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Access of Urban Poor to Basic Services: An Analysis in the Context of the Changing Perspective of Urban Governance in India

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I. INTRODUCTION

In recent years decentralization has become the keyword for urban governance in India. The issue has come to the forefront of national debate with the passing of the seventy–fourth Amendment to the Indian Constitution at the central level and of corresponding legislations, legislative amendments, ordinances, etc. at the state level. It may be noted that the attempts to bring about the decentralization of administrative and planning responsibilities, by assigning these to elected local bodies, started sometime in the mid-eighties. Certain manoeuvres by the central government to establish direct contact with local bodies, by-passing the 'unfriendly' governments at the state level, emerging out of the short-run exigency of the situation, also contributed to the process. With the decline in budgetary allocation to the urban development sector and reduction of subsidies for certain infrastructural and basic amenities in the early eighties, the private sector made its presence felt in the field. Furthermore, the state-level agencies, created during the sixties, which had taken over many of the functions of local bodies, came in for sharp criticism on grounds of inefficiency, lack of cost effectiveness and continual dependence on governmental grants. The 'financial discipline' imposed by the central government and Reserve Bank of India forced these public agencies to generate resources internally, or borrow from financial institutions and, in a few cases, from the capital market. As a result, the cost of institutional borrowing significantly increased, hindering their expansion and sometimes adversely affecting their normal functioning.

The limited withdrawal of the state created a vacuum which was sought to be filled by private agencies, local bodies, community-based organizations (CBOs) and non-governmental organizations (NGOs). The adoption of the policies of economic liberalization in 1991 further reinforced this trend. Facilitating the entry of private entrepreneurs and strengthening the political and financial base of local government, NGOs, CBOs etc. thus became a political necessity. Empowerment of local bodies and other organizations at the grass-roots level to undertake development and maintenance functions, and assuring them of financial powers through constitutional/legislative provision may, therefore, be seen as a culmination of this process of economic liberalization in the country.

The access of the bottom 40 per cent of the Indian population to infrastructural facilities and basic amenities has been low (Kundu: 1993). This is often believed to be so *because of* planned interventions and not *in spite of* them. Activating the market forces and injecting efficiency and accountability into the functioning of public agencies are, therefore, expected to increase the total production of these services which ultimately will benefit all sections of the population, including the poor.

The alternative viewpoint here is that the present level of deprivation of the poor is a consequence of the failure of planning, or of it being hijacked by market forces. Scholars have argued that excessive bureaucratization, corruption, domination by vested interests etc. need not necessarily be considered an integral part of planned intervention. It is also argued that an increasing reliance on the market for basic services reduces their availability to the poor. Public agencies in the past, even when backed by subsidized funds and other concessions, were not able to reach them. One important reason for this was that the cost of these services still worked out to be higher than what the poor could pay or were willing to pay. The benefits of the system, therefore, often 'trickled up' to people in higher-income brackets. Opening up of the market for the provision of the facilities is, in fact, likely to make them more unaffordable.

It is impossible conclusively to demonstrate how the changes in the nature of governance in recent years have affected or are likely to affect the access of the poor to basic amenities. This is because temporal data on the level and quality of the facilities reaching people in different income or expenditure brackets are not available. A seven-year period of structural adjustment is too short to make any judgement, especially since no systematic collection or tabulation of information has been made with this objective in view. As a result, scholars take positions mostly based on their predispositions. Indeed, the issues at hand are so critical that the people cannot afford to wait for reliable data to assess the impact of the new system of governance on the availability of basic services.

In this chapter, an attempt has been made to analyse the possible effects of the changes in organizational structure and policies on the access of the urban poor to basic amenities. This has been done primarily using the information pertaining to the functioning of the concerned agencies, and the structure of programmes and schemes. In the absence of quantitative data on the levels and quality of facilities, disaggregated by income groups, the deductive inferences arrived at through an analysis of the changes in organizational structure and nature of the schemes would be useful. In section 2, following the present introductory section, an attempt is made to look at the existing organizational and financing systems designed for the provision of basic amenities, and the changes brought about therein in recent years. The possible impact of the seventy-fourth Constitutional Amendment on the systems is also discussed. Section 3 briefly reviews the functioning of the programmes and schemes, highlighting, once again, the modifications/ alterations introduced in the late eighties and early nineties. In both the sections, the focus is on how the recent changes would affect the availability of the amenities to the poor. In the last section, the demands made by the poor on urban governments and the impact of changes in urban governance on the access of the poor to basic services have been analysed in some detail.

II MANAGEMENT AND FINANCING OF BASIC SERVICES

India inherited from the colonial period, a system of urban governance which was fraught with serious contradictions. The financial powers of the local bodies were weak and they were dependent on the state and district administration for monetary assistance. The imperial rulers were not very keen on strengthening their taxation and non-taxation powers, as these bodies were thought to be the stronghold of the national movement for Independence. In addition, the central government did not want to take the total responsibility of providing basic services such as water supply, sewerage, sanitation and solid waste disposal by making massive capital investments for this purpose. It always looked for local agencies that could share the costs for major capital projects. Given this equivocal position of the British government, the sorry state of municipal finance, on the eve of Independence, is understandable.

With Independence, political power changed hands from the British rulers to local elites. The latter had a vested interest in maintaining their access to high quality amenities that could not be obtained though the fragile civic bodies. Also, manoeuvring the political process at the local level would have been far more difficult than doing so at state level. The sixties and seventies, therefore, saw the creation of a number of state-level agencies, and the supersession of local governments—the former usurping many of the functions of the latter. Constitutionally, the responsibility for providing these rests with the state government which they tried to fulfil through their own departments, state-level boards/ corporations and bodies at city level instead of through the local governments. It is thus evident that vested interest in the urban elite class, who were able to manipulate the political processes and institutions at the state level, were primarily responsible for the creation of organizations directly under the state government. They were entrusted with the responsibility of providing basic services, thus, marginalizing local governments.

