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Governing Cities: Facing up to the Challenges of Poverty and Globalization

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The standing and competitiveness of a country will largely be determined by how the development and growth of its cities are managed. (Excerpt from the Brochure of the International Conference on Cities and the New Global Economy, 20-23 November, 1994, Melbourne).

I INTRODUCTION

Recent years have seen worldwide a *broadbasing* of the debate on who should manage and govern cities, and how, and with what kinds of instruments, should the cities be governed. Significantly, the debate on the subject, unlike the earlier debates, is not confined to what the municipal and other governmental institutions should do to manage cities, or to use the words of Douglas Yates, "alleviate urban problems".¹ Nor is it restricted to the mechanisms for improved provision and delivery of urban services, long seen as the sole index of "good government".² Rather, the present debate on governance is concerned, among others, with the broader issue of the capacity of cities to be able to deal with changes that are taking place both within cities, and externally, in the global economy. Questions are being asked whether the city-related and city-wide institutions have the capacity to deal with the demands and pressures that are being generated in cities as a result of these changes. Do the institutions, for instance, have the capability of dealing with the growing pressures of poverty and deprivation? Can the cities effectively respond to the challenge of the opening up of economies, of what Kenichi Ohmae calls a "borderless world"³, involving globalization of economic activities and a freer mobility of capital, labour, technology, and other factors of production? Can the existing institutions take on this challenge? What kind of an environment -the rules, regulations, procedures and systems through which cities are governed -should emerge for cities to be able to contribute to, and, in turn, be benefitted by the process of economic liberalization?

A crucial factor in the debate relates to changes that have taken place in the concept of governance itself.⁴ What is governance? Is it synonymous with "good government", or is it distinct from government? Is it a mechanism as alleged in the classical theories,⁵ of making available certain social goods e.g., water supply, conservancy services, primary health and street lighting to people residing in cities? Or, is it a *process* designed and planned to involve people in decision-making? Halfani and others see governance in terms of "the relationship between civil society and the state, between rulers and the ruled, the state and society, the government and the governed".⁶ Questions are being asked about the nature of such relationships, and, in this context, the roles played by the private sector and voluntary community-based organizations and associations in the management of cities.⁷ What are their stakes and how do these enter into public policy making? To what extent do the present-day cities conform to the new governance norms?

For low-income economies such as India, Nepal and Sri Lanka, urbanizing at moderate-to-rapid rates and which are undergoing major structural and policy shifts, the issue of governance is of particular significance.⁸ Over the past two decades, for instance, the urban population of India has doubled and that of Nepal risen by 263.6 per cent (Table 1). Similarly, the contribution of non-agricultural sectors to the gross domestic product in the case of India has risen from 55 per cent in 1970 to 68 per cent in 1990, and in Nepal, from 33 per cent to 48 per cent (Table 2). This process of urbanization and structural change has exerted phenomenal pressures on the ability of city-related institutions to meet the consequential demand for land, shelter, infrastructure and services. Questions are being raised if institutions in India, Nepal and Sri Lanka have the requisite wherewithal to productively provide basic services and infrastructure for the fast growing urban population, or will they require complementary actions by other stakeholders? Can the institutions deal with poverty which, willy nilly, has accompanied the process of urban population growth and which accounts for, in India alone, nearly two-fifths of the country's total urban population? Can these institutions *by themselves* cope with the pressures that may be placed on them when the forces of urbanization acquire further momentum under the impact of global and related macro-level policy changes?

TABLE 1. Urban Population in India, Nepal and Sri Lanka

Year	Urban Population					
	India ¹		Nepal ²		Sri Lanka ³	
	Millions	Decennial change %	Thousands	Decennial change %	Thousands	Decennial change %
1971	109.11	-	162	-	2,736	-
1981	159.17	46.15	954	106.49	3,196	16.81
1991	217.18	36.19	1,680	76.10	3,679	15.11

SOURCES. 1. 1992. *Census of India*, Paper 2, Series 1, Statement 5, pp. 13.
 2. Joshi, Jigbar and U.M. Malla. 1992. *Urban Research in Nepal*. (unpublished).
 3. United Nations .1991. *World Urbanization Prospects*. New York: United Nations.

TABLE 2. Structure of Gross Domestic Product

	Year	Distribution of Gross Domestic Product %			
		Agriculture	Industry*	Manufacturing	Services
India	1970	45	22	15	33
	1990	32	27	17	40
Nepal	1970	67	12	4	21
	1990	52	18	8	30
Sri Lanka	1970	28	24	17	48
	1990	26	25	15	49

SOURCE. World Bank. 1994. *World Development Report*. New York : Oxford University Press

* Also includes the contribution of manufacturing to GDP

During the past few years, India, Nepal and Sri Lanka have embarked on programmes of economic liberalization, involving delicensing of industries, trade and foreign investment deregulation, and a host of other measures. Questions are beginning to be asked if cities in these countries will be able to meet the incremental infrastructure demands that may be generated by the process of economic liberalization. Can the Indian cities, for instance, absorb investment of

the order of US \$ 2-3 billion or even less on an annual basis? What do these investments mean for institutions such as the municipal authorities, special-purpose parastatal agencies, and other layers of administration and bureaucracy which have historically been at the centre of city affairs? What kind of an *adjustment* will be required in the city-related and city-wide regulations and systems to enable cities to meet the challenge of the opening up of the economies? What changes are visualized in the role of the public sector with this shift in policies concerned with economic management?

For reasons that are now widely established, initiatives have been taken worldwide to strengthen the process of democratic decentralization and revitalization of the local government institutions, including India, Nepal and Sri Lanka.⁹ These initiatives include the Constitution (Seventy-Fourth) Amendment Act. 1992 on Municipalities (India), the Municipalities Act. 1991 (Nepal), and the Thirteenth Amendment to the Constitution, 1987, followed by the Provincial Council Act No.42 of 1987 (Sri Lanka). The issue is about the impact of these initiatives on the governance of cities. Will the Constitutional and legislative changes that have been made in India, Nepal and Sri Lanka be able to improve the governance of cities and promote wider participation and ensure accountability? Will these do away with the arbitrariness and ad-hocism that have long characterized the Centre-local and State-local functional and fiscal relationships and the functioning of city-wide institutions?

This paper is concerned with the above-stated set of issues and questions.

Captioned: *Governing Cities: Facing up to the Challenges of Poverty and Globalization*, this paper is laid out in five sections, beginning with a brief overview of what do the institutions that are *formally* responsible for the management of cities in India, Nepal and Sri Lanka do.¹⁰ Special stress is laid in this section on the place of municipalities and other institutions in the intergovernmental structure, referring to their composition, functions, powers and responsibilities and their fiscal domain. Section 2 also describes the existing role of the private sector and voluntary organizations in the management of city affairs.

To what extent and how effectively, have the institutions in these countries been able to govern cities is the theme of the third section of the paper. It dwells on the functioning of institutions, in particular, of municipal governments and parastatal agencies, examining as indicated above, the efficiency with which these agencies have been able to

perform their functions and deal with the phenomenon of urban growth and structural change. New challenges that confront cities in India, Nepal and Sri Lanka are analyzed in the fourth section of the paper. Particular mention is made here of the challenge of widespread poverty and informal settlements on the urban landscape of these countries. Challenges posed by economic liberalization are also presented in this section. Section five discusses the implications of the Constitution (Seventy-Fourth) Amendment Act, 1992 for meeting the challenges that Indian cities face. The future perspectives on governance of cities are provided in the concluding section of the paper.

Much of the material for the paper is drawn from the background papers, commissioned especially for the second phase of the project on *Urban Research in the Developing World* (See bibliography). In addition, a number of articles and studies on the functioning of municipal governments in the Indian Sub-continent and other related literature have been used to buttress the different propositions and arguments. The subject of governance, it should be emphasized, is extremely complex and wide, and hard evidence, for instance, on the nature and quality of relationship between different groups—be they in the category of rulers or the ruled—is weak, dated, localized and largely qualitative. This paper thus represents a tentative attempt at understanding some of the issues relating to the governance of cities.

II WHO GOVERNS CITIES? : AN OVERVIEW

Who governs and manages cities in India, Nepal and Sri Lanka? What is the role of “government”, in particular, of municipal governments¹¹ in the management of cities? What role do the private sector and the non-governmental institutions play in the affairs of cities? This section provides a contextual description of the structure of city-related and city-wide governmental institutions, with focus on features that relate to their composition, functions, responsibilities and fiscal powers. This description thus lays the ground work for examining, in subsequent sections, the extent to which the existing structure of institutions has been able to respond to changes that have occurred in cities, and also the extent to which they have the capacity and potential for dealing with the future challenges of accelerated urban growth, poverty, and globalization. In addition, this section provides a synoptic view of the private sector’s role in city management.

Municipal Governments: Composition, Functions and Powers

Note should be made by way of preface that the three countries—India, Nepal and Sri Lanka, that are the focus of the study—have different politico-administrative set-ups which impinge, either directly or indirectly, on the system of governance at the level of cities. India is a multi-party democracy and has a parliamentary form of government. It is a *federation* consisting of the Union (commonly referred to as the Central Government) and the States, both drawing powers directly from the Constitution. Local governments including the municipal governments are recognized and appropriately safeguarded by the Constitution, but as will be indicated later, they derive their powers from the State governments' legislation.¹² Nepal, until the promulgation of the new Constitution in 1990, was an absolute monarchy with executive powers being vested in the King who presided over a unicameral legislature. It is now a parliamentary democracy and has a form of government that is *unitary* in character. Municipal governments in Nepal draw their powers from Central government legislation. Sri Lanka is a democracy, and has a Presidential and *unitary* form of government, but there are strong pressures towards federalism. In 1987, the Constitution of Sri Lanka was amended; an act called the Pradeshiya Sabha Act (the Provincial Council Act No. 42 of 1987) was passed to create within the Union, nine provinces in the country. Municipalities in this country draw their powers from both the Central Ordinances and the Provincial Act of 1987.

In this set-up, city governments (or more appropriately, the municipal governments) in these countries derive their powers, functions and responsibilities from the Central, State, and Provincial legislation. *In none of the three countries, it is important to note, do they derive their powers from the Constitution.* In India, for instance, the Constitution delineates the powers and responsibilities between the Union (Central government) and the States. The Union government exercises exclusive powers in respect of defense, foreign affairs, and sectors/industries of strategic importance such as the railways, post and telecommunications, national highways, shipping and navigation in inland waterways, and air transport; the States, on the other hand, exercise control over such important subjects as public order, police, administration of justice, agriculture, water supply and irrigation, education, public health, land rights and industries other than those in the Union List.¹³ While the Constitution recognizes the local

governments, and also safeguards their existence, as units of self-government, it does not *directly* endow them with any functions, responsibilities, and powers. They derive their functions and responsibilities from the States which have specific legislation defining their powers, domain, etc. The general practice is to divide the State-level functions and to delegate some of them to the Municipalities. *The State governments reserve the right to operate in the same functional areas, making joint occupancy of functions as the guiding principle for determining the State-municipal functional relations.*

The powers and functions of municipalities and other types of urban local authorities in Nepal (e.g., the town development committees) are laid out in two important Central laws, namely, the Municipalities Act, 2048 (corresponding to the year 1991) and the Town Development Act, 1989. The two laws define the relationship between the municipalities and the Central government. His Majesty's government reserves the right to monitor, supervise and issue directives to municipalities in the execution of functions as also the right to suspend and dissolve them.¹⁴ Similarly in the case of India, the new Constitution, although committing itself to "maximum participation of the people in the governance of the country through the medium of decentralisation of administration", does not assign any powers or functions to municipalities or town committees.

