Some important features of the gap are given in Box-5. It may be noted that the gap is fairly wide in each of the core (conventional) services. It is also important to mention that the gap has significant implications in terms of environmental considerations and fiscal arrangements.

The delivery of urban services therefore, has been examined under four main considerations namely (i) Environmental Externalities and Implications, (ii) Disaster Management ñ a new dimension of municipal functions, (iii) Magnitude of Physical and Fiscal Gap, (iv) Emerging pattern of financing and alternative institutional arrangements and (v) Urban Poverty Alleviation and Slum Improvement.

Box-4**JNNURM – Flagship Programme for Investment Promotion and Sectoral Reforms**

Jawaharlal Nehru National Urban Renewal Mission (2005-12) has been a most important feature since last decade to engage states and ULBs to promote investments in the urban infrastructure along with a reform package which gave due cognizance to 74 CAA and recommendations of XIII Finance Commission and Second ARC. The Mission comprises two broad segments, namely Sub-Mission (I) - on Urban Infrastructure and Governance; and Sub-Mission (II) - on Basic Services to the Urban Poor (BSUP). The main thrust of the sub-mission on Urban Infrastructure and Governance is on major infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of inner (old) city areas with a view to upgrading infrastructure therein, shifting industrial/commercial establishments to conforming areas etc. (MoUD Annual Report 2010-11) To achieve this objective, State Governments and Urban Local Bodies are required to accept implementation of an agenda of reforms. The proposed reforms broadly fall into two categories: i. Mandatory Reforms (State and Local level) and ii. Optional Reforms.

Funds have been allocated under the mission to States/UTs as per the population criteria. The criteria for allocation for Urban Infrastructure & Governance (UIG) Component are based on urban population of mission cities. Planning Commission has allocated Rs. 31,500 crore for the whole mission period i.e. 2005-2012 for all components of JNNURM and `31,500 crore (including additional allocation of `6000 crore in February, 2009) for UIG component of JNNURM for the mission period. (MoUD Annual Report 2011)

JNNURM has made a significant dent in the provision of infrastructure and services in the mission cities and other towns under UIDSSMT and IHSDP. Projects approved under the mission have crossed the total cost of Rs.1000 billion out of which a vast majority tends to cover water, sanitation, SWM, roads and related services.

Finally, it appears that ULGs are undergoing a reform process to provide services and infrastructure in a participatory manner. This has diversified their line of action and ULGs have to give more emphasis on assessment of gap, identification of partners, revenue mobilization, monitoring and evaluation of the delivery of services.

Environmental Externalities and Implications

It is equally important to recall that inadequacy in the supply of water, sewerage, roads and related services lead to a range of environmental issues, such as congestion, noise and air pollution within the city and its hinterland. Sometimes it may affect the entire economy as was noticed during the eruption of plague in Surat in late 90s which was caused by poor handling of MSW. These type of externalities are always there. Yet, they escape our attention due to their low level of constant implication.

Unscientific waste management practices are commonly noticed among our cities and towns such as open dumping of MSW without designing and construction of sanitary landfill sites, unavailability of land for locating landfill sites, increasing amount of e-waste without proper segregation and disposal facility, open dumping of Industrial/Hazardous waste within city limits etc. Some important environmental externalities are given in Box-6.

At the same time, it is also recognized that ULGs have to play coordinating role to promote safe environment. We may recall that after Surat episode, the Municipal Corporation took special initiatives and Surat was declared cleanest city in India and also got UN award for best practices under Dubai International award of UN Habitat. Energy efficiency and safe disposal of hazardous waste are two important areas for municipal intervention. In this regard, energy Conservation

Building Code (ECBC) and End of use disposal norms for electronic waste as prepared by ministry of Environment, GoI are emerging as two important areas of municipal actions in near future.

Box-5 **Gap in the Delivery of Urban Services**

Water Supply

- Only 74 per cent of urban households are connected to piped water supply (65th round of NSS; 2008-09).
- Most cities do not have 24x7 water supply.
- Leakages on account of water are fairly high being in a range of 40 to 50 percent
- 80 per cent of the current distribution network in the cities needs to be replaced for delivering continuous water supply and industrial demand for water for cities above 500,000 population is assumed to be at 20 per cent.

Sanitation

- As per sanitation rating of 423 class I cities done in 2009-10 (MoUD, GoI), only 39 cities qualified on 3 basic water quality parameters of turbidity, residual chlorine and Thermo Tolerant Coliform bacteria
- It is noted that Installed sewage treatment capacity is only 30 per cent (as per Central Pollution Control Board Report 2009). The capacity utilisation is around 72.2 per cent, which means that only about 20 per cent of sewage generated is treated before disposal in most of the cities and towns.

Solid Waste Management

- According to the CPCB Report 2005, about 1,15,000 MT of municipal waste is generated daily. Collection performance varies from city to city to the extent of 50 to 75 per cent of generation.
- Staff deployed to manage SWM is also fairly low as per requirements.(1as compared to 3-5 per thousand population)
- Down time of municipal fleet is 3 to 5.
- Scientific disposal is only around 10 per cent of solid waste collected.
- Disposal of solid waste is largely done through open dumping.

Municipal Road, Transport and Related Services

- Condition of municipal roads in terms of regular maintenance and repair and access to support infrastructure is fairly poor. This includes footpath, foot over bridge, bypass fly over, relief road etc.
- Provision of open spaces, public conveniences, and community services, such as parks, playground, stadium, burial ground, and crematorium is far from satisfactory.
- Public transport accounts for only 22 per cent of urban transport in India, compared with 49 per cent in lower middle income countries (e.g. the Philippines, Venezuela, Egypt) and 40 per cent in upper middle income countries (e.g. South Africa, South Korea, Brazil). Out of 423 class I cities only 65 cities have a city bus service. (NDC Report, 2011)

Box-6**Environmental Externalities**

- Water and air pollution leads to water borne and communicable diseases.
- Unsafe disposal of water affect the downstream users of water and agricultural production. In absence of proper storm water drainage facilities, often sewer lines carry storm water too during monsoon & resulting in inefficient treatment in STP. The contamination of water supply sources due to waste from industries, drains and solid waste lead to water borne diseases.
- Groundwater quality deteriorates due to the discharge of untreated industrial effluents, urban wastewater, over use of pesticides by irrigators and seawater intrusion either directly from casual disposal or indirectly as seepage from treatment lagoons or infiltration from surface watercourses of canals.
- Open dumping of MSW without sanitary landfill increasing amount of e-waste of Industrial / Hazardous waste within city limits lead to serious health implications.
- Urban flooding is a relatively new dimension of urban environment caused by unplanned expansion of a city region.

Disaster Management – A New Dimension for Municipal Functions

It is now recognized that state and district level disaster management authorities working under close interaction with National Disaster Management Authority (NDMA) have to closely coordinate with ULGs. In this sense disaster management has also emerged as a new focus area of municipal actions. Fire fighting, flooding and earthquake are some of the areas in which ULGs can initiate best possible actions. Therefore, there is a need to develop disaster management as an independent municipal function. Accordingly municipal governments should carry out vulnerability assessment and necessary precautions to take actions. In this regard, building byelaws, rules and regulations will also require suitable amendments.

XIII FC has already recommended some actions such as fire fighting system for towns with more than one million population. Similarly, NDMA has issued guidelines on urban flooding which will be implemented by ULGs. Further ULGs can also prepare Vulnerability index/mapping for the areas within their jurisdiction and also plan suitable action plan accordingly. It will include manuals (floods, earthquake, fire etc.) as per policy of DDMA/SDMA. In this regard state training institute as in Rajasthan can play important role to handhold ULBs for more effective disaster management (Rakesh Hooja, 2011). These initiatives need to be consolidated further to draw a more effective line of action at municipal level.

Magnitude of Physical and Fiscal Gap

According to High Powered Expert Committee Report (HPEC) requirements of funds for urban infrastructure (covering investments and o&m) are as high as Rs. 59 lakh crores at 2010 prices to provide the infrastructure during next 20 years (2012 to 2031). (Annexure V). In addition, the McKinsey Global Institute (MGI) reports also estimate massive potential for urban sector funding to the tune of over Rs. 91 lakh crores (US \$ 2.2 trillion at 2010 prices). These requirements of funds work out to be in a range of Rs.2800 billion to Rs.4500 billion per annum at 2010 prices.

MGI report identify the massive need for core municipal infrastructure (water, sanitation and solid waste management) and 700-900 million sq. ft. for commercial and residential space, pavement of 2.5 billion sq. mtr. of roads, 7400 km subway etc.

Can the Country Afford Funding of Urban Infrastructure and Services

Currently 1.5 per cent of GDP is available for urban infrastructure (XIII FC) whereas additional requirements of Rs. 2800 to Rs. 4500 billion would mean nearly four per cent to six per cent of GDP.

This also means over two to four times increase in the current size of municipal finance in the country.

We may recall that municipal infrastructure and services have high externalities and multiplier effect on economy and income generation. The Economic Rate of Return (ERR) of these projects is fairly high (World Bank, 95). It is also recently estimated by a World Bank study in 2010 that deficiencies of Water, Sanitation and Solid Waste Management lead to a loss of 6.4 per cent of GDP in India, out of which the urban areas constitute the loss to the tune of two third of total GDP loss.

Therefore, investment in the infrastructure and services will pay back in the increase of GDP which will be significantly more than the proposed size of investment from our economy. Thus, it appears that the country can certainly afford additional funding of municipal infrastructure and services to have larger and long-term gains in the social and economic development of Indian society. However, the requisite funding can not come from conventional sources alone. It is in this context that a new pattern of financing the infrastructure and services is gradually emerging.