In most of the states, the developmental and maintenance responsibilities are currently separated and assigned to different agencies. Capital works for provision of these services are undertaken by the concerned state government departments, such as public health, engineering, public works, urban development, local self government and so on, through their divisional and district offices. With the creation of the para-statal agencies functioning directly under the state government, as mentioned earlier, the responsibility of making capital investments has been transferred to them. These agencies such as the water supply and sewerage boards, take up development projects mostly on behalf of the state governments, local bodies, slum boards, government and semi-government organizations and at times private agencies. Some of the government departments, namely, the railways, several large public as well as private sector undertakings and agencies such as Steel Authority of India Ltd., Bharat Heavy Electricals Ltd., etc., invest in water supply and drainage projects within their townships or localities and also maintain them. Besides, a few of the large corporations/municipalities with a strong economic base also make such investments. In a few metropolitan cities, besides the municipal corporation, metro-level water boards and urban development authorities also invest in water supply, sewerage and sanitation facilities. Most of the states make funds available in their plans and budgets for capital investments in water supply, sewerage and sanitation, since these sectors are the responsibility of the state government. Where state-level boards have been created, most of the capital projects are executed by them. For projects undertaken by the boards on behalf of municipal bodies, the responsibility of arranging funds is that of the latter. The projects are normally financed through a mix of loans and grants. The loans are obtained (through the boards) from Housing and Urban Development Corporation (HUDCO), Life Insurance Corporation (LIC), etc., while the grants come from the state government. The boards draw the loans with state government guarantee, although the responsibility of repayment lies with the local bodies.

Sometimes slum boards or municipalities are able to meet the entire project cost out of their own resources and approach the state-level boards to undertake the projects on their behalf. In such cases, the required funds are deposited with the board, which in turn constructs, operates and also maintains the projects for the slum boards or municipalities on payment of specific charges as agreed upon. These are known as deposit contribution projects.

In addition to the above, the state-level boards take up capital projects on their own, using their internal resources supplemented by borrowings from state governments, LIC and other agencies. They can also raise loans in the open market or borrow from nationalized banks. However, several restrictions imposed by RBI make direct access to the capital market extremely difficult. Finally, there are international agencies such as the United States Agency for International Development, World Bank, etc. that finance specific projects on water supply and sanitation, as also those on integrated urban development which incorporate the provision of these services.

It may be pointed out that for smaller municipalities, grants from the government constituted a substantial portion of the total funds even in the late eighties. The loan/grant mix varied with the status of the civic body, the grant component being higher in case of smaller and economically weaker local governments. In most of the states, water supply projects for towns with populations less than 20,000 were financed entirely through state governments' grants-in-aid. In the nineties, however, the grant component has virtually disappeared and the local bodies are required to finance their capital schemes for the provision of basic services through loans from government, HUDCO or any other institution.

The organizational structure and supporting financing system prevailing in the seventies and early eighties have changed significantly in recent years. The eighties saw dramatic changes relating to urban governance. The budgetary allocation for government departments to make investments and provide equity support/grants to para-statal undertakings, allowing them to launch capital projects, was drastically cut down. Inefficiency, bureaucratization and the low rate of return on the capital locked up in these undertakings are generally mentioned as the reasons for restricting their operations. The urban elite class seems to have become disillusioned with these undertakings for these very reasons and have argued that they be made accountable and that the market be opened up to private entrepreneurs. The cost of borrowing for these undertakings has gone up significantly, discouraging them from going in for financially unremunerative projects, mostly pertaining to water supply and sanitation facilities. Only HUDCO came forward with a scheme in the late eighties to provide capital for investments in infrastructural projects at less than the market rate. As a consequence, state-level water supply and sanitation boards, development authorities, municipalities and other concerned government bodies have come to depend increasingly on borrowings from HUDCO for their infrastructural projects, particularly in towns with less than a million population. However, the rate of interest charged by it for these projects has increased in recent years resulting in a reduction of disparity in the interest rates among its different schemes.

The interest rate charged for infrastructural projects in cities of different population categories are given below:

	Cities/Towns (Population)	Rate of Interest (%)
i.	Upto 5 lakh	14.5
ii.	5 lakh to 10 lakh	17.0
iii.	Above 10 lakh	18.0

SOURCE: Published and unpublished documents of HUDCO.

The rate also varies with the size of the loans as well as the nature of the scheme. HUDCO finances 80 per cent of the project cost in land acquisition schemes and 75 per cent in commercial schemes. However, in case of water supply schemes, only 50 per cent to 75 per cent of the cost is covered, depending on the nature of the scheme as well as on the repaying capacity of the borrowing agency. The provision of a smaller proportion of the cost in case of water supply schemes is due to their unremunerative nature and the risk factor involved. It may also be mentioned that the loans under other schemes earn a higher interest rate. Moreover, HUDCO finances up to 90 per cent of the project cost in case of infrastructural schemes for the economically weaker section (EWS) population. For people in higher income groups the loan amount can be 60 per cent. The loan is to be repaid in quarterly instalments within a period of 10 to 15 years. HUDCO is also the premier financial institution for disbursing loans under the central government's urban development schemes. The loan as well as the subsidy money are released through it, as will be discussed in the following section.

It must be pointed out that small-sized municipalities (with less than hundred thousand population) and economically weaker agencies often find it difficult to approach HUDCO for loans, even under the central government schemes.[1] They generally are not in a position to obtain the state government's guarantee owing to their uncertain financial base. Getting a bank guarantee for them is even more difficult. In Uttar Pradesh, for example, only the para-statal agencies such as housing and water supply boards, development authorities and municipal corporations have been given state guarantee, to the total exclusion of smaller municipal bodies.

The responsibility of maintaining the basic services is that of the local governments. In situations, however, where local bodies are financially or organizationally weak, state government departments or state-level boards take up the maintenance responsibility for short or long durations. In some states, the state-level boards construct as well as maintain the water works, including organizing bulk and retail sales. In Madhya Pradesh, for example, where capital projects have been undertaken through World Bank assistance, the state government is maintaining them, although revenue is being collected by the municipalities. Maintenance of water supply and sewerage systems directly by the state governments or indirectly through state-level boards and other bodies is not uncommon.

Possible Impact of Constitutional Amendment on Urban Governance

The Constitutional (Seventy-fourth) Amendment Act, 1992 is being hailed as a major step in reforming the present system of governance and taking power to the people by initiating a process of democratic administration and planning at the grass-roots level. It is surprising that much of the discussion on the Act has taken place in an atmosphere of confrontation between central and state governments on one side and local governments on the other. The passing of the Act, after a couple of abortive attempts, has been applauded as a landmark of victory for the people in their battle against bureaucracy. The proposed transfer of administrative and planning functions to municipal bodies, along with certain powers of taxation and the setting up of formal procedures for supersession, new election, devolution of funds through the state finance commissions, etc., has been generally welcomed. It is argued that the people at ward, municipality, district and metropolitan region levels would now be able to formulate programmes and schemes for meeting their own developmental and welfare needs, much better than what was possible under the centralized system.