Matters relating to local authorities in Sri Lanka, until the Constitutional amendment and passage of the Provincial Council Act of 1987 were within the purview of the Central government. Their statutory entity and powers accrued directly from the legislative enactments of the Central government, chiefly the Municipal Council Ordinance, Urban Council Ordinance, and the Town Council Ordinance. By this amendment, however, all powers of the Central government in respect of urban local authorities (ULAs), i.e., the municipal and urban councils stand transferred to the Provincial Councils. *The Provincial Councils exercise the authority to supervise the administration of municipal and urban councils, to confer additional powers on them, and to suspend and dissolve them.* The Provincial Councils, however, do not possess the authority to abridge or curb the existing powers of the local authorities which continue to rest with the Central government.¹⁵

Municipal governments are at the centre of the affairs of cities in India, Nepal and Sri Lanka.¹⁶ Owing historically¹⁷ to the Lord Ripon resolution of 1882 in India, Ordinance No. 17 of 1865 in Sri Lanka, and

the establishment in the early 1920s of sanitation offices and wards in Nepal, the municipal institutions have over the years come to acquire a pivotal position in the management and governance of cities.¹⁸ They have been described as playing a paramount role in the management of the urban economy. The extent to which they manage cities, however, differs enormously between countries and between cities within the same country. In some, their role might even be regarded as peripheral at best. There are several distinguishing features of municipal governments which should be noted:

- *The municipal governments in India, Nepal and Sri Lanka are, by statute or legislation, democratic in character and based on adult franchise.* Thus, the municipalities in these countries have *directly* elected councils, boards and corporations.¹⁹ An important point which reflects on the democratic character of the municipality relates to the powers of the elected council including those of the Mayor or the Chairperson of the Council in matters relating to the management of cities. In India, for instance, in smaller municipalities, the Chairpersons of the elected councils share powers of decision-making and administration with the councils and the various Standing Committees. This arrangement is interpreted as the essence of local democracy. The management pattern in the case of large cities, however, is based on the principle of separate powers between the elected body, the Standing Committees and the bureaucracy which is usually headed by a municipal commissioner. The elected body deliberates on policies and approves the budget, but the municipal commissioner exercises executive powers. The rationale behind the separation of powers between the deliberative wing and executive wing is to eliminate the authority and interference of councillors in administrative matters. Experts in India have, however, noted that the separation of powers between the deliberative and executive wings reflects a bias against the role of politics in urban governance, and is, at best, a compromise between the claims of democratic participation and the requirements of administrative efficiency. The functions of urban governance, it is alleged, are of such a nature as to admit of overlapping powers and jurisdictions of the deliberative and executive wings of big city governments. This point will be elaborated in the next section.

In Calcutta, the capital of West Bengal in India, a Mayor-in-Council form of urban management has been in practice for several years. The full powers of government, both policy making and executive, vest in the Mayor-in-Council. This system assumes that the political and administrative processes cannot be compartmentalized. The political process is continuous and spills over into administration, and administrative programmes inevitably has political ramifications. This form of urban governance, it is argued, should ensure better political control and accountability.²⁰

- The second feature, of importance to this study, relates to the range of functions entrusted to municipal governments in the countries. A review of literature shows that the municipal institutions are typically responsible for providing basic public goods falling into four broad categories, namely: *public health, public safety, public works, and public order*.²¹ They also perform important regulatory functions relating to public health (e.g., they check the sale of flesh of diseased animals, and the cutting of fruits), public safety (e.g. control of the use of premises for dangerous trades), public works (e.g., relating to urban planning and building codes), and public order (e.g., control on the use of public places). Conceptually, municipal functions include those goods and services whose benefits are localized and for which there is a differential scale of preference. Other services, whose benefits spill over to jurisdictions other than those where these are actually provided and which are associated with scale economies, rest with the higher levels of governments. In actual practice, as indicated earlier in the paper, the division of functions between the municipalities and higher levels of governments is rarely neat or airtight; joint occupancy of functions is the rule rather than the exception. Moreover, there has occurred in recent years an expansion in the domain of their responsibilities.

Box 1

The city is an organization or institution devoted to service. It is created and maintained for the purpose of performing functions and delivering services which are essential to make living in a modern city more tolerable and more agreeable. If it does these things at a reasonable cost to the taxpayers it has served its purpose and fulfilled its mission. The goal is to deliver the essential or desired services at the minimum cost. See Edward C. Banfield (ed.), 1975. *Urban Government: A Reader in Politics and Administration*. Cambridge, Mass: The Free Press of Glencoe, Inc.

Three points with regard to the functional domain of municipal governments in these countries need to be emphasized:

- *The municipal governments do not enjoy an absolute or exclusive domain or sphere in any of the three countries; essentially, they possess legally delegated powers and functions under the doctrine of *ultra vires* (Dillon's Rule) that limits local choice and diversity. Municipalities "are to take nothing from the general sovereignty (the state) except what is expressly granted".²² Because of the absence of an absolute or exclusive domain, the Central or the State governments have intruded into their domain through parallel laws or executive decisions to operate in the same functional area. In addition, external mandating of State functions on municipalities is a common practice in the three countries.*
- *The municipal governments are essentially responsible for the maintenance and operation of management functions. There is no or, at most, a weak orientation of municipalities to either capital works or developmental functions. Maintenance management is the function that they perform. This practice of separating the responsibility for maintenance and operation from development functions is rooted in the classical proposition that local governments should deal only with the provision of public services in accordance with local preferences. Developmental functions and other policies which have distributional effects, it is contended, can be more efficiently dealt with by the higher levels of governments. This position, however, is changing. The Constitution (Seventy-Fourth Amendment) Act of 1992 on Municipalities (India), as will be outlined later, seeks to widen the municipal operative sphere into three new areas: (a) economic and social planning, (b) urban poverty alleviation, and (c) urban forestry. The Municipalities Act 1991 of Nepal also provides for a number of economic development functions.²³*
- *As the size of municipalities increases, their functional domain and the degree of autonomy that they enjoy also increase. Thus, for instance, the municipal corporations in*

India have wider powers compared to the municipal bodies of smaller urban centres. The Bombay Municipal Corporation runs hospitals, the water supply system, schools, electricity distribution and the bus service in addition to performing the traditional services of road maintenance, drains, refuse collection and markets. In Nepal too, as Adhikari notes, “a metropolitan authority is empowered with certain additional powers that pertain to environmental protection, mobilisation of local resources and institutions, free education up to secondary level, transport management, and maintenance of places of common interest such as parks and temples, shopping and sport centres”.²⁴

- *The fiscal domain of municipalities in India, Nepal and Sri Lanka is narrow and inelastic.* More generally, municipalities in India have access to property taxes which typically include a tax for general purposes, a water and drainage tax, a lighting tax, and a scavenging tax; taxes on carriages and carts; taxes on animals; taxes on advertisements, and duties on transfers of properties in the form of a surcharge on the duty imposed under the Indian Stamps Act, 1911, and *octroi* in selected States. Several States in India permit municipalities to impose taxes on cinemas, theatres, circuses, carnivals and other performances and shows. The main municipal taxes in Nepal consist of a house tax, rent tax, business tax, vehicle tax, parking fees, service charges, and *octroi* duties. In Sri Lanka, the primary source of municipal income is a property tax. Other sources of revenues include fees for services, licensing charges, and permitted borrowings and grants from the Central government.

By and large, these are taxes that are leviable on immobile tax bases and whose burden is not exportable to other jurisdictions. Many taxes (i.e., professional and entertainment taxes in some States in India), however, even when they satisfy the above norm stay with the higher levels of governments, or are collected by them for redistribution to municipalities. Revenues collected through attachment to existing State level taxes also constitute a source of income for municipalities in India. Taxes which are levied on the relatively mobile factors of production, and tax bases which are unevenly distributed over space fall within the ambit of the higher levels of governments.

Box 2

**Indicative Municipal Functions in India
As Provided for in the State Municipal Laws**

Heads	States		
	Andhra Pradesh <i>(The Andhra Pradesh Municipal Act, 1965)</i>	Gujarat <i>(The Gujarat Municipalities Act, 1963)</i>	Punjab <i>(The Punjab Municipalities Act, 1991)</i>
Public Health	<ul style="list-style-type: none"> • Provision of water supply and drainage • Refuse collection and disposal • Provision of slaughter-houses • Public vaccination • Registration of births and deaths 	<ul style="list-style-type: none"> • Provision of water supply • Regulation of offensive and dangerous trades • Refuse collection and disposal, cleaning of drains and sewers • Public vaccination • Removal and disposal of night soil 	<ul style="list-style-type: none"> • Water supply. • Public vaccination • Promotion of public welfare and health • Providing for refuse collection and disposal • Registration of births and deaths
Public Works	<ul style="list-style-type: none"> • Street lighting • Removal of encroachments • Enforcement of building regulations • Construction and maintenance and regulation of markets • Licensing of porters 	<ul style="list-style-type: none"> • Street lighting • Removal of encroachments • Maintenance of public streets, culverts, drainage works, drinking fountains, slaughter houses, drains, etc. • Maintenance of parks, gardens and libraries* • Supply of electricity or gas* 	<ul style="list-style-type: none"> • Construction and maintenance of public streets bridges, drains and privies • Street lighting • Maintenance of public parks and open spaces
Development	<ul style="list-style-type: none"> • Licensing of trades and factories 	<ul style="list-style-type: none"> • Encouraging formation of housing cooperatives • Sum clearance and redevelopment • Making of house building material 	
Education	-	<ul style="list-style-type: none"> • Establishing primary schools 	<ul style="list-style-type: none"> • Maintenance of schools
Medical Relief	-	<ul style="list-style-type: none"> • Provision of medical relief in case of outbreak of epidemics • Establishing public hospitals, dispensaries and welfare centres 	<ul style="list-style-type: none"> • Maintenance of hospital and dispensaries
Others		<ul style="list-style-type: none"> • Preparation of compost • Registration of births, marriages and deaths 	<ul style="list-style-type: none"> • Preparation of compost • Holding fairs and exhibitions

Box 3
<p>Indicative Municipal Functions in Nepal (The Municipality Act, 1991) Chapter 4, Article 15</p>
<ul style="list-style-type: none"> • Ascertain preserved area for the preservation of drinking water, control of flood and storm and natural and archaeological properties. • Preserve and utilise rivers, streams, wells, ponds, stone taps, etc. lying within the municipal areas. • Enhance public securities by exterminating mad and strayed dogs and to pinpoint the area for the burial of the dead animals. • Remove goods which are harmful from the health and sanitation point of view. • Make arrangements for the control of epidemics. • Approve Town Developments Plan, Area Development Plan and other Plans for the development of the Municipality. • Approve the tax raising procedures for those taxes which lie within its purview. • Fix the rate of taxes, fees, levies, service charges, etc. • Promote trade and commerce.