Emerging Pattern of Financing and Alternate Institutional Arrangements

In view of massive requirements of the funds by any standards, the recent work on urban infrastructure and services, has suggested that a quantum jump in the volume of funds is not possible from conventional sources alone and a range of other options need to be applied to tap full potential of economy for funding the necessary upgradation. In this regard, it is suggested to expedite non-conventional sources of financing and alternative institutional arrangements such as (i) Land based Financing, (ii) Public Private Financing/partnerships and (iii) Mobilisation of Community Resources. These are over and above the efficient mobilization of own sources and rationalization of fiscal transfer which are already covered in the preceding analysis.

Land Based Financing

Land based financing has been categorized into four categories (Peterson G) namely: land lease/sales, density authorization, land asset management and developer exactions. In this regard, working group for XIIth Plan for financing infrastructure has concluded that :

- Land sale/ lease has been used quite frequently in the country with state agencies effecting the transition from agriculture to land for various developments in the urban areas.
- Density authorization has been difficult in India as the incidence of the exaction does not have the requisite opportunity for collection. However, pricing of FSI is successfully used in a couple of states without having replicability in a larger sense.
- Land asset management has not been effective in our context as the valuation of land assets is neither determined nor updated in a systematic manner.
- Developer exactions in India have largely been low and have failed to provide for enough for the development and operations of supporting infrastructure.
- In this context, it is relevant to examine what are the issues affecting the monetization of land for urbanization and seek directions to address the same using case analyses.

ULG's should play coordinating role in the land based financing and Development Authority, private sector etc. should be used as a partner to achieve the objectives of delivery the services and monetization of land.

Incidence and Typology of PPP

PPP Projects for infrastructure services are classified into four broad categories (i) Projects (generally BOT Concessions) that are free standing, usually based on levy of user fees (or paid out of savings in costs ñ street lighting projects, for instance), sometimes combined with a real estate sweetener or viability gap funding (VGF), (ii) Revenue linked to a performance based unitary charge (tipping fee

or access charge based) with a minimum throughput assurance (use or pay), (iii) Revenue linked to a performance based periodical payment (annuity payment) and (iv) Models where there is little or no investment by the private sector, but are designed to bring in efficiency improvements to the system ñ for instance management contracts. (HPEC report)

In recent years, couple of PPP models (over the last decade) have been commonly used among several Indian cities to accelerate supply of urban infrastructure and services with a particular reference to water supply and distribution, solid waste management, urban transport ñ bus services and rail systems, parking and transport infrastructure like multi-level car parks, bus terminals and bus shelters. Yet, it has been limited success and experience is emerging gradually (HPEC, 2010). The commercial viability of these projects is not by and large high. Yet due to their relevance in the socio-economic context and externalities, these are bankable projects in the overall framework of municipal finance.

Scope and Agenda for PPP

PPP is supposed to improve efficiency and mobilization of resources. However, the role of ULG does not minimize. Decentralisation and attempts to finance municipal infrastructure through non-conventional means should be accompanied by stronger project preparation and development capabilities of local governments. (Alam Munawwar, 2010) It undergoes a diversification covering unbundling of services, identification of suitable mode for partnership, selection of partner (bidding process), designing and signing of MoU/contract and enforcement of regulations to ensure equity and delivery of service as per intention (Pandey KK, 2002). In this regard Second Administrative Reforms Commission suggested (a) A need to have an unambiguous PPP Policy at state level, (b) Preparation of PPP Toolkits (c) Setting up PPP Funds for Project Development and providing VGF (the Govt. of India facilitates process by providing part equity in the State PPP Funds).

Community Resources

As the PPP, community resources also have vast potential to supplement ULG as partner of urban infrastructure delivery. These are used as (i) Financial Contribution, Management Responsibility and Labour. (Pandey, 2012) It may include:

- (i) Financial Contribution from Civil Society Business, Industry and Trade particularly with a reference to consumer surplus and profits. (Parivartan Ahmedabad, Janambhoomi in Andhra Pradesh, Namakkunname Thettam in Tamil Nadu etc.)
- (ii) Contribution by individuals as successfully attempted by cities under Janambhoomi in Andhra Pradesh and creation of public assets in Indore (Pitra Parvat, tree plantation on birthday, anniversary etc.)
- (iii) NGO, CBO and Local Community can also look after services and infrastructure. (Examples ñ RWAs among several cities)
- (iv) Labour for the provision of services and infrastructure including shelter on the basis of self help and incremental approach in the low income areas (BSUP and RAY Projects).

There is a need to recognize community resources as a source of revenue/funds. However, ULGs, have to spare funds as seed capital to stimulate stakeholders to spare funds as above.

Urban Poverty Alleviation and Slum Improvement

On the eve of independence, late Pt. Nehru, our first Prime Minister and First President of IIPA, in his famous speech *ótryst with destinyô*, reminded the country that the task ahead included *‘the end of poverty and ignorance and disease and inequality of opportunity’*. Similarly, the recent Rio+20 summit (June 2012) has *identified poverty as one of the most important global challenge and a barrier to promote sustainable development*. Accordingly, the Rio + 20 declaration ñ *‘The future we want’* has specifically included the poverty alleviation as its focus area on 23 June, 2012 (ToI 24 June, 2012).

Urban Poverty and Slum Improvement are important part of municipal functions as per schedule XIIth of article 243W of constitution. These are (in addition to livelihood creation) also closely linked with access of core municipal services to low income urban population. The two are not synonymous but closely linked with each other. We may recall that all the urban poor do not live in slums but most of the slum dwellers or almost all are poor in terms of economic or non-economic indicators of urban poverty.

We may also recall that as per recent estimates 91 million urban residents are living in slums which work out to 24 per cent of total urban population. We may also recall that 27 per cent of India's poor reside in urban areas estimated to be 8.08 million in the year 2004-05. (Mehta Aasha Kapur, 2011) We may also note that urban poverty is not confined to slums only. There are slum like situations which commonly prevailing in the areas under illegal land sub-division among major cities and majority areas from small and medium towns. Urban poverty need to be viewed accordingly. It may be noted from Table 8 that although in proportionate terms poverty is declining, the magnitude of poverty in absolute terms is fairly high.

Table 8(a): Number of Persons below the Poverty Line in Urban & Rural Areas

(in Lakhs)

Year	Urban	Rural	Total
1973-74	600.46	2612.90	3213.36
1983	709.40	2519.57	3070.49
1999-2000	763.37	2440.31	3203.68
2004-05	807.96	2209.24	3017.20

Source: 11th FYP: Planning Commission, 2008:407

Table 8 (b): Headcount Ratio of Persons Living Below the Poverty Line in Urban & Rural Areas

Percentage

Year	Urban	Rural	Total
1973-74	49.0	56.4	54.9
1983	40.8	55.7	44.5
1999-2000	32.4	37.3	36
2004-05	25.7	28.3	27.5

Source: 11th FYP: Planning Commission, 2008: 100-103

Dimensions of Urban Poverty, Relative Poverty

Urban poverty is multi-dimensional in nature and can be viewed on different indicators such as: inadequate provision of basic services (housing & shelter, water & sanitation, sewerage & drainage) and social security and vulnerable groups like women, children and aged people. These dimensions are categorized as (a) Residential Vulnerability (shelter, house and basic services); (b) Occupational Vulnerability (livelihoods and dependence on informal sector); and (c) Social Vulnerability (health, education, social security, etc).

There may be difference of opinion about size of urban poverty as per different methods. Yet, there is a consensus that non economic criterion are important bases to design poverty related schemes and

assistance. Accordingly various schemes are giving due cognizance to alternate methods such as occupation (rickshaw puller, single women) residence (slums) and social status in terms of education, health and living environment. Further, poor are also identified in terms of discrimination, social exclusion, violence, and insecurity of tenure. It is also noted that urban poor and slum dwellers constitute 25-65 per cent of the city population but occupy only 3-5 per cent of city land space. (MHUPA) Another indicator of relative poverty is population living below the average monthly per capita expenditure which varies among Indian states in a range of 60 per cent in Meghalaya to 70 per cent in Uttar Pradesh as per Key Indicators of Household expenditure in India, CSO (Times of India, April 29, 2012).

It is significant to note that larger cities have higher concentration of slum population, while smaller cities too have higher incidence of slum like spatial conditions. Several states like Bihar, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh, and Chhattisgarh, display higher incidence of urban poverty (Annexure VII) despite lower levels of urbanization, higher IMR, lower life expectancy, and lower GDP/per capita (NDC sub committee). It is also noted that access to services show a great deal of variation between notified and non notified slums. one reason could be the better access to formal sector initiatives among notified slums. (Shamik Chowdhury et al.) The urban poverty and slums therefore are a major challenge to make the cities inclusive and sustainable.

Inter-Governmental Intervention to Engage ULGs for UPA

In view of the role of urban poor in the social agenda of national development, competitive edge of cities and towns and their contribution in the social life and productivity of city, national and state governments have given special attention to supplement local initiatives on poverty alleviation and related issues. Therefore, various policies have focused on employment creation, slum improvement and better access to basic services.

GoI Initiatives

GoI Initiatives in this regard cover actions on income generation and employment creation, and improved access to shelter and services. UBS (Urban Basic Services programme) was launched in selected towns in early 80s with the support of UNICEF, with an aim to cater to the basic needs of urban poor. Subsequently two schemes were taken up, namely The Nehru Rozgar Yojana (NRY), 1989 for employment and livelihoods promotion; and The Urban Basic Services for the Poor (UBSP), 1990, which was a modified UBS Programme to create multipurpose community structure. These community structures were expected to ensure their effective participation in developmental activities. National Slum Development Programme (NSDP) was started in 1996, covering physical infrastructure like water supply, storm water drains, sewer, community latrines, widening and paving of existing lanes, street lights etc. and social infrastructure pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunization etc.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was launched in 1997 to subsume existing schemes like NRY, UBSP and PMIUPEP etc. Finally, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) a flagship programme of the GoI, was launched in 2005. Rajiv Awas Yojana is a recent initiative which is attempting a slum free city approaches taking into account whole city approach. The RAY is covering pilot towns in the first phase to produce a model for wider application. Most of the important cities are covered under RAY.