Devolution of powers to impose and collect certain taxes by municipal bodies, assignment of certain other taxes collected by state government to them, disbursement of grants from the consolidated fund are the important provisions for augmenting resources at the local level. It is expected that streamlining of procedures through state finance commissions would increase the total amount of transfer to local governments and would reduce ad-hocism and administrative hassles. The questions that need to be answered empirically in this context are as follows:

- Will the new dispensation for imposition and collection of taxes by local bodies and assignment of (state level) taxes and grants increase the total resources available to them? and
- Will the availability of funds to municipal bodies become more equitable across different size class of urban centres?

There is no evidence to indicate that the system of governance at the local level is free from the pressures of vested interests, similar to those operating at the state level; therefore, mere transfer of power to raise resources to elected representatives at the local level may not necessarily result in larger earnings.

Importantly, the pattern of urban growth in India across states/districts and size classes shows a significant distortion. The small and medium towns with population below 50,000 in the backward states experienced rapid growth during the seventies and eighties similar to that of class I cities. In the developed states, however, the larger towns grew at a relatively faster rate. Detailed empirical analysis reveals that the growth of small and medium towns, located mainly in backward districts, was not backed by the growth of manufacturing or other economic activities and infrastructural facilities (Kundu 1992). The probable explanation for this could be rural poverty, stagnant agriculture, absence of sectoral diversification etc. With the decline in central or state assistance, most of these towns, lacking adequate basic amenities and experiencing high population growth, have already gone dry in resources and are unable to make investments in improving infrastructure and basic services. Thus, the small towns owing to their poor economic base and incapacity to mobilize tax and non-tax revenues have increasingly come to depend on grants-in-aid (Table 1).

TABLE 1. Per Capita Income of Local Bodies (Rs)

	Metro	Class I	Class II	Class III	Class IV	Class V	Class VI	All India
1974–75								
Ordinary Income	90	44	41	30	25	27	36	54
Tax	72	28	22	19	17	17	24	38
Non Tax	6	6	10	5	4	4	7	6
Ordinary Grants	12	10	9	7	5	5	5	10
1979–80								
Ordinary Income	127	63	53	44	37	42	49	75
Tax	98	35	29	23	19	23	24	49
Non Tax	10	7	7	5	4	5	9	7
Ordinary Grants	19	21	18	15	13	14	16	19

SOURCE. National Institute of Urban Affairs (1983)

The disparity in per capita ordinary income and its various components across size class of urban centres at all-India level is brought out in Table 1. It may be noted that the per capita ordinary income for class IV, V and VI towns is a third of that of the metropolises and about half that of class I cities. The tax and non-tax revenues together constitute 70 per cent of the ordinary income in case of the former, while the figure in case of metro cities is 85 per cent. The grants for the smaller towns grew by about 200 per cent at current prices during the period 1974–75 to 1979–80; the corresponding increase in case of metro and class I cities was only 100 per cent. The low economic strength of small and medium towns may also be inferred from the fact that while class I cities on an average had over 30 per cent of their male workers engaged in manufacturing, the figure was less than 8 per cent for towns with less than 50,000 population (1991 Census). As high as 20 per cent of the male workers in the latter were engaged in the agricultural sector which could hardly be expected to yield any revenue to the civic authority. The tertiary activities in these towns were also of low productivity. As a result of all these, the level and quality of basic services were extremely poor. What is worse is that the situation has been deteriorating over time. It would, therefore, be reasonable to argue that the seventy–fourth Amendment Act, by making the civic bodies in small and medium towns increasingly dependent on their own tax and non-tax resources, has increased the disparity in the level of services and economic infrastructure across different size classes of urban centres. This has adversely affected the level of basic services in small and medium towns and their capacity to absorb any future growth of population or attract new economic activities.

The segmentation of large cities into rich and poor colonies has become accentuated in recent years. This is manifested in an increasing gap in the level and quality of urban amenities. This process is being accelerated by market forces as well as governmental programmes, and is pushing the poor out of the high-income localities. Poor migrants generally have sought refuge in slum colonies in city peripheries or on marginal lands within the cities. The formation of ward committees vested with certain powers and responsibilities for resource mobilization and planning in case of large cities is likely to accentuate this process of segmentation. Needless to point out that the high-income wards, capable of generating larger revenues from their residents and economic activities would be able to provide high quality services, while the poor wards would be forced to adjust their services to match their affordability or paying capacity. As a result, several localities may have to settle for a very poor quality of basic services—much below the normative standards set up by national or international agencies.

The resource scarcity being faced at the central, state and local levels and the reduction of current and capital expenditures under the new economic programme (NEP) have created further uncertainty with regard to the provision of basic amenities to the urban population, particularly the poor. Before the adoption of NEP, the role of the central and state governments in local affairs was not clearly defined. It consisted of *ad hoc* and fragmented efforts at carrying out projects. However, since the early eighties, there has been a definite shift of responsibility to the local level to provide basic amenities.[2] This may have serious consequences as it has been done without examining the economic base and resource raising capacity of local bodies.

III PROGRAMMES FOR BASIC SERVICES

Basic services cover items of physical and social development that fall within the jurisdiction of central and state governments. It is difficult, constitutionally, to earmark the administrative jurisdiction for programmes pertaining to basic services. In urban areas, these programmes were started in the mid-fifties. Many of these were launched by the central government but subsequently transferred to the state sector. Several state governments started such programmes on their own at different points of time. It would be difficult to collect the information and analyse all the programmes and schemes launched by state governments as they vary from state to state and are under the control of different departments. The on-going programmes started in the central sector that constitute the major component of the total activities for augmenting urban basic services in the country will be discussed here in some detail.

The Task Forces on Urban Development (Planning Commission 1983) had pointed out that all formal housing schemes of the government are 'way beyond the means of the Economically Weaker Sections and Low Income Groups and there is insufficient evidence that the urban poor have benefited from these'. Also, the resource requirement for such housing schemes for the poor would be enormous. Accordingly, in the eighties, the government came up with programmes for providing only water supply, sanitation and a few other facilities.

These programmes sought to cover a substantially larger segment of the uncovered population than the formal schemes on housing. This policy shift brought the costs of the facilities within the affordable limits of the poor households, a condition that was considered necessary for cost recovery and the long-term sustenance of the programmes.