Box 4		
Powers of Taxation of Municipalities in Selected States of India		
<p>Bombay Municipal Corporation Act, 1888 Sections 139 & 191 A</p>	<p>Hyderabad Municipal Corporation Act, 1955 Sections 197, 199 & 248</p>	<p>Karnataka Municipal Corporation Act, 1976 Sections 103 & 140</p>
<ul style="list-style-type: none"> • Property taxes which include: <ul style="list-style-type: none"> *Water tax *Water benefit tax *Sewerage tax *A general tax *Education cess *Street tax *Betterment charges • Tax on vehicles and animals • Theatre tax • Octroi • Tax on dogs 	<ul style="list-style-type: none"> • Taxes on lands and buildings including: <ul style="list-style-type: none"> *Water tax *Drainage tax *Lighting tax *Conservancy tax *General tax • Taxes on vehicles • Taxes on animals and boats • Taxes on advertisements other than those in the newspapers • Octroi • Tax on transfer of immovable property in the form of a surcharge on stamp duty • Tax on entertainment • Tax on dogs 	<ul style="list-style-type: none"> • Taxes on buildings or lands or both • Tax on carriages and animals • Tax on carts • Toll on vehicles other than motor vehicles • Tax on advertisements • Duty on transfer of property in the shape of an additional stamp duty • General sanitary cess • Water rates for the supply of water • Additional stamp duty

Several points need to be emphasized with respect to the fiscal domain of the municipalities:

- *The fiscal autonomy of municipal governments is limited, and determined by either the Central government (Nepal and Sri Lanka) or the State governments (India). The taxes which they levy are prescribed, and there is little freedom in choosing tax rates. Moreover, these taxes are the least buoyant compared to taxes that fall within the ambit of the higher levels of governments, e.g., income tax, excise or custom, sales taxes, or even motor vehicle taxes which expand automatically with prices. Property taxes, on the other hand, increase only after a revaluation or a specific tariff revision to respond to cost inflation. Such revisions are normally politically sensitive, as a result of which they are difficult to carry out.*
- *The determination of fiscal domain is an activity that is independent of the functional or expenditure responsibilities of municipalities. It is this separation of the two functions that is said to be the principal factor underlying the vertical fiscal imbalance in India, Nepal and Sri Lanka. Meeting the imbalance via the system of transfers is thus common in these countries, but as will be shown in the next section, it has led to severe undermining of local priorities and initiatives.*
- *Generally, the municipal bodies in the three countries do not enjoy powers to enter the capital market without the explicit sanction and guarantees of the Central or the State governments. The borrowing powers of municipalities in India, for instance, are governed by the Local Authorities Loan Act of 1914. Besides the legislative limits, municipal bodies are in any case financially not strong enough to tap the capital market for undertaking capital works.*

The Role of Parastatals

The management of cities in India, Nepal and Sri Lanka is not an exclusive responsibility of municipal governments; parastatals and special purpose boards and corporations are important city-related bodies which have developed, over the years, crucial stakes in city growth and management. A product of the 1960s and 1970s, these parastatals are interdisciplinary bodies, responsible for planning,

coordinating, implementing, funding and supervising urban development works. Many of them have made major inroads into what was traditionally the municipal domain, particularly in the sphere of water supply and drainage, and slum clearance and improvement.²⁵ Most States in India have State-level water supply and sewerage boards, slum improvement boards, housing boards, and city-based development authorities. Nepal has a country-wide water supply corporation, a housing development finance agency, a solid waste management and resource mobilisation centre, and other boards dealing with bus services, town development, and housing finance. Similarly, in Sri Lanka, the production and delivery of services which are connected with the areas of responsibilities of urban local authorities rest with the National Water Supply and Drainage Board, the Road Development Authority, the Central Environmental Authority, and the Central Electricity Board.

The parastatals are essentially concerned with developmental and capital works, and it is these functions that distinguish them from municipal bodies whose principal domain lies in the operation and maintenance of services. *In fact, as several studies indicate, the developmental role of parastatal agencies provides the primary rationale for their establishment. It is argued that the creation of new assets (capital works) is a discrete function, and distinct from the one that is required for the upkeep, maintenance and operation of the existing stock and assets. Also, the technologies required for the creation of new stock are very different.*

The creation of parastatals in India, Nepal and Sri Lanka has been justified on several grounds:²⁶

- There are certain urban development functions that require depoliticized and non-bureaucratic responses; for this reason, it is argued, parastatals are in a better position to provide such responses.
- The relative financial autonomy of parastatals makes for increased efficiency which is generally not available to the municipal institutions.
- By using commercial norms in their operations such parastatals can enter the capital market and not be a drain on scarce public funds and resources.
- Parastatals have greater potential for achieving scale economies which is not possible in the case of municipal bodies operating in limited jurisdictions.

As will be shown later, the proposition that these authorities are not hemmed-in by bureaucratic procedures, and are financially sound and autonomous in decision-making, is a myth of public institutional development.²⁷

The Private Sector and Urban Services

The prevalent image of public intervention in the governance of cities is that “government regulates, the general public complies; government provides services, the public consumes them”.²⁸ Indeed, *the dominant assumption is that the municipal bodies and parastatal agencies enjoy a kind of a monopoly in respect of the provision of basic services and regulation of economic activities, with no role for the private sector.* The urban services market, i.e., the market in which such services as water supply, garbage disposal, primary health, intra-city transportation and maintenance of roads are produced, traded and maintained, it is widely held, is public-owned, and public-run; that it is homogeneous, and that it is formal. These perceptions stem, in part, from one major consideration, i.e., the nature of the services provided by them which fall into the category of a “natural monopoly”, a “merit good”, or a “public good”. The literature describes several situations in which public provision of services is considered essential, these being:

- where natural monopolies exist;
- where increased production is associated with decreasing costs;
- where substantial externalities exist and which do not get reflected in the accounts of private suppliers;
- where it is difficult to charge for a service or to exclude those who do not pay; and
- where merit goods are involved.²⁹

Box 5

Pure public goods are those goods and services that have to be provided to a group as a whole and cannot be subdivided for the benefit of particular individuals.

Merit goods are those goods and services that society considers to have special merit but that might be produced in insufficient quantity if left to private markets.

Recent studies on the institutional arrangements for the provision of services, however, show that *the urban services market is neither public-run, nor formal, nor even homogeneous*; rather, it constitutes a complex mix of differentiated arrangements in which, together with public institutions, some private sector institutions are also engaged.³⁰ The size and nature of private institutions varies from extremely small and informal (e.g., rickshaw pulling, water vending, primary collection of garbage), to large-scale and formal (e.g., organised health services). In most services, the public and private sector institutions supplement each other; in a few, they are complementary; and in some, they even compete with each other.

Box 6

....there are several non-governmental organizations (NGOs) active in the BMR (Bombay Metropolitan Region) involved in developmental efforts. The major thrust of these NGOs has been the focus on environmental issues and the improvement of the natural and physical environment. The NGOs operating at the macro level are as follows: Bombay Environmental Action Group (BEAG); Society for Clean Environment (SOCLEEN); National Slum Dwellers Federation as a coalition of NGOs working in slums; Save Bombay Committee; Mahila Milan; a women slum-dwellers' federation operating a credit crisis scheme; National Society for Clean Cities; Youth for Unit and Voluntary Actions (YUVA); SPARC; People's Responsible Organization of United Dharavi (PROUD).

These groups are involved in multivaried activities like generating public awareness towards improving the environment, and educating the public towards various environmental issues. They are able to elicit prompt action of concerned authorities for environmental and livelihood protection, providing inputs for development of policies for environmental protection, for espousing the helping slum and pavement dwellers against forced eviction, fighting for slum dwellers' rights and entitlements, and helping slum dwellers organize into cooperatives. There are numerous community-based organizations, at least one for every slum, involved in improving the health, education and amenities in slums.

United Nations Centre for Human Settlements (HABITAT). 1993. Metropolitan Planning and Management in the Developing World: Spatial Decentralization Policy in Bombay and Cairo. Nairobi, pp. 54.

The same studies suggest the role of the private sector in such services as transport and health to be substantial. The share of the private sector in intracity transportation, for instance, varies from a low of 22 per cent to a high of 94 per cent in several Indian cities. Even in a service like water supply which is a "natural monopoly" and a stated public responsibility, "the non-governmental organisations and private

agencies play a noticeable role".⁵¹ According to the 42nd round of the National Sample Survey, 28.5 per cent of water supply in India is provided by the non-governmental sources.⁵²

Mention should be made here of the role of voluntary groups—this term being used here to include neighbourhood-based community organizations, often referred to as CBOs, non-governmental organizations (NGOs), and different forms of civic and consumer forums in city management and city affairs. As in the case of the private sector, a proper documentation of the role and the nature and extent of participation of such groups is not available for any of the three countries; the literature, however, is strewn with sporadic accounts of activities of voluntary groups which 'operate in specific cities of the Indian sub-Continent. Many cities have a large number of such groups, often one in each slum, involved in multifarious activities.

Active participation of voluntary groups in the cities of India, Nepal and Sri Lanka, it needs to be noted, is a comparatively recent development, and is commonly characterized by three features:

- Predominant focus of such groups on the problems and development needs of disadvantaged groups, especially the urban poor, women and children.
- Increasing professionalization in the activities of voluntary groups.
- Shift away from a 'welfare' to 'development' focus in their activities.

A review of literature shows that the voluntary groups are primarily engaged in three types of activities, namely⁵³:

- *Participation in the development projects of governments.* In terms of its reach and coverage, incorporating community participation in government-sponsored development projects is probably the most widespread form of participation in urban governance. Important examples of this form of participation are the Hyderabad Urban Community Project in India (See Box below) and the Million Houses Initiative in Sri Lanka.

Box 7

Often cited as the most successful of the urban community development projects, the Hyderabad Urban Community Development has expanded from a coverage of 4000 population at its inception to over 500,000 population over a 15 year time span. Today, it covers the entire slum population. The programme is a part of the Hyderabad Municipal Corporation, and over the years has received assistance from many international agencies.