State Initiatives

Urban poverty alleviation has been included in the XIIth Schedule of constitution. Yet, due to historical reasons most ULGs do not have financial and technical resources to provide basic services or undertake comprehensive poverty alleviation programs. (NDC-sub-committee, 2011) Therefore in line with GoI initiatives various State governments have also evolved innovative solutions to urban

poverty at grass root level. These are based on convergence and synergy of resources to develop solutions on income generation, employment creation and shelter and related services.

Some of the key state initiatives include (1) Mission convergence in Delhi, (2) kudumbshree in Kerala, (3) Mission for the Elimination of Poverty in Municipal Areas (MEPMA), Government of Andhra Pradesh, (4) Rajasthan Mission on Skill and Livelihoods (RMoL) and (5) Livelihood Generation Initiatives by Government of Gujarat (UMEED). Specific features of these are missions are given in Box-7

Financial Inclusion – Banking Services and Assets Creation

Financial inclusion of urban poor is also emerging gradually as a strategy of poverty alleviation. Evidence from RBI suggests that the coverage of financial services in terms of bank accounts stand at 39 per cent for rural areas, and 60 per cent for urban. This implies that 40 per cent of adult Indian urban population has no access to a bank account. In this regard, several institutions have taken initiatives over a period of time such as the SEWA Bank and SEWA Mahila Housing Trust models, AWAS in Bangalore and the SPARC ñ NSDF models in the not for profit sector, recently a number of Micro-Finance Institutions as well as a handful of Housing Finance Companies have entered the field. (Report of NDC sub-committee, 2011)

RBI has also issued guidelines to the banks to allow no-frills accounts to permit poor with zero balance. RBI Governor has clearly instructed the banks that "No-frills/cs aren't a nuisance" (TOI July 7 2012). It is mentioned that it is not an obligation on part of banks but should be seen as an opportunity to build fortune at the bottom of the pyramid. These efforts on financial inclusion are supply side actions. In this regard RBI Governor also emphasized a need to build demand side initiatives simultaneously along with supply side. Demand side initiatives will cover financial education on role of savings, credit and insurance in the livelihood of urban poor. ULGs can play important role to promote financial education through community structures to include urban poor in the formal system of banking. UID scheme will further facilitate KYC for financial inclusion. In this regard idea is to include poor in the mechanism of formal credit, insurance and savings.

Housing for Asset Creation

Yet another step in this regard is asset creation through formal credit mechanism (AK Sen, 2011). Housing has emerged as an important asset to cover urban poor to acquire shelter, services and also home based economic activities (HBEA). Some important initiatives include:

1. Affordable Housing Finance from Housing Finance Companies (HFCs) & Micro-Finance Institutions; NGOs like Rastriya Mahilla Kosh; Government of India programmes like "Affordable Housing in Partnership" Scheme, Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Rajiv Awaas Yojana (RAY), etc.; and
2. Gap Funding & Loans at cheaper interest rate financed by HUDCO.
3. "Interest Subsidy for Housing the Urban Poor (ISHUP)" where interest subsidy of 5 per cent for a loans upto Rs. one lakh is given.
4. Credit Risk Guarantee Fund Trust (being operationalized by the GoI) as a risk-mitigant measure for banks to provide loans to economically weaker section population.
5. Union Budget 2011-12 had announced 100 per cent Income Tax exemption on "Capital expenditure" made by developers for constructing slum & affordable housing under section 35AD of IT Act.

Despite these efforts, urban poverty alleviation is an important unfinished agenda to achieve inclusive growth. It is noted that a large number of urban poor is not included in various initiatives due to their inability to qualify eligibility criterion to join formal system of land, housing, Income and employment generation. ULGs in this regard, have to play coordinating role to become a focal point for convergence and synergy of various programme and make available a realistic data at grass-root

level to identify poor under alternate methods. ULGs intervention is also needed to create community structures at grass-root level to have bottom-up participation in the poverty alleviation initiatives. At the same time ULGs have to ensure equitable access to water, sanitation, solid waste collection system, community services and amenities.

Performance Indicators on Select Urban Services

Govt. of India has engaged State Govt. and ULBs to initiate several programmes and schemes to upgrade levels of urban service delivery including services and shelter to urban poor.(Annexure VI) Many of these are explained earlier as part of poverty alleviation. JNNURM has been the single most important driving force on upgradation of urban service delivery. Total investments under the programme have crossed Rs. 100000/- crore (1 crore is equal to 10 million) out of which vast majority covers the provision of core municipal services. (MoUD)

Upward Shift in the Access to Services

It is striking to note that access to services due to specific initiatives as above is showing upward trends indicating positive impact of the schemes and programmes adopted by the government during last one decade to 15 years. The 2011 data from census of India shows significant improvement in the access to tap water (69 to 71 per cent), bathing facilities without the premises (70 to 87 per cent), drainage connectivity (34 to 44 per cent) and latrine without premises (74 to 81 per cent) during 2001 to 2011. This refers to programmes and initiatives on housing, slum improvement and core infrastructure for water, sanitation and solid waste managements.

Table 9: Access to Water and Sanitation (per cent)

Year	Tap Water access	Bathing facilities with in premises	Drainage connectivity		Latrine without premises
			Closed	Open	
2001	68.7	70.4	34.5	43.4	73.7
2011	70.6	87.0	44.5	37.3	81.4

Source: Census of India 2011, Housing Household Amenities and Assets, RGI, New Delhi.

At the same time it is equally important to recognize that the gap in the services is still fairly high. 31.4 per cent urban households do not have access to tap water, 13 per cent do not have bathing facility within premises, 54.5 per cent do not have access to closed drainage system and 18.6 per cent do not have access to latrine within premises. Similarly 30-50 per cent garbage remains uncollected and only 10-15 per cent garbage is scientifically treated. (Table 10)

In addition to these quantitative parameters, qualitative aspects on service deficiency which is also linked to safe environment and climate change and has high externalities (on health, pollution and quality of life) further add to the seriousness of situation. Water quality due to inadequate O & M of distribution network, poor condition of roads etc. is far from satisfactory. Safe disposal of sewerage most cases is fairly inadequate. Upkeep of latrines within premises particularly among low income clusters (slums/squatters) is also fairly poor (Table 10).

Therefore, it appears that agenda to provide infrastructure and services is still fairly large and the policies and programmes need to be reviewed to include contemporary focus covering poverty alleviation, energy efficiency, resource conservation etc.

Box-7

Some Important Initiatives on Urban Poverty Alleviation

NCT Delhi

- Mission Convergence called Samajik Suvidha Sangam to converge various welfare entitlement schemes and services to reach the poor through a single window system in a hassle free manner. Samajik Suvidha Sangam is the interface between departments, DCs office and Nodal Agencies and NGOs. It is based on converging welfare programmes of ten government departments such as (1) Health & Family Welfare (2) Education (3) Women & Child Development (4) Social Welfare (5) Food and Supplies (6) Labour Welfare (7) Urban Development (8) Revenue (9) SC/ST. Welfare and (10) Information Technology. The mission brings together a synergy for effective application of programmes.

Kerala

- Kudumbashree of Kerala aims to eradicate absolute poverty through concerted community action with the involvement of ULGs. It is one of the largest women's movement in Asia, with nearly, 37.37 lakh poor families brought under the community based organisations (CBOs) consisting of 2.05 lakh Neighborhood Groups (NHGs), 17,578 Area Development Societies (ADSs) and 1,061 Community Development Societies (CDSs) both in rural & urban areas. Kudumbashree organizes community for self employment, health, housing, social services, education etc. The Mission has mobilised a sum of **Rs. 1688 crores** as thrift and disbursed loans amounting to **Rs. 4195 crores** to the members of NHGs, and assisted more than 25 thousand women to establish their individual enterprises in urban areas.

Andhra Pradesh

- Andhra Pradesh Urban Services of the Poor (APUSP), addressed the challenges of municipal service delivery in 42 class 1 towns to improve livelihoods and access to basic services for about 3 million poor people in the slums of Andhra Pradesh. The State Government of Andhra Pradesh scaled up APUSP reforms across the state through creation of a **Mission for the Elimination of Poverty in Municipal Areas (MEPMA)** to converge of various services targeted towards the urban poor (Youth welfare, Minority, BC, SC, ST, Labour, Health, Women & Child welfare, Civil Supplies, RAY, Street Vendors Policy etc.). The progress under this Mission has been remarkable and nearly, 25 lakh members are involved in 2.5 lakh Self Help Groups spread across all the municipalities in the State. 90 per cent percent of the urban poor living in 7520 Slums in the State have been organized into SHGs. Bank linkages of **Rs. 1481.08 crores** have been established. Around 5100 micro-enterprises have been grounded.

Rajasthan

- Government of Rajasthan has initiated 'Rajasthan Mission on Skill and Livelihoods (RMoL)' which aims at creating a large number of livelihood opportunities for the poor, increasing labour force and to increase the income levels of working poor in the state. The mission runs on a Public-Private-Partnership mode, and synergy with various government departments such as Technical Education Department, Fisheries Department, Agriculture Department Labour and Employment Department, as well as with NGOs and other national and international organizations.