TABLE 2.1 Details of Major Programmes for the Urban Poor

Name of the scheme (1)	Launched in (2)	Coverage (3)	Beneficiary category (4)
1. EIUS	1972 (transferred to in 1974)	All urban area subject to column (4)	Slums where minimum 2/3rd of the slum families earn less than Rs. 250 p.m.
2. UBS	1985 (1990-91)	All urban areas below 1 lakh population	Slum dwellers in selected urban areas
UBSP (new name for UBS under the eighth plan)	1990-91	Slum pockets within specific towns selected by the state	All residents of slum pockets in selected towns
3. IDSMT	1979-80	Towns up to 3 lakh population	Local bodies in selected towns
4. LCS	1980	All towns with population below 5 lakh	All the households in the towns stated in col. (3)
5. Shelter sanitation programmes for the footpath dwellers	1980	All urban areas having shelterless people	Footpath dwellers
6. NRY	1989	—	—
(a) SUME		All urban settlements excluding cantonment areas	All urban households with annual income less than Rs 11,550
(b) SUWE		All towns with population below 1 lakh excepting hill areas	All poor persons in the urban area
(c) SHASU		All towns with population from 1 lakh to 20 lakh	All urban EWS households with annual income of less than Rs 15,000

TABLE 2.2 Details of Major Programmes for the Urban Poor

Funding agency (5)	Mode of finance (6)	Repayment period (years) (7)	Interest Rate (%) (8)
Central government (withdrawn from 1985) state government	Incentive central grant (14%) (withdrawn in 1985)	—	—
Central government state government	Grants in the following proportion 20% (Central) 40% (State) 40% (UNICEF)	—	—
Central government state government	Grants in the following proportion: 60% (Central) 40% (State)	—	—
Central government state government	Loan varying according to the size of the town	23	10
Central government HUDCO	Subsidy from central government and loan from HUDCO	12	10
Central government HUDCO	Subsidy from central government and loan from HUDCO	10	10
Central government state government HUDCO, bank	—	—	—
25% subsidy central and state government in 60:40 ratio	25% subsidy 75% loan from bank		—
25% subsidy shared between central and state government in 60:40 ratio	25% subsidy 75% loan from HUDCO	Between 5 to 15 years depending on the nature of the project	14
— do —	25% subsidy 75% loan from HUDCO	10	10

Centrally-sponsored programmes in urban areas, having components of basic services, can be placed in two categories (i) Physical and social development programmes and, (ii) Poverty alleviation programmes.

Important physical and social development programmes[3] currently being implemented in the country are as follows:

- Environmental Improvement of Urban Slums (EIUS)
- Urban Basic Services (UBS) and Urban Basic Services for the Poor (UBSP)
- Integrated Development for Small and Medium Towns (IDSMT)
- Low-Cost Sanitation Programme (LCS)
- Shelter and Sanitation for the Pavement Dwellers (SSPD).

Nehru Rojgar Yojana (NRY) is a poverty alleviation programme in urban areas. Although its basic thrust is employment and income generation for the urban poor, there is provision in it for basic services as well. Certain details pertaining to the centrally sponsored schemes and their financing are given in Tables 2 and 3.

TABLE 3. Financing Pattern of Centrally Sponsored Schemes

Name of scheme	Components		Finance norm		Budget allocation (Rs crore)*
	Loan (%)	Subsidy (%)	Centre (%)	State (%)	
EIUS	0	100	0	100	N.A
UBSP (1990–91)	0	100	60	40	100.00 (1990–94)
IDSMT (1980–81)	100	0	60	40	196.2 (1992–97)
SUME (1989–90)	75	25	60	40	142.17 (1989–93)
SUWE (1989–90)	75	25	0	40	190.83 (1989–93)
SHASU (1989–90)	75	25	60	40	89.44 (1989–90)
Low cost sanitation (1989–90)	50–75	45–25	100	0	175.55 (1990–94)
	(According to income of beneficiary)				
Night shelter (1990–91)	80	20	100	0	0.08 (1990–94)

SOURCE. Ministry of Urban Development, 1993–94, Annual Report
* Rs crore is equal to Rs 10 million

- *Environmental Improvement of Urban Slums (EIUS)*: The EIUS was lauched in 1972 as a major programme of the central government and was solely designed for the physical improvement of slums through the provision of facilities. In 1974, it was made an integral part of the Minimum Needs Programme (MNP) and transferred to the state sector. A scheme of central grants was also introduced to supplement state government funds, which continued up to 1985.[4] The planning commission specifies the target population to be covered under MNP in consultation with state governments. The latter select the slums according to the guidelines issued by the central government. Following these, slums, with two-thirds of the families earning less than a certain income, are selected for improvement (Table 2). Generally, the scheme is restricted to notified slums located on government lands where there is no possibility of undertaking a slum clearance or redevelopment scheme in the next 15 years in case of pucca built-up tenements and 10 years for hutment-type tenements. This ensures the period of benefit of the project to be long enough to justify the capital expenditures. However, slums on private lands have also been brought under the programme in a few cities where their number is large. In the Eighth Plan, the scheme has been taken up with UBSP, NRY and the Scheme of Liberation of Scavengers (SLS) so that all these together 'form a co-ordinated whole'.

- *Urban Basic Services:* The Urban Basic Services (UBS) scheme was introduced in the Seventh Plan as an extension of the Urban Community Development programme existing earlier. The focus of the scheme is on women and children. However, the entire project population benefits from it owing to the adoption of an integrated approach. The most important feature of the project is its community-based approach, involving physical and financial participation of the beneficiaries. The scheme is taken up in slum pockets within specific towns/cities, selected by the state governments in consultation with the central government.

Under the scheme, the residents of identified poor localities prepare micro development plans in consultation with the community organisers and present them to the neighbourhood development committees. These micro plans are integrated into the UBS scheme at the town level with the help of local bodies. These are, then, co-ordinated at the state level and monitored at the national level. The finances are made available in proportion to the size of the slum population in each town.

The scheme has been renamed as Urban Basic Services for the Poor (UBSP) in the Eighth Plan. With this, greater emphasis is being placed on fostering neighbourhood development committees in slums to ensure the effective participation of slum dwellers in the activities under the scheme. An attempt is also being made to co-ordinate the social services, income generation activities and physical facilities provided through programmes of various government departments and to ensure their convergence.

The pattern of funding under the UBSP has undergone certain changes. Previously the funding for UBS was shared by the central government, state government and UNICEF in the ratio of 20:40:40. Now, UNICEF has, by and large, withdrawn its support except for providing funds for training UBSP officials. The cost for the programme is now shared between the central and the state governments on a 60:40 basis (Table 3).