- *Delivery of urban services.* A second form of participation relates to the involvement of voluntary groups in delivering specific services. EXNORA group in Madras (India) presents an interesting example of this form where it has introduced a system of garbage collection by retaining the informal rag-pickers and by enabling them to receive salaries from the resident groups. The main advantage of this form is not just service delivery, but equally, a more meaningful participation of stakeholders in the process of urban governance.
- *Consultation on public policies and issues.* In the past, as has been noted by the Society for Participatory Research in Asia (PRIA), much of the attention of voluntary groups was on creating models, innovations, and experiments, but not so much in influencing the process of formulating and implementing public policies. The voluntary groups today recognize the limits of their efforts in working with isolated communities,³⁴ and are beginning to exert pressures on policy making exercises.

The past few years have also seen in India and Sri Lanka the emergence of civic groups and consumer forums whose main tasks are to draw attention to the working of city-wide institutions, particularly as they relate to the responsiveness of the public service providers to the needs of the urban poor. These groups are also responsible for arranging proper interfaces between the urban poor and public agencies. Awards have been instituted, for instance, in Pune (India) for the most orderly processions taken out during festivals. According to a recent paper, "over 10,000 young people have been involved (in Pune) in managing public meetings and processions. Non-governmental organisations have been active in orienting and coordinating police-citizen committees. A new concept of 'community policing' has been put to work in Pune as a result of this unique collaboration between citizens and the police."³⁵

This is, at best, a partial overview of the institutional network that is concerned with, and involved in, the management of cities. The question as to who does what and which agencies and institutions deliver services, or regulate activities, or organize communities, it needs to be repeated, has not been systematically examined in literature. It continues to be, as noted by Douglas Yates, "an intractable jigsaw puzzle because of the inherent fragmentation of urban service delivery

and the historical fragmentation of urban policy-making process".³⁶ Although stated in the context of the US, it aptly describes the Indian situation.

III HOW EFFECTIVELY ARE CITIES GOVERNED?: AN ASSESSMENT

How effectively have the city-related and city-wide institutions been able to govern cities and grapple with their problems is one question that lies at the centre of the issue of governance. More broadly, the issue encompasses the functioning of municipal governments. Indeed, it includes the entire *process* of governing the urban areas, including the interplay of the elective and bureaucratic elements and the nature of relationship between what Halfani and others refer to as, "the rulers and the ruled, the state and society, the government and the governed."³⁷ The functioning of governments and institutions, it needs to be recognised, exemplifies itself in highly complex and different ways. For instance, it shows itself, somewhat overwhelmingly, in the capacity of institutions to reach out and provide services that they are mandated to provide. It shows itself in their capacity to be able to generate adequate resources to meet their expenditure responsibilities and commitments. It manifests itself in their ability to involve people in the urban development and planning process, and to lead towards the development of a civil society. Another factor that bears on the functioning of institutions relates to the degree of accountability and transparency that they can impart in carrying out their functions.

Systematically researched evidence on these aspects in the three countries of India, Nepal and Sri Lanka is, at the best, scanty.³⁸ Furthermore, *the understanding of many such aspects is rendered complex by the fact that urban policy making in these countries is highly fragmented, and there is considerable fluidity with respect to the powers and resources of municipal governments vis-a-vis other agencies and higher governmental levels.* Box 8 below illustrates how decision-making in Bombay stands fragmented by the sheer number of institutions. Nonetheless, it is generally perceived that the city-wide and city-related institutions are weak, inefficient, and often unrepresentative. These are too centralized to support a responsive, flexible relationship between what Albert Reiss called, "the servers and the served in service delivery"³⁹ It is further alleged that these institutions are heavily dependent on the higher levels of governments to take sound policy initiatives.⁴⁰ Citizens and citizen groups have little influence over

policy making, and their participation in urban policy making carries elusive benefits. In this section, an attempt is made to pull together selective evidence on four aspects of the functioning of city-wide institutions, namely, (i) the service delivery, (ii) the financial management, (iii) the regulatory framework, and (iv) the representative and participatory character of municipal institutions.

Box 8

..... there are a large number of central, state and municipal agencies operating in the city (of Bombay) with responsibilities that sometimes overlap. Among these are the Bombay Metropolitan Region Development Authority (BMRDA), the Housing and Urban Development Corporation (HUDCO), the Housing and Urban Development Authority (HUDA), the Maharashtra Housing and Area Development Authority (MHADA), the Bombay Housing and Area Development Board (BHADB), the Maharashtra Slum Improvement Board (MSIB), the City and Industrial Development Corporation of Maharashtra (CIDCO), the Bombay Municipal Corporation (BMC), and Municipal Corporation of Greater Bombay (MCGB)!

UNCHS. *ibid.* pp.20

- *Service delivery*: The basic and distinctive function of municipal governments is service delivery. *Studies on service delivery demonstrate that the municipal and other institutions in the three countries are not able, adequately and equitably, to provide access to basic shelter, infrastructure and services.*¹¹ This is shown in the extent to which urban populations stand excluded from access to services. Anywhere between 11 to 30 per cent of India's urban population is dependent on questionable sources of water supply, and another 57 per cent lack any form of sanitation. Cities of over 100,000 population are reported to have capacities to collect and treat only about 60 per cent of solid wastes. In smaller and medium-sized cities, there exists virtually no arrangement for the collection and treatment of different kinds of wastes.

The towns in Nepal are faced with serious deprivation of urban services. The urban population serviced in 1987-88 was 83 per cent for water supply, 70 per cent for electricity, 47 per cent for sanitation, 18 per cent for solid waste disposal, and virtually zero per cent for stormwater drainage.¹² As Joshi notes: all urban areas have serious deficiencies in essential urban infrastructure and services. Physical quality of life and standard of living are far from satisfactory. Neglect of existing built up areas has threatened the life of the housing stock as

well as the health of the population. Income distribution pattern has become more skewed during the past decade. The failure of planning is reflected in poor land management resulting in the wastage of valuable agricultural land, poor development performance, environmental deterioration, and erosion of cultural heritage.⁴³ *Large scale exclusion of the urban population from services is the most visible aspect of the non-performance of city-wide institutions in these countries.*

● *Finances and their management:* Municipal and other city-wide institutions in all the three countries are financially weak and unviable, and are not able to generate enough resources to meet their expenditure responsibilities. Levied revenues of municipalities in India account for only about 2.9 per cent of the combined revenues raised by the Centre, State and municipalities. Considering the fact that municipal areas produce over 50 per cent of the country's Net Domestic Product, it is evident that the municipalities in India have not been able to establish effective linkages with economic activities carried out within their own jurisdictions.⁴⁴ Only a few municipal administrations are able to put into practice the principle of user charges for recovering the cost of the services that they offer. Recovery of costs even in the case of services such as water supply is no more than 65 per cent of the expenditure incurred on its provision; in other services like solid wastes, direct and indirect recoveries do not exceed 10-12 per cent of the total expenditure.⁴⁵ *Effectively, this has meant large-scale subsidization of civic services which, in turn, has increased the dependence of city administrations on the higher levels of governments.* Because of inappropriate financial systems, many cities are reported to have submerged in large internal and external debts.

TABLE 3. Revenue Base of the Centre, States and Municipalities, India, 1993-94

Unit	Centre	States	Municipalities	Total
Per cent share	61.4	35.6	2.9	100.0

SOURCE. NIPFP, New Delhi (See Footnote number 44).

Municipal governments in these countries continue to rely for resources on an extremely narrow, relatively inelastic and non-buoyant tax base, and

are consequently forced to use high rates of taxation. It is estimated that in cities in the Indian Sub-Continent, only about 15-25 per cent of properties are in the property tax net; the balance stand exempted because their rental values are below the threshold or because they fall in the tax-exempt categories. Consequently, the tax rates in many cities are often as high as 80-100 per cent, forcing the owners to resort to undervalue their properties. High tax rates are also stated to be chiefly responsible for leakages and widespread corruption. Many taxes-particularly those imposed on non-motorized transport, animals and vessels-are obsolete, having lost their economic relevance in course of time. Others which have a large potential (e.g., advertisement, profession, entertainment and license fees) are beset with the non-revision of tax rates and enforcement procedures. *Weak financial position of municipal institutions, and the inefficient manner in which the finances are managed, constitute in all the three countries a major impediment to the effective governance of cities.*

● *The regulatory framework: Most municipal governments in the three countries use regulations, procedures and systems that are exceedingly cumbersome, time-consuming, and costly.* Although specific studies on the cost of municipal laws and regulations are few and sporadic, it is estimated that the cost of every transaction-be it a building permit, or a license for operating a kiosk or running a shop, is at least 35-40 per cent of the cost of the proposed activity. Moreover, a number of transactions, even with the payment of fees, are characterized by a high degree of unreliability, imposing heavy cost on new activities. In relation to land and property development in cities, long delays have been noted in getting the requisite permission for transfer of lands, registration of sales, conversion of agricultural land to urban uses, approval of layouts and subdivisions, and approval of building plans and building permission to start development of a property. These procedures take between three to six months. As Alain Bertaud has noted, "The additional time and cost involved in getting the legal permits is so costly that they (individuals) often prefer to relinquish the benefits attached to the formal process, particularly access to housing finance... The major cost associated with the formal sector is not the cost of minimum physical development standards *per se*, but the cost incurred on account of the complexity of the administrative land subdivision system."⁴⁶

Even the official language used, for example, in expressing building regulations, or the sheer volume of the legislation, may be sufficient to deter many would-be builders. Patrick McAuslan cites a requirement of the Madras City Corporation Building Rules:

“The level of foundation shall be such that the minimum depth for the foundation to prevent the soil moving laterally under pressure shall be according to Rankine’s theory.”

which is then set out in mathematical symbols. It would be a matter of chance if building contractors were able to comply with Rankine’s theory, or, indeed, with many other of the regulations in order to fulfil the requirements of the law.¹⁷

The prevalence of laws such as the Urban Land (Ceiling and Regulation) Act of 1976 illustrates how such laws can exacerbate problems. The primary purpose of the Act was to impose a ceiling on private ownership of land in urban areas, and to permit public acquisition of land in excess of the ceiling, to be used for housing the poor. The Act’s objectives were to prevent the concentration of urban land in the hands of a few, to reduce speculation and profiteering, and to bring about an equitable distribution of land in urban areas. The Act has scarcely had any effect in bringing the vacant urban land into the market. One of the results is that land prices have risen at a phenomenally high rate. While upward pressures on land prices exist in most cities, normally affecting the productivity of investments, they are accentuated by policies that further reduce supply. *In sum, excessive and misplaced regulations and systems have acted as a major barrier to proper management of cities. The central point is that these have imposed heavy costs on city populations and hampered urban development.*