Gujarat

- UMEED is a part of Rs 13,000-crore *Garib Samruddhi Yojana* of the Gujarat Government. The program aims at achieving sustained reduction in the vulnerability and poverty of the poor. In 2005, SAATH partnered with Ahmedabad Municipal Corporation and American India Foundation (AIF) to pilot an innovative employability-training program called 'UDAAN', aimed at underprivileged youth ages 18 to 35 years. UDAAN successfully trained and placed over 900 youth in service sector domains like customer relations and sales, hotel management, bed side patient attendant, and others. After the successful pilot of UDAAN, on recommendation of the Government of Gujarat to replicate the program across all major towns of Gujarat, it was renamed 'UMEED'.

Table 10: Normative Backlog in the Infrastructure and Services

Items	2011	Qualitative Aspects
No access to tap water	31.4 per cent	Poor quality water Better of use their own cleaning system
No bathing within premises	13.0 per cent	Unsafe living/prone to infection Weak individual hygiene
No access to closed drainage	54.5 per cent	Poor sanitation High infections Weak public hygiene and health care
No latrine within premises	18.6 per cent	Weak public health care/hygiene Social security issue
Solid waste collections	40-60 per cent	Air pollution Sludge formatting water pollution Health implications
Safe disposal	10-15 per cent of solid waste collected	Ground water pollution Air pollution (Methane)
Conditions of Roads	Predominantly Break down maintenance	Leads to congestion, Wastage of fuel, Air Pollutions etc.

Source: Census of India 2011, Housing Household Amenities and Assets, RGI, New Delhi.

Key Issues in the Delivery of Urban Infrastructure and Services

This is striking to note that the delivery of services and infrastructure in our cities and towns is undergoing gradual improvement. However, the gap in the supply is fairly wide and the implications thereon are also fairly diverse. We may particularly note:

- (i) Efficiency (in the system of delivery) is reasonably low combined with the mismatch between the supply of resources (financial) and their demand.
- (ii) The implications of low efficiency are particularly high among low income households and poor belonging to slums, squatters and other low income areas.
- (iii) The equity as per (II) is directly linked with poverty alleviation which it self is a prominent municipal function as per schedule XIIth of constitutions. Slums and poverty are closely linked with each other .but, poor are not confined to slums only. Therefore, whole city approach is needed to deal with urban poverty in a comprehensive manner.
- (iv) Conventional resources are shrinking leading to under financing by the economy which also affects the productivity of economy as well. This needs to be reversed.
- (v) In this context, a new pattern of financing is emerging which include several non-conventional sources such as Municipal Bonds, Land Based Financing, PPP and Mobilisation of Community Resources.
- (vi) Application of innovations require a scientific benchmarking and commitment which is also being initiated as part of XIII FC recommendation covering a disclosure of standards in the budget itself.

V

CAPACITY BUILDING

The expectations of citizens are fast increasing as they all now look forward to world class urban facilities and services. Our city dwellers need to be facilitated in becoming globally competitive in all professions, in all walks of life (Rakesh Hooja, Creating City Managers ñ A Capacity Building Initiatives RIPA, Jaipur) Accordingly urban management in India is undergoing a three pronged agenda of capacity building which covers (i) intergovernmental reform agenda (under flagship programmes and other public sector schemes), (ii) Multi-lateral and bi-lateral co-operation and (iii) promotion of think tanks and technical arms to share experience and expertise on different aspects of municipal functions.

Intergovernmental Reform Agenda

Initiatives, innovations and reforms in the form of policies, programmes and schemes basically tend to supplement and guide local governments to provide services and infrastructure in a best possible manner. Intergovernmental reform agenda include (i) Centrally Sponsored Schemes and Programmes covering Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Swarna Jayanti Shahri Avas Yojana (SJSRY), Service level Benchmarking, Satellite Townships Schemes and Rajiv Avas Yojana and (ii) State and ULG Specific Initiatives. Some important points in this regard may be noted:

- (i) JNNURM is the single largest initiative ever launched nationally to address the problems of infrastructure and basic services in cities and towns, in a holistic manner. It aimed at reforms-driven, fast track and planned development of cities. The Mission comprises two broad segments, namely Sub-Mission (I) - on Urban Infrastructure and Governance; and Sub-Mission (II) - on Basic Services to the Urban Poor (BSUP). JNNURM in addition to provide financial assistance also expected states and ULGs to carryout reforms.
- (ii) SJSRY was initiated by subsuming existing programmes to promote self employment and wage employment in participatory and inclusive manner which is based on thrift and credit mechanism and community structure at grass-root level.
- (iii) Satellite town scheme aims at developing town within the influence zone of large metropolitan cities to develop smaller town to divert flow of migration to the main city.
- (iv) UIDSSMT provided a model to promote balanced development in a regional context.
- (v) MoUD has also launched National Urban Sanitation Policy and service level benchmarking at town level. These were introduced by MoUD to facilitate objective assessment of normative base of services and infrastructure.
- (vi) State specific schemes/programme such as Janambhoomi (Andhra Pradesh), Namakkunamethetham (Tamil Nadu), Kudumbshree (Kerala), grant of Patta to slum dwellers (Madhya Pradesh), Award of Best Practices (Karnataka), use of TDR (Transfer of Development Rights) in Maharashtra Gujarat and Rajasthan and Mission Convergence/Bhagidari in Delhi have successfully tried to build partnership with the urban community to raise resources.
- (vii) HUDCO has recently started award scheme for urban innovations and has given award to nine important initiatives in the area of housing, infrastructure, poverty alleviation, environment etc.
- (viii) At the same time many individual towns have also taken appropriate initiatives under different tasks of respective functions. This includes fund your city programme (Hyderabad), environmental improvement by Navi Munmbai and Bangalore etc.

These intergovernmental reform initiative shows that (i) There is a tripartite consensus between centre, state and ULGs to promote inclusive urban development, Centre has to establish its role as facilitator and guide, to motivate, support, engage ULGs and states to expedite actions on urban development and infrastructure and services.

Multi-lateral and Bilateral Cooperation for Capacity Building

International cooperation on urban development issues has been in line with the focus of government of India. Therefore, exchange of experience and expertise and promotion of pilot projects was used to supplement public sector initiatives on the subject. In recent decades, this cooperation has included a couple of leading partners such as world Bank, Asian Development Bank (ADB), UN Habitat and inter country collaboration with United States Agenda for International Development (USAID), United Kingdom (ODA/DFID), Japan (JAICA etc.), Germany (GTZ/GIZ) and Netherlands. A brief summary of focus areas under these collaboration agreements is given in Table 11.

Table 11: International Cooperation Areas – Some Key Projects

Collaboration Partner	Focus Area	Key Projects
UN Habitat	Good Urban Governance, water/sanitation/Housing and capacity building through ToTs and Training Programmes	GUGC (2002), Best Practice Documentation (1996, Urban Indicators, Leadership training, UMP for South Asia regional networking, Water for Asian Cities
World Bank	Capacity building for Reduction of Urban Poverty and development of Infrastructure	TNUDP I and II
Asian Development Bank	Municipal capacity building for infrastructure, Water and Sanitation	ADB, TA22002 IND (Karnataka) and water for Asian Cities
USAID (United States)	Commercially viable and Bankable Urban Infrastructure	Development of technical tools on Municipal Law, Accounting reforms, Primers, Training Network Seminars/Workshop
Japan (JAICA etc)	Investment promotion through soft loans	Assistance for Metro projects & capacity building for environment
United Kingdom (ODA/DFID)	Reduction of Urban Poverty	Slum improvement/ up gradation, Projects in Andhra Pradesh, Madhya Pradesh, West Bengal Odisha etc. and
Netherlands	Capacity Building for Urban settlements Management and Decentralised Training	IHSP-I & II at National level and DTUDP I and II for UP and Karnataka etc., maternal, development and Inter country exchange of experience and expertise
German Collaboration (GTZ/GIZ)	Capacity Building for Environment	Inter-state support for safe environment

As emerges from Table 11 national boundaries are no longer a barrier in the exchange of experience and expertise on urban innovations. Accordingly, international and bilateral cooperation under some of the important collaboration projects have shown that:

- (i) UN Habitat is one of the oldest partner of Government of India to initiate urban agenda on Good Governance, capacity building, Urban indicators, best practice promotion, sector

- assessment and sharing of international experience for suitable adaptation in India context.
- (ii) Capacity building of urban local government, development of urban infrastructure, Poverty Alleviation, Urban environmental and climate change has been the focus areas for international cooperation.
 - (iii) World Bank support for Tamil Nadu has demonstrated a model institutional framework for the rest of the country whereas ADB has developed pilot projects for on the job training and development of viable projects involving intermediary link institution (Karnataka Urban Infrastructure Development Finance Corporation) and other stakeholders for sustainable urban development. These projects have initiated several innovations for the first time in the country covering Double Entry Accounting (TN), PPP for infrastructure (Karur Toll Bridge) municipal Bonds through pool finance for 9 towns in TN, Community Resources for sewage provision and disposal in Alandur and on the job training in Mysore and Rmangaram (Karnataka etc.)
 - (iv) FIRE/FIRED (Financial Institutions Reform and Expansion for the development of debit marked) projects with US support had made significant dent to build capacity for follow up of 74th CAA and implementation of JNNURM with a reference to some points of its reform agenda. NIUA has implemented the project on behalf of the GoI and has involved several other institution, state govts. ULGs etc. in the implementation of FIRE and FIRED.
 - (v) Slum improvement water and sanitation project in Andhra Pradesh, Madhya Pradesh etc. with the help of ADB/DFD have provided useful approach to address the issues on poverty and sanitation.
 - (vi) Japanese assistance for Delhi Metro has produced a model to replicate projects on similar line among other cities in a couple of states such as Karnataka, Rajasthan etc.
 - (vii) Dutch assistance has developed a network of training institutions and infrastructure to initiate decentralized training for wider replication in the country. It included material development, faculty development and pilot training. HSMI of HUDCO was the implementing agency for these projects.
 - (viii) German assistance has been focused on the improvement of urban environment and governance through technology including the focus on e-governance and climate change.