● *Integrated Development of Small and Medium Towns (IDSMT):* The Integrated Development of Small and Medium Towns programme was mooted during the sixth plan in 1980–85 to improve the quality of economic infrastructure and public utilities in a select set of towns, to enable them to act as growth or service centres for their rural hinterland and thereby reduce the migration towards the metropolises or a few other large cities. Although the programme was basically launched to restructure the hierarchy of urban settlements by promoting middle-order towns, this was to be achieved partly by providing basic services to the poor and improving their economic conditions, so that their migration towards metro cities was arrested. It may thus be seen that although IDSMT is not specifically focused on the provision of basic amenities in the slums or other low-income colonies, this figures as one of its important components.

Initially the scope of the scheme was restricted to towns with population below one lakh (1971 census). In the Eighth Plan, it has been decided to include cities with population up to 3 lakhs (1991 census). The towns have been placed under four categories:

Category of Towns	Population
A	Less than 20,000
B	20,000–50,000
C	50,000–1,00,000
D	1,00,000–3,00,000

The activities under the programme are divided into two groups namely, central sector or part A, and state sector or part B. Activities in part A envisage development of economic infrastructure that will generate employment and income in the town. Acquisition of land for commercial and residential purposes, improvement in the traffic and transportation system, sites and services schemes etc. are included in it. In 1983–84, low-cost sanitation was also brought under Part A. Part B of the programme includes activities for improving the physical environment in towns—projects that generally are not remunerative. Upgradation of slums, low-cost schemes of water supply, sewerage, drainage, sanitation, preventive medical facilities and health care are covered under it. It may be noted that the central loan is available only for the Part A component of the scheme, leaving most of the welfare-oriented projects to be financed by the state governments.

The central support to the IDSMT programme came in the form of a soft loan, initially carrying an interest rate of 5.5 per cent which has now been raised to more than 10.0 per cent, to be repaid in 25 years. Repayment starts five years after the receipt of the loan although interest has to be paid for the intervening period as well. The scheme has been revised under the Eighth Plan as recommended by the National Commission on Urbanization (NCU). Selection of the towns is based on the urbanization strategy prepared by state governments. Preference is given to towns identified as generators of economic momentum by the NCU. The thrust of the programme too, has undergone a significant change in the Eighth Plan. Instead of only trying to remove the infrastructural deficiencies in the selected towns, the programme now dovetails employment generation with infrastructural development. This is being done to make the programme economically viable so that its dependence on government funds can be reduced and institutional borrowing increased. The plan stipulates that the 'budgetary provisions should be used mainly for the provision of seed capital to co-operatives and local bodies' and 'for critical infrastructure'.

The central government assistance was half of the total project cost, sanctioned as a soft loan until the Seventh Plan. The rest was to be borne by the state governments. According to the modified guidelines in the Eighth Plan, the central government's share *vis a vis* that of the state government, has increased from 50 per cent to 60 per cent.[5] (Table 3) Much of the financing would, however, be coming from institutional sources, and here the major responsibility of resource mobilization and loan repayment is that of the state governments. The modified scheme also excludes the payment for land acquisition from the central government's share. This, and the stipulation that land must be made available within a year of approval, greatly increase the responsibility of the state governments. This may adversely affect the programme, particularly in the less developed states. The revised financing pattern is shown in Table 4.

TABLE 4. Financing Pattern under IDSMT in the Eighth Plan

Category of towns	Maximum project cost (lakh Rs)	Central assistance (%)	States' share (%)	HUDCO/ others(%)
A	100	36	24	40
B	200	36	24	40
C	500	24	16	60
D	1000	18	12	70

SOURCE: NIUA (1983): Financial Resources of Urban Local Bodies in India and the Level of Services Provided.

It may be noted that the share of the central government works out as 60 per cent of the total budgetary support in case of towns in category A and B only, in the Eighth Plan. For others, it is less. Also, institutional finance emerges as the most important component in the funding of the schemes. Interestingly, the share of this finance coming from HUDCO and other agencies increases with the size of the town. Thus, larger cities that are able to attract larger institutional finance can spend more in per capita terms under the scheme.

- *Low Cost Sanitation Programme (LCS):* The goal of providing sanitation facilities to 80 per cent of the urban population was fixed in the early eighties with the announcement of the UN Decadal Programme for Water Supply and Sanitation. In view of the fact that provision of a sewerage system in the whole of the country was impossible, given the limited resources, low-cost alternatives were encouraged by the government. Technical assistance was provided by the United Nations Development Programme (UNDP) and HUDCO loans were available for low-cost sanitation facilities in old city areas and slums. For individual toilets, loans were available up to 50 per cent of the cost at 6 per cent rate of interest repayable in 12 years. Urban water supply and sanitation, however, was kept in the state sector with no central funds coming directly for this purpose in the Seventh Plan.

A centrally-sponsored scheme was launched in 1990–91 with the objective of eliminating manual scavenging by converting dry latrines into water–borne ones. Assistance in the form of loans and subsidies was available for the purpose, covering all urban areas with population below 5 lakh. In the Eighth Plan, the scheme has been further improved. The pattern of financing has, however, changed to a mix of central subsidy and loan, routed through HUDCO. The subsidy component varies depending upon the income of the beneficiary household. See Table 5.

TABLE 5. Financing Pattern under Low Cost Sanitation Programme in the Eighth Plan

Beneficiary category	Monthly income (Rs)	Loan (%)	Subsidy (%)	Beneficiary contribution (%)
EWS	Less than 1250	50	45	5
LIG	1251–2650	60	25	15
MIG	2651–4450	75	Nil	25
HIG	More than 4450	75	Nil	25

The maximum repayment period for the HUDCO loan is 12 years and the rate of interest for all the categories has been made uniform to 10 per cent. There is thus, no concession to the poor in the interest rate charged.

Cost recovery according to the eighth plan is to be built into the municipal finance system. The metropolitan and other large cities are expected to make capital investment in water supply and sanitation facilities, besides covering their operational costs. Also, most of the development projects are to be undertaken through institutional finance rather than with budgetary support.

- *Shelter and Sanitation Programme for Footpath Dwellers in Urban Areas:* The Shelter and Sanitation Programme scheme was introduced in 1988–89. It is meant to cover urban areas including metropolitan cities, having a large shelterless population. The central government provides a small subsidy of Rs 1,000 per beneficiary through HUDCO. In addition, HUDCO provides loans up to Rs 4,000. In case the per capita cost for a night shelter exceeds Rs 4,000, HUDCO gives 50 per cent of the additional cost.