● *Participation in governance:* A crucial aspect of governance relates to the representative character of municipal institutions. *In general, although the municipal governments in India, Nepal and Sri Lanka, are democratic in character and based on a full adult franchise, the system of participation is weakly developed and provides little articulation of interests of different population groups.* An estimated 50 per cent of municipal bodies in India remain under supersession at any given point of time, and are run by administrators.¹⁸ In the opinion of experts, the State governments in India have used their powers of suspending or dissolving the municipal bodies liberally, “mostly on political

considerations and sometimes on technical-administrative grounds".⁴⁹ In a superseded municipal corporation, the administrator who is an appointee of the State government "hardly takes his job seriously: whatever he does, he does at the bidding of the State government". Experience suggests that this state of affairs nowhere leads to better governance in any sense of the term. As Mukhopadhyay notes, "Collection of taxes, maintenance of civic services, enforcement of discipline and minimizing corruption have not been achieved smoothly and efficiently. The experience of Calcutta Corporation under suspension from 1972 to 1978 is an eminent illustration of this point".⁵⁰

The government-appointed executives in the municipalities in India are far from accountable. Abhijit Datta in his paper quotes from the speech of a Minister:

Sir, the first requirement in a democratic society is that government, whether Central or local, would be accountable to the electorate. One wonders how a local government which exists in name only and whose major powers and functions are statutorily assigned to a non-elected individual, no matter how dedicated he may be, can pass the acid test of accountability (Calcutta Corporation: 1980).⁵¹

Ken Davey has reached somewhat similar conclusions. He observes:⁵²

Ahmedabad has a directly, regularly, and competitively elected council, or general board. With 127 members, the city has a largely ceremonial mayor, an elaborate committee structure, and weak party organization and thus lacks cohesive leadership and direction. Executive authority lies not with the elected body, but with the municipal commissioner, who is a civil servant nominated and posted by the state government. Although strong in power and prestige, commissioners serve on average for no more than one year, far too short a period to assert real authority over a large organization. Effective authority lies with a hierarchy of deputy commissioners and departmental heads, who are strongly wedded to the defense of departmental interests. Power is diffused; even financial management responsibility is shared between four deputy commissioners, and professional continuity is provided by relatively junior officials. Budgeting is largely incremental, with departmental shares jealously preserved. Staffing levels are not excessive and have generally declined in relation to population, but there is little

formal training, and what limited promotion there is depends largely on seniority. To quote Batley, "...at its best this is a system which gives due respect to professional standards and which maintain continuity through routines. At its worst, it is not a system which can be easily mobilized to achieve institutional objectives".

Some additional insights are available on the relationship between elected representatives and the bureaucracy and how it has led to serious distortions in the governance of cities. As pointed out earlier in the paper, there exists a separation of powers between the deliberative and executive wings of large municipal corporations in India. The rationale is to eliminate the authority and interference of councillors in administrative matters. The councillors have jurisdiction over policies and decisions which relate to evaluating choices and assessing alternative courses of actions, while the bureaucracy is responsible for functions such as calling tenders, selection of contracts, billing for property taxes, issuing trade licenses, and arranging and maintaining services.

The general experience is that, over the years, there has occurred a reversal of the roles of local politicians and bureaucrats in urban governance in that *the local politicians are seen to be interested more in such functions as tenders, contracts, recruitment, transfers, and the like; while the bureaucracy plays a crucial role in policy matters affecting urban governance and also planning and development of urban areas*. Roderick Church in his study of Lucknow, a city in India, found that the entire job of a municipal councillor revolved around administration:

The councillors usually show little concern with policy, general issues or matters that do not concern the immediate allocation of municipal services. Instead, they are output-oriented and concerned with administrative demands and the outcomes of administrative decisions.⁵³

According to Church, the preoccupation of councillors in administration, instead of policy matters, is explained by three factors. To quote:

First, financial and legal restrictions imposed by State governments severely limit the ability of municipalities to make important decisions about priorities in public policy. This means that the

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councillor is not especially likely to be involved in policy matters or to consider policy making an important part of his role. Second, the problem is acute (financial) scarcity and the fact is that many perfectly legitimate demands must go unfulfilled. In this situation, the councillor becomes an additional lever of influence for citizens with demands, and he necessarily becomes involved in administering scarcity. Third, general inefficiency and corruption in municipal administration, together with interference in administration by other councillors, means that the councillor cannot rely on rules and policy guidelines to ensure that his constituents receive their share of civic services. There is usually a large gap between policy and what eventually emerges at the administrative level. For a councillor to content himself with policy matters and to leave administration to others would be the height of folly.⁵¹

The parastatal agencies too in India, Nepal and Sri Lanka which complement, in an important way, the network of municipal institutions, have not made any significant impact on the governance of cities. Indeed, neither have these agencies been able to improve the delivery of services nor helped to reduce the demand on scarce public resources. Sivaramakrishnan's observations with regard to the functioning of parastatals are worth noting:

Whatever the rationale for divesting the municipalities of some of their functions and entrusting them to other authorities, it has been considerably diluted by subsequent experience. Initially it was urged that such special purpose authorities were necessary for reasons of sound financial and technical management, but in reality these special purpose bodies have also been as prone to indiscipline, and inefficiency and financial problems as the municipalities which they sought to replace. The special purpose bodies do not come under any significant public control and are usually an extension of the State bureaucracies. The absence of public participation and lack of public accountability are also cited as reasons for resisting attempts of cost recovery and the continuation of subsidies, hidden or overt.⁵⁵

The absence of politicized nature was noted to be an important virtue of the parastatal agencies. Evidence, however, does not support this contention. In his extensive work on urban politics and administration, Bhattacharya notes that *while the parastatals have*

succeeded in avoiding politics in service delivery, avoidance is not necessarily a virtue. He writes: "Even if municipal politics is avoided by creating special purpose bodies, the new organisations will soon get enmeshed in another style or level of politics. The great problem in a vast metropolitan community is not to avoid politics, but to have an arrangement of government through which political forces find meaningful expression."⁵⁶

Judged by the criteria applied in this section, it is evident that the existing system of governance is grossly deficient. The institutional framework is unable to meet the service demands, is financially weak and unviable, and far from being representative or participatory. Historical efforts to make the urban governmental system cohesive have not helped to bridge the fragmentation that characterizes the urban institutional network in the countries this study covers.

IV THE CHALLENGES OF URBAN GROWTH, POVERTY AND GLOBALIZATION

Propelled by internal and external events, cities in the developing countries are undergoing changes that are unprecedented in history. Significantly, the changes are as much demographic as economic and social in character. This section attempts to present those changes which constitute a direct challenge to governance of cities.

- **Urbanization and urban growth:** Urbanization in the sense of more and more people living in the urban areas is by far the most important social change that has taken place in the Indian subcontinent in recent times. From a base of approximately 147.4 million in 1970, the number of urban dwellers has risen to 328.2 million, signalling an increase of 122.7 per cent over the two decades 1970-90.⁵⁷ During the same two decades, India's urban population has doubled, increasing from 109.1 million to 217.6 million, and that of Nepal has risen from 462,000 to 1.68 million. In Sri Lanka, no census was held in 1991, but urban population is estimated to have risen from 2.74 million in 1971 to about 3.68 million in 1991.

Of greater importance is the impending urban growth in these countries. According to the United Nations, by the year 2020, India will have close to 648 million persons in the urban areas, accounting for roughly 47 per cent of its total population. Twenty six per cent of Nepal's total population will be urban which will have crossed a high of 8.9 million persons. Approximately 9.1 million out of a total population of 23.6 million in Sri Lanka will be urban dwellers (Table 4).

TABLE 4. Future Urban Population Trends in India, Nepal and Sri Lanka

Year	India		Nepal		Sri Lanka	
	Population (millions)	% of urban to total	Population (thousands)	% of urban to total	Population (thousands)	% of urban to total
1990	230.3	27.0	1,837	9.6	3,679	21.4
2000	336.5	32.3	3,446	14.3	4,701	24.2
2010	480.8	39.3	5,794	20.0	6,605	30.7
2020	648.3	47.3	8,878	26.8	9,126	38.6
Net increase in urban population 1990-2020						
	418.0	181.5	7,041	383.3	5,447	148.1

SOURCE: United Nations. 1991. *World Urbanization Prospects 1990*. New York: United Nations.

One outcome of this process of urban growth will be the emergence in these countries of cities of large size. In 1971, the number of cities with over one million population in India was nine and their share in urban population 25.5 per cent. By 1991, the number had increased to twenty-three, their combined population to 70.7 million, and the population share to 32.5 per cent. Many secondary cities have become metropolitan areas. Given the existing distribution of cities in the different size categories, it is estimated that the number of "million-plus" cities will increase to at least forty-nine by the turn of the century. In Nepal too, relatively larger cities and towns are expected to absorb significant proportions of the increase in urban population.

This scale of urbanization and the expanding size of cities are basic facts with which the city-related institutions and municipal governments must come to terms. The global experience suggests that while most governments earlier took the view that they needed to control, regulate and direct urban population growth and consequently adopted specific policies to this end, few actually achieved any success. An important fall-out of these experiences is a shift in urban policies of these countries in South Asia which today place greater emphasis on

managing urbanization and urban population growth, and less on moderating either the pace or the pattern of urbanization. *Questions relating to the efficient and effective management of urban areas and the removal of constraints to the expansion of basic service and infrastructure form the core of the current policy concerns in these countries.*⁵⁸

The process of urban growth in India, Nepal and Sri Lanka is accompanied by significant changes in the structure and character of cities. For instance, it is not the formal manufacturing activities that have expanded with urbanization; rather, it is the informal set of activities that have grown in all the three countries at a phenomenally high rate. In Sri Lanka, for instance, employment in the informal sector accounts for approximately one-half of the share of employment, with the self-employed accounting for nearly 58 per cent of this segment.⁵⁹ In the 1971 Census, self-employed or "own account workers" comprised 11.7 per cent of the urban employed work force, while in 1981, they accounted for 12.6 per cent. In 1985-86, this segment had grown to 19.4 per cent, and in the 1986-87 sample, they constituted 25.3 per cent of the urban work force.

The employment structure in Indian cities has likewise undergone similar shifts. According to Nurul Amin, employment in small firms accounts for anywhere between 40-70 per cent in the four major cities of India.⁶⁰ Another source indicates that organized sector employment has grown slowly in the urban areas, and much of the increase in urban employment has occurred in informal sector activities.

The burden of the argument is that cities in these countries have undergone dramatic changes in the nature and structure of employment, and it is these changes which carry different implications for municipal governments and city-wide institutions. Dealing with cities which have significantly large informal components may mean innovating more flexible responses, procedures and policies than those that happen to be on the statutes today.

● *Poverty: The existence of large scale poverty in the urban areas presents to the governments of India, Nepal and Sri Lanka perhaps their biggest and most formidable challenge.* Estimates indicate that in India, close to two-fifths of the total urban population are below the poverty line. What is worth noting is that while over the period 1973-74 to 1987-88, the number and proportion of the rural poor declined, the numbers of the urban poor increased.⁶¹ Nearly 50 per cent of Nepal's urban population is stated to be living in abject poverty. In Sri Lanka

which is otherwise characterized by high quality of life indices, the nutritional levels of approximately 54 per cent of urban households were found to be inadequate, and of 24 per cent at risk.⁶² In addition, 3.2 per cent of the total number of urban households were extremely poor.