Promotion of Sectoral Think Tank and Technical Arm

Capacity building of ULGs and other participating agencies/institutions in the urban development has gained gradual focus from policy makers and planners. Government of India in this regard has guided, motivated, engaged and supported the states and ULGs to follow necessary actions.

The first major steps of government of India towards creation of sectoral think tank was to support IIPA to create Centre for Municipal Administration, subsequently renamed as Centre for Urban Studies (CUS) in 1963 as a partner on urban sector research, training and consultancy activities. The creation of CUS was a follow up of Nuruddin Committee Report to Government of India which expressed a need to build advisory services to Government of India and professional and technical capacity of urban sector institutions in the country. Since its inception CUS has established itself as a centre of national excellence and international recognition.

Subsequently, GOI also created Regional Centres for Urban and Environmental Studies which are currently located in Mumbai, Hyderabad and Lucknow to promote experience sharing, research and consultancy at inter-state level. Ministry of Works and Housing (now known as Urban Development) had also created National Institute of Urban Affairs in 1976 as a premier institute of research on urban affairs in the country.

Most recent development in capacity building by MOUD is to create Centres of Excellence (CoE) in a decentralized manner so that intensive and action oriented research can be taken up in a local context. These are 12 centres of excellence which are located in the Institutions of high repute and specialization such as IITs (Indian Institute of Technologies), IIMs (Indian Institute of Management) and ATI (Architecture Training Institute) of state governments. CUS, RCUES and NIUA have been created from non-plan funds to carry out professional support in a regular manner whereas CoE have been created from plan fund assistance of GoI to take up specific projects for technical analyses and feedback to MoUD. This entire network of technical support is used to sensitise the urban sector in the country to promote pilot projects, training, research and advisory services.

Class-Room Training to Handholding

MoUD, GoI has gradually increased its focus on handholding of Sectoral stakeholders particularly at ULG level so that delivery of training is directly linked with skill upgradation and practical application in a real life situation. In this regard CUS, RCUES and NIUA have been assigned one or other states and UTs to handhold with regard to implementation of GoI schemes and initiatives such as National Urban Sanitation of City Service Level Benchmarking, undertaking reforms under XIII FC recommendation etc.

Key Issues in the Capacity Building

Capacity building as above presents a framework of training, investment promotion and model/demonstration projects. It is also important to note that training is taken in a project mode and not a regular exercise. National Training Strategy (NTS) of Department of Personnel and Training GoI has placed special emphases on urban sector training. (DoPT, 2012). NTS expects capacity building expenditure to be 2.5 per cent of budget of respective department. This should be sufficient enough to include the decentralization of capacity building within the city. It should accordingly cover political leaders and representatives of community at ward and grass root level.

Therefore, in the beginning of this century large number of partners covering bi-lateral and multi-lateral cooperation and domestic institutions are in place to build capacity of institution involved in the urban development. This includes implementation of pilot projects, reforms, investment promotion, training, research and advisory services. The professional work of the partners is also building a strong data base and useful material on the subject. (Latest information about these partner institutions of government of India is available in the web-site of respective institutions and GoI).

VI

DISCONNECTS AND OPPORTUNITIES

This theme paper, finally, points out (i) a typology of disconnects in the process of urban development and urban service delivery in India and (ii) existence of opportunities which are taking a shape of second turning point in the history of urbanization since Independence. Both of these findings provide a basis to gear up the administration to more effectively meet the growing challenges of urbanization and associated delivery of services and infrastructure.

Typology of Disconnects

The preceding analyses put together a typology of disconnect which is a result of mismatch between requirements and response of urban administration in the overall context of urban development, services and infrastructure. These disconnects, in brief, include the gap between:

- (I) **Urbanization and Municipalisation** on account of 'Go Slow' on part of states or ULGs to :
 - ♦ Notify census towns as statutory town

- ◆ Expansion of city limits,
 - ◆ Transfer of assets and colonies (Made by partner institutions) to ULGs
 - ◆ Regularization of illegal land sub-division and construction without suitable mechanism of cost recovery and post regularization actions.
 - ◆ This leads to substantial revenue loss to ULGs as they fail to have access to monetization of land due to delays in municipalisation.
- (II) **Centre and states** on de-jure and de-facto adoption of 74th CAA taking into account devolution of functions and powers to ULGs, creation of MPCs and DPCs, wards committees etc. It is important to recall that functional domain of ULGs is still not modified among most states as per schedule XIIth of constitution and recommendations of SARC and XIII FC. We may also recall that centre has brought a series of guidelines and enabling legislations covering 74 CAA, Nagaraj Bill, model Municipal Law, National Municipal Accounting Code etc. The follow up actions on these documents by respective states are stated to be far from satisfactory.
- (III) **Large cities and small and medium towns** covering concentration of population and spatial dispersal of economic activities. 70 per cent population is confined to 468 class I cities. This also indicates spatial polarization of employment opportunities. It is noted that 7477 small and medium towns have vast potential to grow, absorb workforce and also serve as a more effective service centre to their hinterland. It is also noted that the road to development particularly among low urbanized and economically backward states goes through development of these small and medium towns.
- (IV) **States and ULGs** on bottom-up assessment, participatory planning, creation of municipal service cadres and deployment and promotion policy, assignment of functions and funds etc. It is noted that the planning process so the implementation of projects is managed in a top down manner. Availability of requisite number of staff and funds to deploy these personnel is far below the norms. This limits the overall governance potential of ULGs across the category of towns.
- (V) **ULGs and partner institutions** namely state government departments, parastatals, district authorities and local development agencies on account of mutual cooperation and accountability towards citizens. This also leads to problems of efficiency and has weakened the role of ULGs as a mute spectator on delivery of certain services handled by other partner institutions which are under direct control of state governments.
- (VI) **Deliberative and executive wings** on roles and responsibilities of Mayor/President/Council and Municipal Commissioner/Chief Executive Officer/other executives and staff. A balance of power is by and large low. There is a wide gap in the existing and potential role of elected wing to coordinate with executive wing for participatory and inclusive governance. Executive wing is not suitably geared to be accountable to grass roots and their representatives.
- (VII) **ULGs and grass-root level** using participatory governance and downward accountability and institutional structure below the town hall. The instruments of wards committees and area sabhas are largely not in place to mobilise community for a consultative and participatory arrangement of urban governance. Vibrant community structures do also not exist in most cases. Level of grievance redressal is far from satisfactory.
- (VIII) **ULGs and their hinterland** in terms of integrated planning beyond the jurisdiction of ULGs in relation to the requirements of land and services such as space for garbage disposal cremation ground recreational facilities community services and access to

transport for smooth movement within the region. MPCs and DPCs are either not exiting or are not performing the coordination on this disconnect.

- (IX) **Municipal Service and normative bases** covering high magnitude of gap in the core municipal services and infrastructure as per schedule XIIth of Constitution. This is particularly visible in the inadequate access to services to urban poor and environmental implications of services critical to promote safe environment in the city. Pollution, congestion and conservation are specific areas need to be assessed in connection with supply of water, roads, housing and transport etc.
- (X) **Municipal Funds and Functions covering** intergovernmental imbalance and tardy supply of funds from the own sources of ULGs. This leads to a constant decline in the efficiency and levels of municipal services. The size of municipal finance in the overall public finance is significantly low. The fiscal powers assigned to ULGs are far below the potential to tap city economy to finance the delivery of services.
- (XI) **Urban Poverty and Productivity** in terms of conventional handholding rather than holistic and whole city approach. It is noted that poverty is not confined to slums only and poverty alleviation is essential to promote sustainable urbanization. This disconnect is also linked with the lack of competitive edge among cities and towns to operate as engines of economic growth. Poverty alleviation initiatives are not linked with city economy as a whole.

Opportunities – A Second Turning Point

Yet another striking feature of this paper is to note that India is undergoing a second turning point on urban development which should be seen as an opportunity to reorient administration and governance system for urban development and delivery of services. We may recall that the first turning point in urban development was noted in 1985 covering a series of policy responses and strategies (Creation of a first ever separate Ministry of Urban Development, in the national government constitution of National Commission on Urbanization and promulgation of 74 CAA) in line with emerging focus within India and elsewhere. A similar focus is now emerging within the country and inter country context.

It is also noted that urbanization is inevitable and invariably linked with the process of economic development. In this regard the first decade of twenty first century, according to the latest census data, has shown positive trends on urbanization in India namely (i) highest ever increase in the census towns confirming the change in the economic behavior of these settlements, (ii) reversal of decline in the net addition in terms of percentage point in the size of urban population since 1981 (iii) positive results from public sector policies and programmes on urban infrastructure and services, slum improvement housing and poverty alleviations (Box-8).

It is also important to note that urbanization in India is accompanied by economic development. The states with above average urbanization also have state per capita income higher than the average per capita net national income. Similarly, states with below average urbanization by and large show state income lower than average per capita NNI. At the same time it is also noted that urban sector also has diseconomies of scale in the form of supply of services, shelter and livelihood to a cross section of household. This poses a challenge and also provides an opportunity to provide necessary services and amenities to urban households.

This Indian focus on urbanization compares favourably with global consensus that urbanization is inevitable and national issues have local solutions. UN is preparing HABITAT III which tends to promote sustainable, pro poor, and productive cities, MDGs are also being examined for the future strategy to be applied after 2015 and World Summit on Sustainable Development has recently

concluded that the poverty and climate change are the two most important common agenda for global actions in this century.