- *Special Schemes:* The central government, in the late eighties, sanctioned special funds to provide basic services to the urban poor. One such example is the Greater Bombay Project of urban renewal, slum upgradation and Dharavi (a massive slum colony) redevelopment, sanctioned through the prime minister's special grant. Home improvement loans are available under the project at a low rate of interest, payable over a period of 20 years. Another special scheme being implemented in the cities of Bombay and Calcutta, at the recommendation of the Ninth Finance Commission, aims at environmental improvement and provision of community facilities. The costs of the scheme are to be equally shared between the centre and states. The *ad hoc* nature of the schemes is responsible for its poor performance and low achievements.

IV SCHEMES STARTED OUTSIDE CENTRAL SECTOR

Several state governments have launched basic services schemes through their departments dealing with urban development or through slum improvement boards. These schemes generally receive assistance from international agencies.

Currently, the following three types of schemes are being implemented in the country: (i) slum improvement, (ii) slum upgradation, and (iii) slum reconstruction. Their approaches vary depending on: (a) the status of the land on which the slum development project is to be taken up and whether the ownership right of land, namely *Patta* is to be given to the beneficiary, (b) the socio-economic conditions of the slum dwellers, and (c) the conditions laid down by the financing agency with respect to cost recovery.

Slum Improvement Programme (SIP) involves merely improvement of the slum by the provision of a standard package of basic facilities. The schemes under it are of two types depending on whether the costs of providing the amenities are recovered from the beneficiaries or not. This programme is directed towards the improvement of the physical conditions in the slum and does not include upgradation or construction of dwelling units. Also, it does not involve community participation as it is implemented through government agencies. It has, therefore, been regarded as a purely technical approach to slum development.

Slum Upgradation Programme (SUP), designed for the improvement of shelter quality along with the provision of basic services, was started in the seventies at the instance of the World Bank. Currently HUDCO also finances SUP under its Slum Upgradation and Improvement Scheme. Usually the same facilities are provided under it as in SIP. However, giving of land *Patta* on a *leasehold or freehold* basis is a requirement which distinguishes it from the SIP. It may be noted that even under the central government programme of EIUS, the provision of giving land rights to the beneficiary has not been made. The other distinguishing feature of SUP is the availability of a Home Improvement Loan (HIL) to the beneficiary on an optional basis.

The SUP can also be classified into two categories depending on the degree of formalization of land tenure. We may place the projects wherein *Pattas* are given to individual households on a freehold basis in the first category and those that do not bestow freehold tenure rights in the second.

The World Bank made its presence felt in the urban sector in the eighties by providing concessional finance to state governments for their urban development projects. Such projects are currently under implementation in the states of Maharashtra, Gujarat, Uttar Pradesh and Tamil Nadu (Table 5). The projects cover several sectors, such as shelter, slum upgradation, sites and services, transport, low-cost sanitation, water supply, solid waste management etc. The Ministry of Urban Affairs and Employment at the centre monitors the implementation of these World Bank aided projects.

Overseas Development Administration (ODA, presently Department for International Development), a British agency, is funding many slum improvement projects in Andhra Pradesh, Madhya Pradesh, West Bengal, Orissa and Kerala (Table 6). Importantly, these projects include provision of social and educational inputs besides physical infrastructure.

TABLE 6. Details of IDA and ODA funded Projects

Projects	Implementing agency	Period (Years)	Estimated cost (in Rs crore)	Funding agency
Urban Development Project	State Government or Urban Development Agency wherever constituted	1985–94	554.41	IDA
Gujarat Urban Development Project	As above	1985–94	197.21	IDA
Uttar Pradesh Urban Development Project	As above	1988–96	329.94	IDA
Tamil Nadu Urban Development Project	As above	1988–95	632.55	IDA
Hyderabad SIP-III	Hyderabad Municipal Corporation	1989–95	42.75	ODA
Visakhapatnam SIP	Visakhapatnam Municipal Corporation	1988–95	28.59	ODA
Vijaywada SIP	Vijayawada Municipal Corporation	1990–95	49.15	ODA
Indore HIP	Indore Development Authority	1990–95	34.54	ODA
Calcutta SIP	Calcutta Metropolitan Development Authority	1990–95	39.17	ODA

The Government of Netherlands is currently involved in a pilot slum improvement project in Bangalore with an assistance of Rs 1.6 crore. The details of activities are being worked out in consultation with the state government of Karnataka.

World Bank (IDA) assisted projects carry soft loans, that is, low rate of interest and a long repayment period. The central government gets the fund at a nominal interest rate of one per cent only while the states are required to pay 9–10 per cent interest. The ODA projects, on the other hand are smaller in size and receive assistance in the form of grants.

Urban Development Schemes in the Eighth Plan

- *Urban Transport and Mega City Projects.* During the Eighth Plan, some new schemes, having a direct bearing on the provision of basic services, have been launched. The Ministry of Urban Development, as the nodal agency for urban transport, has initiated a study of 21 cities in different states, with the objective of developing a National Urban Transport Policy. An attempt would be made under the scheme to improve the transport infrastructure within these cities. While a small sum would be made available by the central and state governments it is expected that much of the investment for it would flow from private entrepreneurs, around this sum.
- *Mega City Project.* A new centrally-sponsored scheme called the Scheme of Infrastructural Development in Mega Cities was launched in 1993–94 in response to demands from state governments. It is meant for the cities of Bombay, Calcutta, Madras, Bangalore and Hyderabad. For quite some time the states have been pleading their inability to fund infrastructural investment in their mega cities, whose problems are largely due to migration from outside the state. The National Commission on Urbanization had recommended that central assistance may be provided for development of infrastructure in these national cities. It will be administered through the Ministry of Urban Affairs and Employment and funds would be channelized through a special institution (Consortium Fund) at the state level. The funds from the central government are to be used only as seed capital for the institution. The sharing between central and state governments would be 25:25. The remaining

50 per cent is to be mobilized from institutional sources and private entrepreneurs.

- *Accelerated Urban Water Supply Programme.* The Accelerated Urban Water Supply Programme is another centrally sponsored scheme included in the eighth plan, for providing water supply facilities to the towns with a population of less than 20,000 (1991 Census). This programme aims at improving the quality of life of the poor. The urban local bodies will be suitably strengthened and closely associated in the implementation of the scheme through community participation. It will be operationally integrated with the state public health engineering department, and will be funded by the central and state governments and concerned local bodies on a 50:45:5 ratio.

Direct Poverty Alleviation Programme

Nehru Rojgar Yojana (NRY) is the anti-poverty programme for urban areas which is primarily designed to raise the income levels of the urban poor and is implemented through municipal bodies.[6] It has three components, (i) The Scheme of Urban Micro Enterprises (SUME), (ii) The Scheme of Urban Wage Employment (SUWE), and (iii) The Scheme of Housing and Shelter Upgradation (SHASU).