TABLE 5. Incidence of Urban Poverty in Sri Lanka

Source	1980-81	1985-86
<i>A. Labour Force and Socio-Economy Survey:</i>		
Households below 100% nutritional adequacy	59.0	53.8
Households nutritional at risk	26.6	23.9
Households that are ultra poor	5.8	3.2
<i>B. Consumer Finance Survey:</i>		
Households below the poverty line	16.0	12.0

SOURCE. Gunatilleke. *op. cit.*

Following the theoretical proposition that distributional policies and programmes are best tackled at the higher levels of governments, poverty reduction and alleviation policies have generally been the concern of national governments. *Local and city level governments have played little direct role in the formulation or design of such policies and programmes.* Recent assessments have, however, shown the ineffectiveness of top-down conventional strategies of poverty alleviation. Studies carried out of the community-based and participatory-based approaches to urban poverty point out that approaches where the governments—in most cases, the higher levels—provide services, are ineffective in reaching out to the poorer groups. Either the approaches have proved to be irrelevant or encountered problems of delivery and proper utilization. It has since been recognized that poverty problems are highly location-specific, and are best tackled at community levels, by using community-centred approaches, and making use of community resources for the delivery of basic social and economic services.⁶³ These attempts evidently require

new organisations and mobilisation, usually taking the form of self-help, cooperative, self-sustaining, and community-based types of management characterised by popular participation. Because urban service provision, in most situations, is more often unevenly distributed and skewed in favour of high income communities, it is a pragmatic strategy for the urban poor to organize themselves and arrange to provide and manage the needed services to themselves. What should be done to promote and internalize community-level approaches and enable communities to organize themselves is the task that the city governments in these countries face for addressing growing poverty.

● Globalization¹¹: *During the past few years, major reforms have been introduced in the industrial, trade and fiscal policies of countries in the Indian subcontinent.* Industrial licensing in India, except for a short list of industries relating to security, strategic and environmental concerns has been abolished in all cities of less than one-million population. A flexible location policy has been proposed for cities of more than one-million population which are affected by technological obsolescence and decay, and which, consequently, require what the 1991 statement on Industrial policy calls "industrial regeneration". Initiatives have been taken to assist entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges in order to shift over from import substitution strategies to export-led growth. Steps have been taken to attract foreign investments of up to 51 per cent foreign equity in high priority and export-related trading houses. Major restructuring is on the anvil in respect of pricing of public utilities so as to reduce the potential dependence of public utility undertakings on subsidies and other forms of governmental support.

In addition, complementary measures have been taken in the areas of fiscal and financial sectors and the overall macroeconomic management. Various kinds of fiscal incentives and subsidies have either been reduced or withdrawn, with the expectation is that the process of financial reforms that has now begun will lead to integrated financial markets. In line with changes in policies, steps have been taken to simplify the administrative procedures and regulation, in order to reduce government's detailed planning and management of the economy.

Concerted efforts have been made by Nepal since the early 1980s to attract direct investment to help bridge the resource gap and meet the domestic technological needs. Generally, the incentive structure

available to foreign investors has been on par with that of domestic producers. In addition, the repatriation of profits and dividends is now permitted under the Industrial Enterprises Act of 1981. A series of short-term adjustments was also launched in the mid-1980s to stabilize the country's internal and external imbalances. Among other measures, ancillary institutional reforms have also been introduced in such areas as trade, exchange rate, and import-licensing systems.

In Sri Lanka, major initiatives in trade liberalization and domestic deregulation were introduced in 1977. On the trade policy front, most of the quantitative restrictions on imports were replaced by a simplified system of tariff. The dual exchange rate was unified at an exchange rate which represented a currency devaluation of about 50 per cent. Controls on foreign exchange transactions and repatriation of profits were eased and an industrial free trade zone was created. Recent years have seen further deregulation of the Sri Lankan economy.⁶⁵

These changes in economic policies and procedures in India, Nepal and Sri Lanka are aimed at stepping up of economic growth, improving market efficiency and competitiveness, and integrating their economies with the global commodity markets. Such changes have important implications for the different sectors, especially the urban sector and cities, where most of the new investments, both domestic and foreign, are expected to be made.⁶⁶

The impacts of these policy shifts on the urban sector are not known, and are in the realm of speculation. For instance, there exists no understanding on whether the export-oriented industrial development, reduction of subsidies, delicensing and deregulation of a large portion of the industrial sector will change the pace and pattern of urban growth and distribution of activities over space. In what direction the change will come about? At the best, it is possible to argue that the present level of urbanization and the existing distribution pattern of settlements and economic activities are the outcomes of policies that were pursued in the past. The import substitution policies of the past several decades, the reliance on the domestic (as compared to international) markets, provision of urban services and infrastructure at subsidised rates, and licensing and countless regulations tended to favour concentration of activities in capital cities and large market areas. Export orientation could change the pace and pattern of urbanization and may lead to growth of different types, with varied locations, of cities. Similarly, delicensing could mean dispersal of economic activities consequencing a more balanced spatial distribution of population.

The economic impacts of policy shifts in India are, however, beginning to be surface, with some signs of an increase in the country's share in the global trade and market. Evidence of this is available from the data on foreign direct investment which has risen rapidly since the opening up of the economy. According to the most recent estimates, foreign direct investment amounting to US \$7.9 billion have been *approved* during the period 1991-94. The spatial distribution of these investments is significant as recorded in Table 6. The more urbanized States: Maharashtra, Gujarat, West Bengal, Tamil Nadu, Andhra Pradesh and Karnataka account for over 45 per cent of the total approved investments. Delhi with a population of 10 million (4-6 per cent of the total urban population), but with a pronounced urban character, accounts for 12.7 per cent of such investments. On the other hand, the low-urbanized States and States which have a thin network of cities, have not attracted proposals for foreign investments. It is a strong indication of the role that the more urbanized States, and cities within them, will play in the globalization process of the Indian economy. In this emerging scenario, cities will need to be governed differently.

The implications of the opening up of economies on governance are so far assessed only in general terms. For instance, it is broadly understood that the future economic growth in these countries is contingent on the efficient functioning of cities, and that the process of economic liberalization which is expected to be reinforced with the second cycle of reforms will have major ramifications for cities and the network of city-wide institutions and the financial systems.⁶⁷ It is also understood that economic liberalization will entail competition between cities, and may involve higher levels of investment in land, housing, and the infrastructure such as transportation, energy and communications, and essential services. These may be traditional local functions but globalization has modified the type of environment appropriate to them and the rate of economic and technological change that affects investment.

TABLE 6. Statewide Distribution of Foreign Direct Investment
(approved), India, August 1991 to August 1994

Major States	Number of approved proposals	Proposed investment (Rs millions)	% of investment to total	1991 level of urbanization
Maharashtra	311	4,640.2	19.3	38.7
Delhi	174	3,066.2	12.7	89.9
Gujarat	90	1,960.1	8.1	34.4
West Bengal	64	1,304.5	5.4	27.4
Tamil Nadu	161	1,147.8	4.8	34.2
Andhra Pradesh	130	359.6	1.5	26.8
Karnataka	101	277.8	1.2	30.9
Other States	371	3,179.2	13.2	–
Locations unspecified	1,164	8,151.3	33.8	–
Total	2,539	24,086.7	100.0	25.7

US \$ 1 = Rs 31.50 (approximately).

SOURCE. Ministry of Industry. 1994.

A crucial task will be to adjust the existing frameworks to meet the changing requirements of the national and international economies. Land, housing, infrastructure and services, the efficiency with which these can be delivered, the accountability of institutions, and their overall roles will be decisive in meeting the challenge of urbanization, poverty, and globalization.

V THE CONSTITUTION (SEVENTY-FOURTH) AMENDMENT ACT, 1992
ON MUNICIPALITIES (INDIA)

The issue of governance is inextricably linked with the Constitutional and legislative provisions.⁶⁸ As pointed out in the earlier section, the municipalities in India, Nepal and Sri Lanka derive their powers from either the Central government legislations, or the State legislations or both. The Constitutions of these countries recognize them as units of self-government but do not endow them with adequate powers.

Mention should be made in this paper of an amendment made in 1992 to the Constitution of India for strengthening the process of democratic decentralization and local institutions like the municipalities. This amendment has certain outstanding features which have a direct bearing on the governance of cities:

- It visualizes municipalities to be fully representative institutions. The important aspect of this provision is that the municipalities cannot remain under long periods of supersession or dissolution. While the State governments still have the powers to dissolve municipalities, the amendment requires reconstitution of municipalities within a period of six months from the date of dissolution.

Box 9

1. If in the opinion of the State government, a Municipality is not competent to perform its duties or persistently makes default in the performance of duties imposed on it by or under this Act or any other law for the time being in force, or exceeds or abuses any of its powers, the State Government may, by an order publish, along with reasons thereof, in the official gazette, dissolve such Municipality:

2. Provided that a Municipality shall be given a reasonable opportunity of being heard before its dissolution.

3. Upon dissolution of a Municipality under sub-section (1), the State Government shall reconstitute a Municipality as specified under Section 12 and election to reconstitute such Municipality shall be completed before the expiration of a period of six months from the date of dissolution.

– The Punjab Municipal (Amendment) Bill, 1994.
Article 12, Para 14.

- Municipal governments are no longer viewed as civic bodies, responsible for the provision of a few merit or public goods. Rather, the amendment sees them as vitally important for such tasks as “planning for economic and social development”, and “poverty alleviation”. Endowing the municipalities with functions of economic development and poverty alleviation constitute a major departure in the government’s position about the role of municipalities.
- It aims to minimize the arbitrariness and ad-hocism in the State-municipal fiscal relations, and provides for a greater flexibility in fiscal management. In respect of the State-municipal fiscal relations, the amendment provides for the setting up of Finance Commissions at the level of States with responsibilities for determining the principles governing:
 - the distribution between the State and the municipalities of the net proceeds of the taxes, duties, tolls and levies leviable by the State, which may be divided between them and the allocation between the municipalities;
 - the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the municipalities;
 - the grants-in-aid to the municipalities from the Consolidated Fund of the State.
 - The State Finance Commissions are also empowered to make recommendations on the measures needed to improve the financial position of the municipalities. An important outcome of this amendment relates to the flexibility of municipalities in fiscal management affairs. For instance, the consequential action taken on this provision by the Government of Maharashtra aims at estimating the subsidies in services (such as water supply), the source of funds from which subsidies will be extended to the deserving. When translated into action, it is expected to ensure greater transparency in fiscal and functional operations (see Box 10).