We may recall that HPEC and Mckinsey report place on record massive requirements of funds to the tune of Rs. 50000000 million to Rs. 91000000 million during next two decades to meet growing challenges of urbanization for providing infrastructure, services and basic amenities. It is stated by the later report that 70 percent of new employment will be created in cities, the size of middle class households will go up from 22 million to 91 million, 700-900 million commercial and residential space would be required and 2.5 billion road length will be paved along with 7400 sq. km. of subway. This indicates that India is all set to face a rapid pace of urbanization which will also include a large part of surplus labour within next two decades.

Box-8

Some Positive Results from Urban Development Initiatives

- (i) A tripartite agreement between centre, state and ULGs to join hands for more effective delivery of urban services and infrastructure. This includes a proactive role of centre to guide, motivate, engage, encourage and support states and ULGs to carry out necessary reforms, investments and O & M of municipal assets/services.
- (ii) Existence of elected body among ULGs and presence of 75000+ elected leaders with wider representation to common men and weaker sections who constitute a link between city government and grass root level and also promote a systematic development of local leadership to have better understanding of urban issues.
- (iii) Model Municipal Law, National Municipal Accounting Code and Nagar Raj Bill/Act, Public disclosure law etc, have been brought by centre to guide and motivate states for suitable actions on good governance.
- (iv) Capacity building has been taken up using handholding as an additional instrument on pilot basis with the help of partner institutions of GoI. Workshops/seminars, class room training are used as part of CB support.
- (v) Centre and states have made efforts to minimize fiscal imbalance through devolution of funds in line with the norms and practice laid down by national finance Commission and state finance commissions. This has minimized discretionary allocation and improved liquidity at ULG level and promoted realistic budgeting and better organization of services/infrastructure.

VII

POINTS FOR CONSIDERATION

In view of a typology of disconnect and opportunities to respond to second turning point in urban development in India and delivery of services and infrastructure, the administration and governance systems and procedures need to be reoriented to manage future urban growth in a sustainable, inclusive, environment friendly and pro poor manner. In this regard some important points that emerge from preceding analysis to be kept in mind are:

- (i) There is a need to have a comprehensive assessment of urbanization and urban development process in India (as was done by National Commission on Urbanization in 1985) to draw lessons from the follow up of 74th CAA and various policies and programmes implemented during 1985-2012 and review the sector focus in the light of urbanization prospects across the states and size class of towns in the country.

- (ii) Overlapping of roles, responsibilities and functions of concerned ministries and departments at central and state level need to be examined taking into account the recommendation of 2nd ARC, HPEC report on urban infrastructure etc. There can be a core ministry / department of Urban Affairs in centre/state or a model frame-work of cluster of ministries as applied in Germany may also be examined in this regard.
- (iii) Devolution of powers and functions to ULGs need to be done in line with recommendations of Second ARC and other committees.
- (iv) Partner institutions (parastatals, state agencies and local development agencies) need to be made accountable to ULGs through transfer of respective function or due consultation with ULG or representation of ULGs in their management. Similarly profits generated from the `landö may be shared with ULGs as suggested by SARC and XIII FC so as to improve liquidity of municipal finance.
- (v) Devolution of powers is needed to the political and executive wing of ULGs in a balanced manner to harness full potential of elected leaders, their mass-contacts at grass-root level. Mayor in council system as exists in west Bengal, creation of committees and sub-committees (Gujarat) etc. may be examined for suitable application.
- (vi) Specific norms need to be devolved to create state level municipal cadres along with deployment and promotion policy and recruitment on cost sharing basis by center and state.
- (vii) Model Municipal Law (MML) need to be modified taking into account the above points and sectoral developments since 2002 and the potential role of ULG as a mother institution at local level. Modified MML should be placed before parliament under Article 252 of the constitution to ensure suitable follow up at state level.
- (viii) State Town Planning Acts too need to be modified in line with advisories of Ministry of Urban Development and Plan formulation Guidelines, National Urban Housing and Habitat Policy 2007, National City Vendors policy and several innovations taken by cities and towns and states in different parts of the country to make urban planning more inclusive and realistic.
- (ix) The gap between urbanization and municipalisation need to be attended by timely notification of statutory towns , and timely transfer of colonies and assets developed by partners to ULGö , the expansion of city limits on a periodic basis, check on unauthorized colonies and irregular construction along with straight forward rules for regularization.
- (x) The small and medium towns (both statutory and census towns) be used to as a focal point to trigger the urbanization process in a balanced manner and operate as a more effective service centre to their hinterland. These can also be identified to promote secondary education and vocational training to a large size of Indiaö surplus work force which is likely to be almost half of the global surplus (low skilled) workers in the years to come. This should be taken as an asset and not a liability.
- (xi) Strategic importance of metropolitan cities in their economic, locational, cultural and social context needs to be duly recognized. Administrative structure of mega cities , 5-10 million cities and 1-5 million cities may be determined accordingly. In this regard, the mega cities (5 million plus) as suggested by 2nd ARC should be viewed separately than other metro areas. Metro cities can have a separate system of policing, transport and planning as per SARC recommendations. Metro cities should be encouraged to compete with/learn from their counter parts within the country and elsewhere for income/employment generation, productively, IT, Education, tourism etc.
- (xii) Urban centers in the country should be brought within a framework of integrated, bottom-up and realistic planning. The District and Metropolitan Planning Committees (DPCs and MPCs) should

be established as per letter and spirit of article 243 ZD & ZE and the circulars issued by MoUD, GoI in this regard. DPCs and MPCs should also be used to coordinate urban rural linkages to address jurisdictional and distributional issues for UD and urban service delivery.

- (xiii) Water, sanitation and solid waste Management (SWM) should be given due importance in the municipal planning and budgeting in a realistic and normative manner taking into account service level benchmarking and recommendations of XIII FC. Urban Energy, climate change and disaster management should be included in the local agenda of municipal actions.
- (xiv) Urban Poverty and disparities in the income distribution need to be viewed in a holistic manner covering slums/squatters and other parts of respective cities/towns along with a city specific vision and strategy taking into account National Urban Housing and Habitat Policy 2007 and Rajiv Awas Yojana, etc.
- (xv) Urban transport, Roads and related services need suitable attention to promote MRTS (Mass Rapid Transport System) through Metro rail, BRTS (Bus Rapid Transport system), support facilities such as fly over, over bridges, relief roads, bus stand, parking places, by pass, ring road etc. It should be viewed in the overall context of an integrated public transport system (wherever feasible) at city level.
- (xvi) JNNURM and RAY are two most important central initiatives to bridge the gap in the services and administrative procedures. The opinion of states about their expectations from these programmes should be given due cognizance.
- (xvii) Fiscal stress at municipal level needs to be attended through (a) Bottom-up assessment of municipal finance to rationalize intergovernmental fiscal transfers/allocation (b) insertion of a municipal list of taxes in the articles 243X of the constitution (c) share GST (once applied) or entry tax and (d) more effective mobilization of municipal own sources (Property Tax and other land barrier taxes and User Charges) along with innovative application of accounting, budgeting, auditing and asset management strategy.
- (xviii) Capacity building need to be planned to cover a cross ñ section of functionaries from intergovernmental institutional arrangements through workshops, seminars, and class-room and on the job training, exchange/exposure visits. It should also cover capacities of urban community to identify issues, own the city and contribute in the delivery of services. As determined by DoPT the funds earmarked for capacity building should be used to create it as a regular activity as per National Training Strategy 2012.

The above points should be included in the intergovernmental policy agenda to respond to the second turning point in urban development in India and initiate a second phase of actions taking into account a detailed evaluation of urban sector initiatives undertaken during the period 1985 to 2012.

VIII

CONCLUSION

The recent data from the census and related information show that urbanization in India in the first decade of twenty first century is emerging as a positive force to trigger economic growth and India is all set to undergo a rapid pace of urbanization during next couple of decades. This needs suitable policies to ensure balanced and inclusive urban growth across the states and across the size-class of towns covering both larger cities for global and inter-state and inter-regional context and small and medium towns in the context their hinterland. However, the systems and procedures to manage urban growth are relatively weak. This provides an opportunity to firm up policies and strategies as was initiated in 1985. In this connection devolution of powers, funds and functions to ULGs are critical for a pro poor, inclusive, environment friendly and citizen centric management system. This includes

(a) accountability of partner institutions towards ULG, (b) balance of power between deliberative and executive wings of ULGs (c) measures towards fiscal self sufficiency (through further rationalization of transfers and optimum utilization of own sources of finance) and (d) partnerships and equity in the delivery of services. State governments in this regard, have to reorient their role as a facilitator and partner in the process of urban development. The role of national government is equally important to guide, engage and support the states and ULGs to promote sustainable urbanisation. In this regard it is also observed to have a holistic assessment of intergovernmental roles and responsibilities on urban development and delivery of services to firm up a future plan of action and related strategies.