The first two components of the programme, namely, SUME and SUWE are directed towards income generation by providing self and wage employment respectively. Importantly, SUWE scheme is directed towards the construction and improvement of social and economic infrastructure, including water supply and sewerage/sanitation facilities for area development. The third component, that is, SHASU is for shelter upgradation for the poor through family labour and some governmental support. It includes provision and upgrading of basic services attached to dwelling units, while generating employment for the people. A loan upto Rs 3,000 at a very low rate of interest and a subsidy up to Rs 1,000 is provided to the beneficiaries identified by the urban local bodies. In case of an additional financial requirement, loans can be obtained from HUDCO at a higher interest rate.

The funds for the training component under SUME and SHASU come entirely from the central government. The remaining expenditures under these programmes are shared equally between the central and the state governments. The expenditure under SUWE is to be shared on a 80:20 basis. In the eighth plan, however, the share of the central government has been fixed at 60 per cent under all the three schemes. One can argue that the central government's contribution in area development projects, that are less remunerative, was large compared to the income generating projects in initial years. This, however, has been significantly reduced in recent period.

Sensitivity of the System to the Poor

It has been mentioned earlier that a number of agencies have been created in several states to provide basic services, specifically to the poor and slum dwellers. In a few states, slum clearance boards have been set up that relocate pavement dwellers and shanty settlements from public places and high density residential neighbourhoods within the cities to peripheral areas. The boards also take up integrated housing projects for the poor that include provision of water supply and sanitation. In some of the metropolitan cities, there are slum and squatter wings within the development authorities such as the slum wing of the DDA or the municipal and anchal development sector of CMDA. In other large cities, development work in slums is undertaken by the regular departments of the municipality or its special slum wing or bustee cell. Despite all these, most of the projects for the provision of basic services in low-income colonies are taken up by the concerned state government departments or para-statal agencies. The responsibility of maintenance of these facilities in the slum areas also lies on the general administration of municipalities. As a result, the role of the vested interests and local elites in the selection of infrastructural projects and their maintenance cannot be ruled out. It is, therefore, not at all surprising that the distributional network by its very design discriminates against the low-income population, particularly those residing in isolated slum colonies.

A recent study by Kundu (1993) reveals that most of the urban poor draw water from public stand posts (PSP) managed by urban local bodies. People in regularized slums as also in certain unauthorized colonies have this facility within the locality while the others have to either get their water from a PSP outside the locality or from households in the neighbourhood that have domestic connections. The study further indicates that piped water in low-income colonies is available for short durations at low pressure, and the supply is often erratic. Since a large number of persons are dependent on one PSP or tubewell in these colonies, long queues and hours of waiting are inevitable. The per capita water consumption, therefore, is extremely low.

It is not always possible to give water through PSPs to all slum localities owing to their distance from the existing pipelines and inadequacy in the supply of water. As a result, tubewells and handpumps have been provided in a large number of colonies. This of course is more common in cities where the water table is high. The quality of water in such cases has generally been noted as unsatisfactory, often causing water borne diseases and epidemics.

A section of the urban poor has domestic connections for water supply. Most of these are unmetered and, therefore, the payment is minimal. Even for metered connections, the payment works out to be about the same since the poor belong to the lowest consumption category. The problem, therefore, is not one of non-affordability of the current expenses. On the other hand, since the user charge is low, non-priority use of water or its wastage is very high by the non-poor. It is unfortunate that pricing of water has not been applied as an instrument to rationalize its use which could have increased water availability in the slums through PSPs (Kundu: 1993).

Affordability is an important factor where capital expenditure is involved in obtaining a new domestic connection. In case of the old quarters of large cities, many of the pipelines providing domestic connection need replacement. There is great risk of epidemics being caused by the seepage of sewer water through corroded water pipes. Many among the poor cannot afford the capital expenditure needed for replacing such pipes, and are apathetic to the danger of water pollution; they believe that such expenditure should be borne by the government. In certain large cities, the risk of epidemics is also high due to the shallow tubewells provided in slum areas. Local authorities become alive to the dangers caused by these tubewells, owned privately or publicly, only after a few hundred lives are lost.

The poor generally use free community toilets built by state governments or local bodies on open spaces for defecation. Slums either have open drains or are bereft of any drainage facility. Even in large cities, reported to have been fully or partially covered by an underground system, many of the slum colonies are unsewered. Owing to lack of proper maintenance, many of the toilets, built under government programmes, are rendered unusable. Because of non-availability of water near the toilets, negligence, and inadequate sanitary staff and other such problems, many of these remain choked for several days in a month. Defecation in open spaces, along with overflowing toilets and drains pose a major health problem, particularly during the rainy season.

A small fraction of urban poor have toilets in their houses. These are mostly dry latrines cleaned by municipal staff but sometimes privately as well. Their maintenance is not very satisfactory owing to a paucity of funds with the local bodies. The sanitation tax and user charges together work out to be not more than Rs 5 per month in most cities. Besides, the recovery rate is very low.

The major problem with private latrines is not their current but their capital costs, which even with a subsidy component, works out to a few hundred rupees. The poor do not get individual connections not only because they cannot afford them but also because they consider these to be unnecessary. Also, the conversion of dry latrines into water-borne ones has been extremely tardy, despite the subsidy component in the schemes.

Given the high cost of construction and maintenance of flush or dry latrines, sanitary toilets with septic tanks have emerged as a low-cost alternative. These have been promoted by HUDCO as well under the LCS schemes. Here the responsibility of local bodies is much less as the tanks have to be cleaned only once in a period of five to ten years. In many cities and towns, local bodies are now permitting the construction of dwelling units only when the individual or housing co-operative undertakes to dig its own tubewell and septic tank, placing no extra demand on the municipal system. Inability to meet this requirement often puts the settlements of the urban poor into the unauthorized or illegal category.

In recent years, as discussed earlier, some efforts have been made to extend sewer lines or provide open drains to the slum colonies under state and central sector schemes. The problems in cost recovery and limited budgetary support have hindered the implementation of the schemes. This is particularly so because the Eighth Plan places greater reliance on institutional finance and internal resource mobilization for the provision of basic amenities.