Box 10

Notwithstanding anything contained in this Chapter, the Commissioner or as the case may be, the General Managers, shall, while submitting the budget estimates to the Standing Committee, a report indicating whether the following services provided in last preceding year in a *subsidised manner* and, if so, the extent of the subsidy, the source from which the subsidy was met and the sections or categories of the local population who were the beneficiaries of such subsidy, namely:

- (a) water supply and disposal of sewage.
- (b) scavenging, transporting and disposal of wastes.
- (c) municipal transport, and
- (d) street lighting.

– Maharashtra Ordinance No. VII of 1994.
An Ordinance to further amend the Bombay Municipal
Corporation Act, Bom.III of 1888.

- It opens up opportunities for the private sector to participate in the provision of infrastructure and services, long considered to be the jurisdiction of municipal bodies and other public institutions. It further envisages fiscal discipline which is taken to mean appropriate pricing of goods and services supplied by the municipalities.

The Constitution (Seventy-Fourth) Amendment Act is a milestone development, aimed at strengthening democratic decentralization and bringing order to the State-municipal functional and fiscal relations. It is also an opportunity for countries such as India to involve people, particularly those belonging to the disadvantaged groups, in the process of decision-making.

VI CONCLUDING REMARKS

The importance of urban governance, generally in the developing countries, and particularly in those countries on the threshold of rapid urbanization, has increased enormously in recent years. Explanation for its increasing importance is seen in a number of factors, the foremost being the broadening of the concept and meaning of governance in the particular context of cities. It is generally recognized that governance is not to be equated, as earlier assumed, with the delivery of certain social goods such as water supply, conservancy and sanitation services, street lighting, basic health, etc. It is a broader concept which involves

the entire *process* of governing the urban areas. It refers to the relationship of government with the society and other stakeholders. Governance refers to the transparency of the system and accountability to stakeholders by those to whom governance has been entrusted. How can the future growth and development of cities be directed to fulfil these new norms?

The second factor that underlies the growing importance of governance is the breakdown of the existing city-level and city-wide institutions in terms of their mandates. Large proportions of city population are unable to obtain access to land for housing, water supply, sanitation, and other essential facilities. The breakdown manifests itself in the existence of squatter settlements and unregulated subdivisions; poor maintenance of urban assets; poor cost recovery and tax administration, over regulation of tariffs; archaic regulations and standards which ignore affordability; and local institutions which have few instruments and incentives to use them. What is this situation due to? To what extent is it attributable to exogenous factors such as population growth or the legislative provisions defining the powers of the local-municipal governments *vis-a-vis* other, higher governmental levels? To what extent does it owe to the internal functioning of municipal governments and other institutions responsible for city management? To what extent is it explained by rules, regulations and procedures that have lost relevance for cities of the 1990s and the 21st century? These questions demand clear answers.

A third explanation lies in the process of urban, social and economic change which pervades most developing countries, including those on the Indian subcontinent. Urban population is increasing at 3.5 to 3.7 per cent annually, placing additional demands on city-wide institutions which can be satisfied by actions and activities that go beyond the means and direct control of municipal governments. The fact that rapid urbanization has outstripped the capacity of public institutions to provide basic services calls for a reassessment of the government's role.

The social composition of households in cities has changed perceptibly over the years. As shown earlier, there is widespread poverty in the cities of India, Nepal and Sri Lanka. Although poverty is not a uniquely urban phenomenon, concentration of poor people in cities has a destabilizing effect on the society. Erstwhile approaches to dealing with them through the top-down, State-led programmes have yielded little. Evidences of the inappropriateness of the approaches are mounting.

What should the city-wide institutions do to negotiate poverty having multi-sectoral dimensions?

Cities are economically crucial for most countries. Urbanization is the natural outcome of economic development and a necessary requirement for the rational use of resources. The opening up of economies is expected to enhance the economic importance of cities. It is also contingent upon the ability of cities to meet the complex demands that it may place upon them for integration with the world economy.

Governing cities in the light of these tasks and challenges consists of a threefold agenda:

- Designing an institutional framework that can meet the growing needs of land, infrastructure, and services. What is of crucial importance is to indicate the respective roles of the State and the market. Over the years, there has accumulated sufficient evidence to demonstrate that the State alone cannot fulfil this responsibility, and, more important, it need not necessarily do so. The earlier practice of ignoring the potential of the market needs to be shed for two reasons: (i) the private sector has demonstrated a potential role in spheres such as land, shelter, infrastructure and services, and (ii) there now exists a widespread view that the State need not directly engage itself in land development and the production of infrastructure and service. It should, rather, play an enabling role and focus on removing the impediments for other stakeholders to produce them.
- Choosing the right kind of financial instruments and mechanisms are crucial for building up the financial viability of city governments and are important ingredients for effective governance. The important aspects of this include: (a) reduction of reliance on public funds. Any governance strategy which is based on the premise of large scale commitment of public funds is unlikely to be acceptable; (b) appropriate pricing of publicly-provided goods and services, and implementation of the principle of cost recovery from the users/beneficiaries. Any strategy that does not provide for cost recovery is not likely to be sustainable; and (c) forging partnerships with the private sector in the spheres of land development, and urban infrastructure and services provision.

- Adjustment in existing legislative and regulatory instruments for effective governance of cities. Most of the instruments available to city governments have outlived their utility, and have no place in an economy which is wanting to move forward but cannot move on account of such instruments. The point to stress here is that there is no way in which the problems of land, shelter, infrastructure and services, and of economic growth, can be solved unless legislations such as Urban Land (Ceiling and Regulation) Act and the State-wide Rent Control Acts are repealed, and city-wide regulations are made simple, inexpensive, and transparent.

Urban governance in India, Nepal and Sri Lanka is at the crossroads. Long considered to be an exclusive responsibility of the government and State-owned and State-led institutions, it is now being viewed as a collaborative effort of all stakeholders in the cities' future. Among the stakeholders, the governments at national, state and local levels will have an important role to play. Nevertheless the industrial and business enterprises, as well as the communities, themselves have their roles to assert.

It appears appropriate to close the paper with a quote from a recent OECD paper:⁶⁹

“Cities are the result of complex forces, some generated from within but many acting from outside, and over which individual cities have little control. There are limits to how much cities can accelerate or retard the rate of change. The process of urban change is not to be thought of as sequential, (one thing having an effect on another), but as simultaneous (many things happening at the same time). True, individuals and institutions adjust to change in ways that are never final or conclusive, not only because they affect each other as they act, but also because new factors keep emerging which provoke fresh responses.”

Finally, the need to undertake systematic research on issues of governance must be stressed. The existing state of knowledge is barely sufficient to describe the institutional base at the level of cities. Virtually, nothing is known about the process of governing the urban areas; even less is known as to what distinguishes the governance of larger cities from smaller ones.

Recent developments which view the role of municipal and other institutions in a different perspective, place greater responsibility on the research community: What is the process of governing the areas? What kinds of relationships exist between the different stakeholders? What reforms are needed in the institutional framework in order to be able to govern cities of the 21st Century? These questions will form a part of the urban research agenda of developing countries.

End Notes

1. Douglas Yates. 1977. *The Ungovernable City: The Politics of Urban Problems and Policy Making*, Cambridge: The MIT Press.
2. Lawrence J.R. Herson. 1975. "The Lost World of Municipal Government", in Edward C. Banefield (ed.), *Urban Government: A Reader in Politics and Administration*, Cambridge: The Free Press of Glencoe, Inc. According to Herson, the city government text sees the city in its service role, and in doing so implies: first, that providing services is *the* function of the city; second, that the administration of these services is, and should be, the major task of the city's government; and third, that the test for *good* government is the provision of these services at the least possible cost (pp.8).
3. Kenichi Ohmae. 1991. *The Borderless World*. New York: Harper Collins Publishers Ltd.
4. Halfani, et.al. 1994. "Towards an Understanding of Governance: The Emergence of an Idea and Its Implications for Urban Research in Developing Countries", in *Urban Research in the Developing World*, edited by Richard E. Stren (forthcoming). Toronto: University of Toronto.
5. J. Owens and G. Panella (eds.). 1991. *Local Government: An International Perspective*. Amsterdam: North-Holland.
6. See, Halfani, et. al. *ibid.* pp.4. According to Halfani and others, it is the relation of civil society to the state that distinguishes the study of governance from other studies of government. For the World Bank, the critical issue in governance is the manner in which power is exercised for managing economic and social resources for a country's development. See, The World Bank. 1992. *Governance and Development*. Washington D.C.
7. See, Richard E. Stren. 1991. "Old Wine in New Bottles? An Overview of Africa's Urban Problems and the Urban Management Approach to Dealing with Them". *Environment and Urbanization*, Vol. 2, number 1: 9-22.
8. Sri Lanka has a low level and slow tempo of urbanization. The level of urbanization which had increased to 22.4 per cent in 1971 declined to 21.5 per cent in 1981 as a result of rapid rural population growth. The urban population, however, is expected to increase to 6.4 million by 2010, which would represent 29.9 per cent of the total population.

9. William Dillinger. 1994. *Decentralization and Its Implications for Urban Service Delivery*, published for the Urban Management Programme by the World Bank, Washington, D.C.
10. A review of literature in India reveals that the role of the higher levels of governments, i.e., the Centre and States in the governance of *cities* has been scantily studied. There is, as noted by Mohit Bhattacharya, an utter neglect by researchers of studies on urban area administration, more so when so many agencies of governments are operating. Abhijit Datta also notes that cities have distinct personalities and way of life which affect the character of urban administration and lends the latter a certain uniqueness. See, Mohit Bhattacharya. 1970. *Essays in Urban Government*. Calcutta: The World Press Private Ltd., and Datta, Abhijit Datta (ed.). 1980. *Municipal and Urban India*. New Delhi: Indian Institute of Public Administration.
11. Municipal governments include all types of urban local bodies such as the town development committees in Nepal, municipal and urban councils in Sri Lanka, and different grades of municipal bodies in India.
12. See Government of India. 1992. *The Constitution (Seventy-Fourth Amendment) Act, 1992 on Municipalities*, for provisions on safeguarding the municipalities from suspension or dissolution by the State governments who otherwise determine their status, powers and functions. New Delhi.
13. The Constitution lists out the powers and responsibilities of the Centre and the States in the Seventh Schedule, referred to as the "Union List" and the "State List". There is also a "Concurrent List" but the Centre has overriding powers in all matters relating to the "Concurrent List". The Constitution (Seventy-Fourth) Amendment, 1992 provides an illustrative list of functions for the municipalities, and although the list is illustrative, it is conceivable that the functions may over a period of time, come to correspond to this illustrative list.
14. For details on the powers of the His Majesty's government over municipalities, see Chapter 13, Articles 68-69, *The Municipalities Act, 2048*, a law enacted to make arrangements and provide for the formation of municipalities.
15. See, for details, Government of Sri Lanka (Ministry of Policy Planning and Implementation and Urban Development Authority). 1992. *Urban Settlement Profile, Final Report II*, especially Chapter 5 on Urban Local Authority: Administrative and Financial Overview. Prepared by PADCO Inc., GHK/MRM International Ltd., Resources Development Consultants Ltd., and Marga Institute.