Abbreviations

74 TH CAA	: Seventy Fourth Constitution Amendment Act Of 1992
ADB	: Asian Development Bank
ADSs	: Area Development Societies
AIF	: American Indian Foundation
ARC	: Administrative Reforms Commission
ASEAN	: Association of South East Asian Nations
ATI	: Administrative Training Institute
BC	: Backward Caste
BMTPC	: Building Material Technology Promotion Council
BOT	: Build, Operate and Transfer
CAG	: Comptroller and Auditor General
CDS	: Community Development Society
CPWD	: Central Public Works Department
CRP	: City Resource Pool
CSO	: Central Statistical Organisation
CUS	: Centre for Urban Studies, IIPA
DCs	: District Collectorsö
DEA	: Double Entry Accounting System
DFID	: Deptt. of International Development (Govt. of UK)
DPCs	: District Planning Committees
EIUS	: Environmental Improvement of Urban Slums
ERR	: Economic Rate of Return
FIRE (D)	: Financial Institute Reform and Expansion (for the development of debt market)
GDP	: Gross Domestic Product (National Income)
GIS	: Geographical Information System
GIZ/GTZ	: German Aid Agency

GoI	: Government of India
GST	: Goods and Services Tax
GUGC	: Good Urban Governance Campaign
HBEA	: Home Based Economic Activities
HDFC	: Housing Development Finance Corporation
HFI	: Housing Finance Institutions
HPEC	: High Powered Expert Committee
HUDCO	: Housing and Urban Development Corporation
HUPA	: Housing and Urban Poverty Alleviation
IDSMT	: Integrated Development of Small and Medium Towns
IITs	: Indian Institute of Technology
IT	: Information Technology
IUDP	: Integrated Urban Development Programme
JICA	: Japan International Cooperation Agency
JNNURM	: Jawaharlal Nehru National Urban Renewal Mission
JS	: Joint Secretary
KYC	: Know Your Client
LBFC	: Local Bodies Finance List
MCs	: Municipal Corporations
MCs	: Municipal Councils
MDGs	: Millennium Development Goals
MEPMA	: Mission for Elimination of Poverty in Municipal Areas
MHUPA	: Ministry of Housing and Urban Poverty Alleviation
MML	: Model Municipal Law
MOUD	: Ministry of Urban Development
MP	: Madhya Pradesh
MPC	: Metropolitan Planning Committees
MSW	: Municipal Solid Waste

NBCC	: National Building Construction Corporation
NBO	: National Building Organisation
NCR	: National Capital Region
NCT	: National Capital Territory
NCU	: National Commission on Urbanisation
NDC	: National Development Council
NFC	: National Finance Commission
NHB	: National Housing Bank
NHG	: Neighbourhood Groups
NICS	: Newly Industrialised Countries (Korea, Taiwan, Hong Kong Etc.)
NIUA	: National Institute of Urban Affairs
NNI	: Net National Income
NSDF	: National Slum Development Federation
NSDP	: National Slum Development Programme
ODA	: Overseas Development Agency (Govt. of UK)
OGs	: Out Growth
PC	: Per Capita
PC-SDP	: Per Capita ñ State Domestic Product
PHED	: Public Health and Engineering Deptt.
PMIUPEP	: Prime Minister's Integrated Urban Poverty Eradication Programme
PT	: Property Tax
RAY	: Rajiv Awas Yojana
RCUES	: Regional Centre for Urban and Environment Studies
RIPA	: Rajasthan Institute of Public Administration
RMOL	: Rajasthan Mission on Skill and Livelihood
RWAS	: Resident Welfare Associations
SARC	: Second ARC
SC	: Schedule Caste

SDMA	: State Disaster Management Authority
SEWA	: Self Employed Women Association
SPARC	: Society for Promotion of Area Resources Centres
T&GS	: Technical Guidance and Supervision
TCPO	: Town and Country Planning Organisation
TN	: Tamil Nadu
TPs	: Town Panchayats
UD	: Urban Development
UID	: Unique Identification (No)
UIG	: Urban Infrastructure and Governance
ULB	: Urban Local Bodies/Also Referred as ULG in document
ULCRA	: Urban Land Ceiling and Regulation Act of 1977
ULG/Gs	: Urban Local Government/ Local Governments
UMEED	: Umeed (Hope) is a programme for marginalised and under privileged youth
UMTA	: Unified Metropolitan Transport Authority
UN	: United Nations
UN HABITAT/ UNHSP	: United Nations Human Settlement Programme
UNCHS	: United Nations Centre for Human Settlements
UNDP	: United Nations Development Programme
UNEP	: United Nations Environment Programme
UNESCAP	: United Nations Economic and Social Commission for Asia and Pacific
UNICEF	: United Nations International Children's Emergency Fund
USAID	: United State Agency for International Development
UTs	: Union Territories
VGf	: Viability Gap Funding
WB	: World Bank
WSSD	: World Summit on Sustainable Development

Annexure I

State Wise Figures of Urbanization

Rural Urban distribution of population and proportion of Rural and Urban population - -
India/State/Union Territory : Census 2011 (Provisional)

Rank	India/State/ Union Territory*	Population			Population (in %)	
		Total	Rural	Urban	Urban	Rural
	2	3	4	5	7	6
	INDIA	1,210,193,422	833,087,662	377,105,760	31.16	68.84
1.	NCT OF DELHI*	16,753,235	419,319	16,333,916	97.50	2.50
2	CHANDIGARH*	1,054,686	29,004	1,025,682	97.25	2.75
3	LAKSHADWEEP *	64,429	14,121	50,308	78.08	21.92
4	DAMAN & DIU*	242,911	60,331	182,580	75.16	24.84
5	PUDUCHERRY*	1,244,464	394,341	850,123	68.31	31.69
ü	GOA	1,457,723	551,414	906,309	62.17	37.83
7	MIZORAM	1,091,014	529,037	561,977	51.51	48.49
8	TAMIL NADU	72,138,958	37,189,229	34,949,729	48.45	51.55
9	KERALA	33,387,677	17,455,506	15,932,171	47.72	52.28
10	DADRA & NAGAR HAVELI #	342,853	183,024	159,829	46.62	53.38
11	MAHARASHTRA	112,372,972	61,545,441	50,827,531	45.23	54.77
12	GUJARAT	60,383,628	34,670,817	25,712,811	42.58	57.42
13	KARNATAKA	61,130,704	37,552,529	23,578,175	38.57	61.43
14	PUNJAB	27,704,236	17,316,800	10,387,436	37.49	62.51
15	A&N ISLANDS*	379,944	244,411	135,533	35.67	64.33
16	HARYANA	25,353,081	16,531,493	8,821,588	34.79	65.21
17	ANDHRA PRADESH	84,665,533	56,311,788	28,353,745	33.49	66.51
18	WEST BENGAL	91,347,736	62,213,676	29,134,060	31.89	68.11
19	UTTARAKHAND	10,116,752	7,025,583	3,091,169	30.55	69.45
20	MANIPUR	2,721,756	1,899,624	822,132	30.21	69.79
21	NAGALAND	1,980,602	1,406,861	573,741	28.97	71.03
22	MADHYA PRADESH	72,597,565	52,537,899	20,059,666	27.63	72.37
23	JAMMU & KASHMIR	12,548,926	9,134,820	3,414,106	27.21	72.79
24	TRIPURA	3,671,032	2,710,051	960,981	26.18	73.82
25	SIKKIM	607,688	455,962	151,726	24.97	75.03
26	RAJASTHAN	68,621,012	51,540,236	17,080,776	24.89	75.11
27	JHARKHAND	32,966,238	25,036,946	7,929,292	24.05	75.95
28	CHHATTISGARH	25,540,196	19,603,658	5,936,538	23.24	76.76
29	ARUNACHAL PRADESH	1,382,611	1,069,165	313,446	22.67	77.33
30	UTTAR PRADESH	199,581,477	155,111,022	44,470,455	22.28	77.72
31	MEGHALAYA	2,964,007	2,368,971	595,036	20.08	79.92
32	ORISSA	41,947,358	34,951,234	6,996,124	16.68	83.32
33	ASSAM	31,169,272	26,780,516	4,388,756	14.08	85.92
34	BIHAR	103,804,637	92,075,028	11,729,609	11.30	88.70
35	HIMACHAL PRADESH	6,856,509	6,167,805	688,704	10.04	89.96

Rural Urban Distribution of Population - India, Census of India 2011

#: Refers to Union Territory

Annexure II

Census 2011 (Definitions) for Status of Towns/Agglomerations and OGs

1.1 Towns:

For the Census of India 2011, the definition of urban area is as follows;

1. All places with a municipality, corporation, cantonment board or notified town area committee, etc.
2. All other places which satisfied the following criteria:
 - i) A minimum population of 5,000;
 - ii) At least 75 per cent of the male main working population engaged in non-agricultural pursuits; and
 - iii) A density of population of at least 400 persons per sq. km.

The first category of urban units is known as **Statutory Towns**. These towns are notified under law by the concerned State/UT Government and have local bodies like municipal corporations, municipalities, municipal committees, etc., irrespective of their demographic characteristics as reckoned on 31st December 2009. Examples: Vadodara (M Corp.), Shimla (M Corp.) etc.

The second category of Towns (as in item 2 above) is known as **Census Town**. These were identified on the basis of Census 2001 data.

1.2 Urban Agglomeration (UA):

An **Urban Agglomeration** is a continuous urban spread constituting a town and its adjoining outgrowths (OGs), or two or more physically contiguous towns together with or without outgrowths of such towns. An Urban Agglomeration must consist of ñ

- i) at least a statutory town and
- ii) its total population (i.e. all the constituents put together) should not be less than 20,000 as per the 2001 Census.

In varying local conditions, there were similar other combinations which have been treated as urban agglomerations satisfying the basic condition of contiguity.

Examples: Greater Mumbai UA, Delhi UA, etc.

1.3 Out Growths (OG):

An **Out Growth** (OG) is a viable unit such as a village or a hamlet or an enumeration block made up of such village or hamlet and clearly identifiable in terms of its boundaries and location. Some of the examples are railway colony, university campus, port area, military camps, etc., which have come up near a statutory town outside its statutory limits but within the revenue limits of a village or villages contiguous to the town.

While determining the outgrowth of a town, it has been ensured that it possesses the urban features in terms of infrastructure and amenities such as pucca roads, electricity, taps, drainage system for disposal of waste water etc. educational institutions, post offices, medical facilities, banks etc. and physically contiguous with the core town of the UA. Examples: Central Railway Colony (OG),

Triveni Nagar (N.E.C.S.W.) (OG), etc. Each such town together with its outgrowth(s) is treated as an integrated urban area and is designated as an ũurban agglomerationö

In the 2011 Census, 475 places with 981 OGs have been identified as Urban Agglomerations as against 384 UAs with 962 OGs in 2001 Census.