An analysis of the programme and schemes undertaken by the central, state and local governments for providing basic services (see section 3), reveals that the major concerns and areas of emphasis have significantly changed during recent years with the changing policy perspective at the macro level. It may be seen that during the seventies and earlier, most of the programmes pertaining to basic services were financed primarily by the central government. However, now, there is a distinct shift of responsibility from the central to the state governments and local bodies. The EIUS and UCD were started with a central grant of 100 per cent and 50 per cent, respectively. These programmes are presently being financed totally by the state and local governments. The UBS and IDSMT are comparatively new schemes that still enjoy a certain amount of central assistance as loans. However, these are much less than that provided in the earlier programmes. The same is true of SUWE under the anti-poverty programme. All these changes have adversely affected the availability of basic services to the urban population, particularly the poor. Many of the state governments have closed down the anti-poverty programmes with the discontinuation of central assistance. A few others have opted for institutional funds for the projects at a high rate of interest, instead of making budgetary provision for it, thus diluting the pro-poor bias. The weak financial position of the state governments and local bodies have seriously hampered the implementation of basic service schemes. Furthermore, the international agencies as well as HUDCO, which finance the state sector schemes, mostly insist on cost recovery under the urban slum improvement schemes by increasing water rates, property taxes and so on. Many local bodies have found it difficult to comply with this requirement.

The experience of the EIUS in many states shows that the ceiling on per capita expenditure, even after the recent revision, comes to only Rs 500, which is utterly inadequate for the services to be provided according to the stipulated norms. In many states, the actual expenditures have been much more than this ceiling. In the states where additional resources could not be placed at the disposal of the project authorities, either the quality of the services suffered or fewer people have been covered.

Low-cost sanitation facilities have been extended to the urban population under different state government schemes with 50 per cent of the cost coming to the beneficiary as a grant and the remaining as a loan at a low rate of interest. And yet, it has remained beyond the affordability of the people below the poverty line. Also, where people have been provided with toilets, the recovery of the implementation charge or the loan has been very poor.

In some of the towns, the responsibility of constructing and maintaining latrines has been given to Sulabh International, an NGO which runs on business principles. Sulabh undertakes it on a pay and use basis. In several localities, where the residents are extremely poor or unruly, it has failed to collect the user charges. In all such situations the maintenance expenditure is borne by the local bodies, and this then becomes an additional burden.

The selection of towns under IDSMT schemes is often guided by political considerations as well as economic viability. It is seldom based on an analysis of infrastructural deficiency. As the state governments have to repay the central assistance, only those projects get cleared that are remunerative and less risky. Slum improvement and provision of basic services that are included in part B of the programme, therefore, are often left out. Unfortunately, unlike low-cost sanitation, no special allocation has been made for slum improvement under this programme.

It has been proposed that part A and part B of the programme should be merged to give a wider choice to the local authorities. This, it is hoped, will improve the financial viability of the programme and improve recovery rate. With the acceptance of this, components such as slum improvement and provision of services, that have low commercial value, will be accorded a still lower priority.

HUDCO loans can indeed be availed of by housing boards, slum clearance boards, development authorities, local bodies and others for upgrading and improving the basic services in slum areas at a much cheaper rate than those obtained from the World Bank. However, these loans are available only when the agency grants tenure rights of land for not less than 20 years, or when the state government guarantees that the occupants will not be removed until the loan is repaid. This condition has often come in the way of the local bodies and other authorities obtaining HUDCO loans.

TABLE 7. Agency-Wise Distribution of Infrastructural Financing by HUDCO 1987–94 (March)

Agency	Sanctioned projects (Rs crore)	Percentage share
Housing boards	40.58	3.36
Water supply and sewerage boards	356.18	27.73
Development Authorities	399.19	31.08
Municipal Corporations	390.10	30.36
Municipalities	97.99	7.67
Total	1284.04	100

SOURCE. Records of HUDCO (unpublished)

An analysis of infrastructural finance disbursed through HUDCO (given in Table 7), shows that the development authorities and municipal corporations that operate at the city level have received more than half of the total amount whereas agencies such as water supply and sewerage boards and housing boards, that have the whole state within their jurisdiction, have together received less than one-third of the total. One can, therefore argue that cities with a strong economic base that are attracting private sector investment both from within as well as outside the country, are also able to get a disproportionate share of the subsidized HUDCO funds.

It should also be noted that at the beginning of the eighties, a concern for water supply and sanitation problems in the country was expressed, and a sense of urgency was shown by the central government through the adoption of the Master Plan for the Water Supply and Sanitation Decade. Ambitious targets were fixed for providing these services to the urban population with special provisions for extending them to fringe areas. Unfortunately, these plans were not matched by a corresponding allocation of resources or by the launching of major programmes, barring the few, as discussed earlier. The capacity of the state government to undertake this responsibility was extremely limited. No major attempt could, therefore, be made to strengthen the existing delivery system and ensure its better management, particularly in the context of the poor. Within the policy perspective of the new economic policy and the eighth plan, institutional and private capital are being brought in for the provision of these services. As a result of all these factors, the water supply and sewerage/sanitation scenario now, particularly in terms of their access to the poor, does not seem to have changed for the better. The overview of the present system of governance and the changes introduced in it during recent years reveals that the future does not hold forth much promise in this regard.

End Notes

1. To get a loan, the agency must provide a state guarantee/bank guarantee or should mortgage its property. The loan application is to be accompanied by a bank draft of Rs. 10,000 (relaxable for EWS schemes) to meet the documentation and incidental charges. This amount is not refundable. Besides, there are other payments such as front end fees, risk charges etc. to be paid by the agency applying for a loan.

2. A somewhat similar situation existed in the early eighties in USA. The absence of a well-defined role for the federal government and unco-ordinated system of sharing the responsibility had led scholars to argue that the inter-governmental system is a directionless Leviathan. (Brennan and Buchanan, 1979). Announcing that the federal system was in disarray, the Reagan administration lauched 'major reforms' transferring many of the welfare programmes, particularly provision of basic amenities, to the local bodies. This led to a sharp increase in disparity in the level of expenditures and quality of services among cities and communities. This policy was strongly criticized as the 'Newest Federalism' which significantly reduced the availability of basic sevices to the poor, and jeopardized the system of 'safety net'. The lack of basic amenities and the poor quality of life in the low-income communities increased social tensions, resulting in group violence.

3. For a detailed discussion on these and earlier programmes, see Kundu (1993).

4. The per capita expenditure under the programme was raised to Rs.250 in 1984, and then to Rs.300 in 1985. In the Eighth Plan, the figure was revised to Rsd. 525 (all at current prices).

5. Besides, it provides a grant to the local bodies to the cost of preparation of project reports up to two per cent of the project cost or Rs.2 lakh whichever is less.

6. Besides the municipality, NGOs have a significant role to play in implementing NRY, especially in training and strengthening the backward-forward linkages of the scheme, setting up municipal service centres and housing corporations under SHASU.