16. For a detailed description of local government system in India, Nepal and Sri Lanka, see, *Local Government in South Asia: A Comparative Study* .1992. edited by Kamal Siddiqui. Dhaka: The University Press Ltd.
17. Although the Lord Ripon Resolution of 1882 in India and the Sri Lankan Ordinance of 1865 originated during the colonial period, there were significant differences between the two. The Lord Ripon Resolution aimed at making local governments as "self government" (local bodies were to have elected non-government members and Chairmen, and the State control over local government bodies was to be indirect rather than direct). In Sri Lanka, the councils consisted of elected and nominated members of whom at least one-half had to be elected. The Chairmen of the Councils had to be appointed by the Governor while that of the Colombo Municipal Council, the Chairman always belonged to the Ceylon Civil Service. See for further details, Siddiqui, Kamal. *ibid.* pp. 195.
18. Responding to the question-Who plans and manages a city?-- Kenneth Davey's observations are interesting: "The usual normative assumption is that municipal government does so. Greek ideals of the self governing city, Victorian concepts of civic improvement and American 'home rule' traditions have spread worldwide over the last century to endow most countries with the trappings of municipal administrations and an assumption that it is the instrument by which citizens manage and foster their own living environment. This assumption has become increasingly questionable since the early 1960s, but it has been revived recently by national programmes of 'decentralisation' and a host of donor interventions". See his, "The institutional framework for planning, and the role of local government", pp. 153-175, in *Managing Fast Growing Cities: New Approaches to Urban Planning and Management in the Developing World*. edited by Nick Devas and Carole Rakodi .1993. Harlow: Longman Group UK Ltd.
19. In order to promote participation of women and other disadvantaged groups in the electoral process, the recent Constitutional amendment in India provides for reservation of 30 per cent of seats for women, and proportional reservation of seats for scheduled castes and tribes.
20. Asok Mukhopadhyay. 1984. *Municipal Government and Urban Development*. New Delhi: Indian Institute of Public Administration. pp. 9-26.

21. The municipal government, the literature notes, is no more than a service delivery system. "The basic function of urban government is service delivery, and urban service delivery is a distinctive function", see, Douglas Yates. *ibid.* pp. 18.
22. Justice Dillon's rule is widely accepted. It says: "It is a general and undisputed proposition of law that a municipal corporation possesses and can exercise the following powers; and no others: First, those granted in express words; second, those necessarily or fairly implied in or incident to the powers expressly granted....". See, J.F. Dillon. 1911. *Commentaries on the Law of Municipal Corporations*. Section 237. Boston: Little, Brown & Co.
23. These include in the main: development of the municipal area; promotion of trade and commerce. etc. See, Chapter 4, Article 15, *The Municipal Act, 1991. ibid.*
24. Shyam Prasad Adhikari. 1994. "Urban Governance in Nepal", a background paper presented at the Subregional Asian Meeting of Global Urban Research Initiative. 13-14 June, 1994. Lonavla: India.
25. Several factors are said to have contributed to the growth of parastatals in India and other countries of the Indian sub-continent. Among these include—inefficiency or non-performance of local bodies in the provision of services; economies of scale in service provision; and tendency for centralization.
26. One school believes that non-performance by the local bodies has led to depriving them of their functions and transferring them to the parastatal agencies.
27. Abhijit Datta. 1994. "Institutional Aspects of Urban Governance". pp. 9. A background paper presented at the Subregional Asian Meeting of Global Urban Research Initiative. 13-14 June 1994. Lonavla, India.
28. Kenneth Davey, *ibid.* pp. 154.
29. Gabriel Roth. 1987. *The Private Provision of Public Services in Developing Countries*. Washington D.C. The World Bank.
30. A study on the subject states: "The urban market is highly complex and heterogenous, presenting a situation where there are a number of sellers and of course, a very large number of buyers". See, National Institute of Urban Affairs .1992. *Public Private Provision of Urban Services*. Research Study Series No.50. New Delhi: NIUA, and Om Prakash Mathur. 1991. "Urban Services

- and the Private Sector in India: Realities and Issues”, in Geeta Gouri (ed.). *Privatisation and Public Enterprise: The Asia-Pacific Experience*. New Delhi: Oxford and IBH Publishing Co. Pvt. Ltd.
31. National Institute of Urban Affairs. *ibid.*
 32. Amitabh Kundu and Sipra Mitra. 1994. “Access of Urban Poor to Basic Services: An Analysis in the Changing Perspective of Urban Governance in India”, a background paper presented at the Subregional Asian Meeting of Global Urban Research Initiative, 13-14 June 1994. Lonavla: India.
 33. Meera Mehta. 1994. “Participation and Urban Governance”. a background paper presented at the *Subregional Asian Meeting of Global Urban Research Initiative*. 13-14 June 1994. Lonavla: India.
 34. PRIA. 1991. *Voluntary Development Organizations in India: A Study of History, Roles and Future Challenge*. New Delhi. (Mimeo).
 35. Samuel Paul. 1994. “Public Services for Urban Poor: Report Card on Three Indian Cities”, in *Economic and Political Weekly*. Vol. XXIX. No. 50.
 36. Douglas Yates. *ibid.* pp. 6.
 37. Halfani et.al. *ibid.*
 38. In an earlier paper, Mathur identified urban governance as a part of the research agenda for the 1990s, triggered by the fact that there was little information on who governed cities. See, Om Prakash Mathur .1994. “Responding to the Urban Challenge: A Research Agenda for India and Nepal”, in *Urban Research in the Developing World*. Vol. 1. pp. 47-101. edited by Richard Stren. Toronto: University of Toronto.
 39. Albert J. Reiss. 1970. “The Services and the Served in Service Delivery”. in J. Patrick Cecine (ed.). *Financing the Metropolis. Urban Affairs Annual Review*. pp. 561-576. Vol. 4.
 40. Om Prakash Mathur. 1992. “State Transfers to Urban Local Bodies: A Research Study”. New Delhi: National Institute of Public Finance and Policy.
 41. Om Prakash Mathur. 1993. “Urbanization, Poverty, and Environment”. mimeo. a background paper for *Second India Reassessment Study*. Washington D.C.: World Resources Institute.

42. PADCO .1990. Nepal: Urban Development Policy Study. AID Project No. 940-1008.95. Washington D.C.
43. Jigbar Joshi. 1991. *Housing and Urban Development in Nepal*. Kathmandu, Nepal: Karnali Press.
44. Om Prakash Mathur. et.al. 1994. "The Implications of the Constitution (Seventy-fourth) Amendment for the Finances of Municipalities". mimeo. New Delhi : National Institute of Public Finance and Policy.
45. National Institute of Urban Affairs .1990. *Pricing of Urban Services*. Research Study Series No. 48. New Delhi.
46. As quoted in Michael Lee. 1994. *The Cost of the Second Best: The Price of Land Regulation in Asia*. Working Paper No. 62. London: Development Planning Unit. University of London. (pp. 18).
47. Michael Lee. *ibid*. pp. 18.
48. This position is likely to change as a result of the Constitutional amendment. A subsequent section of this paper explains this point.
49. Asok Mukhopadhyay. 1994. *ibid*.
50. Asok Mukhopadhyay. *ibid*.
51. Abhijit Datta. 1994. *op. cit*.
52. Kenneth J. Davey. 1993. *Elements of Urban Management*. published for the Urban Management Programme. Washington D.C. : The World Bank.
53. Roderick Church. 1976. "Authority and Influence in Indian Municipal Politics: Administrators and Councillors in Lucknow", in *The City in Indian Politics*, edited by D. B. Rosenthal. New Delhi: Thompson Press, India. The findings of Roderick Church study are valid even today.
54. Roderick Church. *op. cit*. 174.
55. K.C. Sivaramakrishnan. 1992. *Urban Governance in India*. New Delhi: Centre for Policy Research.
56. Mohit Bhattacharya. 1978. "Machinery for Metropolitan Planning and Development". pp. 48 in *Urban Planning and Development Authorities*. New Delhi: Indian Institute of Public Administration.

57. See for details, United Nations. 1991. *World Urbanization Prospects 1990*. New York.
58. See, Government of India .1988. Report of the National Commission on Urbanization. New Delhi: PADCO. *ibid.* and Government of Sri Lanka. *ibid.*
59. Godfrey Gunatilleke and Myrtle Perera, "Urban Poverty in Sri Lanka: Critical Issues and Policy Measures", in *Asian Development Review*. Vol. 12. No.1. pp. 153-204. Manila.
60. A.T.M. Nurul Amin. 1989. "Macro Perspectives on the Growth of the Informal Sector in Selected Asian Countries". Paper prepared for the Asian Employment Programme of the International Labour Organisation. New Delhi.
61. See, for revised estimates, Planning Commission .1993. *Report of the Expert Group on the Estimation of the Number and Proportion of the Poor*. New Delhi.
62. Godfrey Gunatilleke. *op. cit.* pp. 213.
63. See for details, Dinesh Mehta. 1994. "Community-Based Programme of Urban Poverty Alleviation in India". *Paper presented at the Regional Workshop on Country-Based Programmes for Urban Poverty Alleviation*. Kuala Lumpur: Mimeo.
64. Globalization refers to the integration of economies. It has been facilitated by decreases in transportation costs, particularly for the transportation of information; by the gradual lifting of barriers to movements of capital, goods and people; and by the tertiarization of economies. As a result, "the capital we use, the goods we consume, the information we utilize, even the tastes we develop, are more and more international. To a larger extent than ever before, they are similar, and they can be produced anywhere in the world." See, Remy Prud'homme. 1993. "Urban Policy and Macro-Economic Policies", a paper prepared for the Urban Division of the Environment Directorate of OECD. Paris: OECD.
65. For economic reforms in Nepal and Sri Lanka, see, United Nations 1992. *Economic and Social Survey of Asia and the Pacific*. New York: United Nations.
66. A closer reading of the reforms shows that the macroeconomic policies in India have disregarded the urban dimensions. On the other hand, the regime of urban governance has remained insensitive to the focus of globalization.

67. See for a detailed discussion, Dinesh Mehta and Pushpa Pathak, 1994. "Economic Development, Globalization and Urban Governance in India", a background paper presented at the *Subregional Asian Meeting of Global Urban Research Initiative*, 13-14 June 1994, Lonavla, India.
68. There is at least one view that assumes that the Constitutional and statutory authority granted to municipalities by their governments affects their revenue capacity. See, William J. Pammer, 1994. "The Future of Municipal Finances in an Era of Fiscal Austerity and Economic Globalization", in *Municipal Year Book*, Washington, D.C.
69. Organization for Economic Cooperation and Development, 1994. *Cities for the 21st Century*. Paris: OECD.