Annexure III

Increase in Number of Towns from 2001 to 2011

Code	India/State/ Union Territory*	2001 No. of Towns			2011 No. of Towns			increase in no of towns
		Statutory Towns	Census Towns	Total	Statutory Towns	Census Towns	Total	per cent increase
	INDIA	3,799	1,362	5161	4,041	3,894	7935	53.7
04	Chandigarh *	1	0	1	1	5	6	500.0
25	Daman & Diu *	2	0	2	2	6	8	300.0
32	Kerala	60	99	159	59	461	520	227.0
26	Dadra & Nagar Haveli #	0	2	2	1	5	6	200.0
13	Nagaland	8	1	9	19	7	26	188.9
19	West Bengal	123	252	375	129	780	909	142.4
31	Lakshadweep *	0	3	3	0	6	6	100.0
22	Chhattisgarh	75	22	97	168	14	182	87.6
16	Tripura	13	10	23	16	26	42	82.6
07	NCT of Delhi*	3	59	62	3	110	113	82.3
18	Assam	80	45	125	88	126	214	71.2
28	Andhra Pradesh	117	93	210	125	228	353	68.1
34	Puducherry*	6	0	6	6	4	10	66.7
35	A&N Islands*	1	2	3	1	4	5	66.7
01	Jammu& Kashmir	72	3	75	86	36	122	62.7
21	Odisha	107	31	138	107	116	223	61.6
30	Goa	14	30	44	14	56	70	59.1
12	Arunachal Pradesh	0	17	17	26	1	27	58.8
14	Manipur	28	5	33	28	23	51	54.5
10	Bihar	125	5	130	139	60	199	53.1
20	Jharkhand	44	108	152	40	188	228	50.0
06	Haryana	84	22	106	80	74	154	45.3
24	Gujarat	168	74	242	195	153	348	43.8
27	Maharashtra	251	127	378	256	279	535	41.5
03	Punjab	139	18	157	143	74	217	38.2
17	Meghalaya	10	6	16	10	12	22	37.5
05	Uttarakhand	74	12	86	74	42	116	34.9
08	Rajasthan	184	38	222	185	112	297	33.8
33	Tamil Nadu	721	111	832	721	376	1097	31.9
09	Uttar Pradesh	638	66	704	648	267	915	30.0
29	Karnataka	226	44	270	220	127	347	28.5
23	Madhya Pradesh	339	55	394	364	112	476	20.8
15	Mizoram	22	0	22	23	0	23	4.5
02	Himachal Pradesh	56	1	57	56	3	59	3.5
11	Sikkim	8	1	9	8	1	9	0.0

Annexure IV**Twelfth Schedule (Article 243W)**

1. Urban planning including town planning
2. Regulation of land use and construction of building
3. Planning for economic and social development
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purpose
6. Public health, sanitation conservancy and solid waste management
7. Fire services
8. Urban forestry, protection of the environment and promotion of ecological aspects
9. Safeguarding the interests of weaker sections of society
10. Slum improvement and upgradation
11. Urban poverty alleviation
12. Provision of urban amenities and facilities such as parks, gardens and playgrounds
13. Promotion of cultural, educational and aesthetic aspects
14. Burials and burial grounds, cremations, cremation grounds, and electric crematoriums
15. Cattle ponds, 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

Investment requirement of Urban Development (2012-31)

SECTOR	CAPITAL INVESTMENT	OPERATION & MAINTENANCE	AGGREGATE
WATER SUPPLY	320,908	546,095	867,003
SEWERAGE	242,688	236,964	479,652
SWM	48,582	273,906	322,488
URBAN ROADS	1,728,941	375,267	2,104,208
STORM WATER DRAINS	191,031	34,612	225,643
URBAN TRANSPORT	449,426	304,386	753,812
TRAFFIC SUPPORT INFRASTRUCTURE	97,985	36,690	134,675
STREET LIGHTING	18,580	4,717	23,297
OTHER SECTORS	309,815	181,264	900,034
RENEWAL AND REDEVELOPMENT INCLUDING SLUMS	408,955		
CAPACITY BUILDING	101,759		
Total	3,918,670	1,993,901	5,912,571
(Rs. crore at 2009-10 prices)			

Source: HPEC Report

Annexure VI

Initiatives by Government of India

Year (s)	Major Thrust Areas / Programmes
1956-61	Urban Community Development (UCD) project (pilot), started in 1958, based on an area-oriented approach.
1969-74	Scheme for Environmental Improvement of Urban Slums (EIUS) launched in 1972, to provide basic amenities like safe drinking water supply, sewerage, storm water drainage, pavements, community baths and latrines, street lighting etc. to slum-dwellers. In 1974, it was transferred to State Governments for implementation.
1974-79	The Urban Land (Ceiling & Regulation) Act, enacted to prevent concentration of land holding in urban areas, & for construction of houses for LIG.
1980-85	Emphasis on integrated provision of services along with shelter, particularly for the poor. Launch of Integrated Development of Small and Medium Towns (IDSMT), and initiation of Urban Basic Services (UBS) programme in 1981, with an aim to cater to the basic physical and social needs of the urban poor with a view to improving their living conditions.
1985-90	Based on the recommendations made by the National Commission on Urbanization (NCU), GoI adopted a four-pronged strategy for addressing the issues of growing incidence of urban poverty namely; Employment creation for low income communities through promotion of micro- enterprises and public works; Housing and shelter up-gradation; Social development planning with special focus on development of children and women; and Environmental up-gradation of slums. Consequently, two schemes were started, namely The Nehru Rozgar Yojana (NRY), 1989 for employment/livelihoods promotion; and The Urban Basic Services for the Poor (UBSP), 1990, which was a modified UBS Programme. The UBSP Programme envisaged fostering community structures comprising urban poor for ensuring their effective participation in their developmental activities.
1990-92	The Constitution 74 th Amendment Act was passed by Parliament, which envisaged urban poverty alleviation, slum up-gradation and protection of interests of weaker sections as amongst the functions of Urban Local Bodies.
1992-97	Start of Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) in 1995, for improving the quality of life of urban poor by creating a facilitating environment through community-based planning and implementation. The PMIUPEP incorporated within itself all the components of UBSP & NRY. Launch of National Slum Development Programme (NSDP) in 1996, covering physical infrastructure like water supply, storm water drains, sewer, community latrines, widening and paving of existing lanes, street lights etc. and social infrastructure pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunization etc.
1997-2002	Launch of Swarna Jayanti Shahari Rozgar Yojana (SJSRY), in 1997, after subsuming existing schemes like NRY, UBSP and PMIUPEP.
2002-2007	Launch of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) a flagship programme of the GoI, in 2005.

Source: Respective Five Year Plan

Annexure VII

State wise Population below Poverty Line

Percent of Population below Poverty Line					
No.	States	Lakdawala Methodology		Tendulkar Methodology	
		1993-94	2004-05	1993-94	2004-05
1	Andhra Pradesh	22.2	15.8	44.6	29.9
2	Assam	40.9	19.7	51.8	34.4
3	Bihar	55.0	41.4	60.5	54.4
4	Gujarat	24.2	16.8	37.8	31.8
5	Haryana	25.1	14.0	35.9	24.1
6	Himachal Pradesh	28.4	10.0	34.6	22.9
7	Jammu & Kashmir	25.2	5.4	26.3	13.2
8	Karnataka	33.2	25.0	49.5	33.4
9	Kerala	25.4	15.0	31.3	19.7
10	Madhya Pradesh	42.5	38.3	44.6	48.6
11	Maharashtra	36.9	30.7	47.9	38.1
12	Odisha	48.6	46.4	59.1	57.2
13	Punjab	11.8	8.4	22.4	20.9
14	Rajasthan	27.4	22.1	38.3	34.4
15	Tamil Nadu	35.0	22.5	44.6	28.9
16	Uttar Pradesh	40.9	32.8	48.4	40.9
17	West Bengal	35.7	24.7	39.4	34.3
	All India	36.0	27.5	45.3	37.2
	All India (Urban)	32.4	25.7	31.8	25.7
	All India (Rural)	37.3	28.3	50.1	41.8

Acknowledgement

I am thankful to Executive Council of IIPA for selecting a topic for the annual theme paper which is dear to my heart. I am also thankful to Dr. Rakesh Hooja, Director, IIPA for giving me a chance to write this paper and also providing guidance and useful suggestions at different stages of the paper. Discussions on conceptualization of the paper were also held with Prof. O.P. Mathur (NIUA), Dr. Gangadhar Jha (IPE) and Prof. P.K. Chaubey (IIPA). Shri A.K. Mehta (IAS and former JS, UD) and Shri Ashutosh Joshi, Director, UD in the GoI also provided useful inputs from practical angle of urban administration. Further, senior professionals and faculty members within IIPA provided their useful feedback and suggestions on different parts of the draft. These include Prof. Aasha Kapur Mehta, Prof. V. K. Sharma, Prof. P.K. Chaubey, Prof. Suresh Misra, Dr. V.N. Alok, Dr. C. Sheela Reddy, Dr. Sachin Chowdhary and Dr. Sujit Kumar Pruseth. I would like to extend my sincere thanks and appreciation to each of them. Ms. Sunita Gulati (IIPA Library) also deserve thanks for providing select bibliography. I am also thankful to Shri Sunil Dutt (Asst Editor) for his valuable help along with Shri Anil Gupta from his team of publication section in the presentation and printing of the paper.

My special thanks are also due to Smt. Neelam Handa, Smt. Seema Gridhar and Sh. Anand Singh Patwal for providing secretarial assistance to design and finalise the draft in a best possible manner.

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