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**The Role of Local Governments in Urban Development
in Karnataka, India; Decentralisation Policies,
Stakeholders and Progress**

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1 INTRODUCTION

This paper analyses the role of local government in urban development and the two forces that determine that role: the policies for decentralisation promoted by the national government and policies of centralisation practised by most states. The case of the state Karnataka in the South of India has been used as an illustration. Urban development in this paper is confined to the functions of town planning, provision of housing, water supply, sanitation and improvement of the living conditions of slums. Local government in India is an integral part of, and the lowest tier of the three-tier system of government. The other two tiers are the central government and the state government. Local government forms the nearest interface for citizens to what constitutes government. In 1989, the Government of India took the initiative to decentralise governance to municipalities and to establish a form of elected representation. A policy document was formulated and a constitutional amendment was passed which would be implemented by the states through revision of the existing legislation for municipalities¹. After 10 years, it is possible to assess the successes and failures of this decentralisation policy and to see whether national policies and commitment are being sufficiently implemented by the state governments and whether governance of urban development by municipalities has become a reality.

1. Municipality or local government are inter-changeable in this paper and are defined as the elected body (Corporation or Municipal Council) and the administrative apparatus at the local level.

2 DECENTRALISATION OF URBAN DEVELOPMENT TO LOCAL GOVERNMENT IN ASIA; THE FIRST EXPERIENCES

The interest in decentralisation of governance to lower tiers of government in recent years has had several origins. In the Asian region the decentralisation has come at a time when democracies reached maturity in some countries or followed re-democratisation in a few other countries (Aziz and Arnold, 1996). There were also demands from below to acknowledge ethnic diversity and to have more self-rule and self-determination of local affairs. Decentralisation was also brought about by the discontent with a central government apparatus that was no longer able to successfully implement large national schemes at the local level or to deliver tangible benefits to beneficiaries without reasonable 'administrative' costs. External pressures for decentralisation are disputed but it cannot be ignored that international lenders have been pressing for improving the effectiveness and responsiveness, and for privatisation of public sector operations. These reforms' directions are obviously connected with decentralisation of executive and monitoring functions. Whatever its impact may have been, it has created a 'favourable policy climate for the advancement of local governance reforms' (ibid., p. 20).

There is common agreement on what decentralisation of governance to lower levels of government should include. The first element is the constitutional establishment and strengthening of institutions that are closest to the citizens. It is expected that these institutions are in a better position to identify and articulate the local needs and to become instrumental in the implementation of government programmes and interventions (Isaac and Harilal, 1997). Local development can also be steered more effectively at this level in an integrated manner as municipalities are able to use the sectoral linkages. The second element is the citizens' representation. Local institutions need to represent the interests of citizens and they should either and preferably be elected or be appointed, illustrating a fair representation of the citizens and existing interest groups. In some countries a reservation policy was adopted which has to ensure representation of certain sections of society that may not well be represented through an election process (e.g. women, ethnic groups, religions or religious castes as is the case in India). The third element is the development of a local democracy and good citizenship. Such institutions are expected to promote and inculcate positive democratic values and establish the roots of a well functioning democracy in the country. Easier access to and transparency of administration and participation in planning are the necessary conditions of such institutions. Shared democratic values and a sense of ownership would contribute to the establishment of a true local democracy and an

accountable (and taxable) citizenry. The fourth element is that these institutions need to obtain a degree of financial autonomy. In initial stages, when the resource base is still weak, a rational devolution of funds from the state or central government needs to be established to produce the necessary lifeline and ability to govern. The fifth element is the integration in the polity. As full autonomy is not possible anywhere and also not desirable, local institutions are integrated into and linked to the other levels of government. This is to guarantee consistency in government policy, in the enforcement of legislation, in the implementation of policy and programmes, and in administrative and financial routines.

Experiences with decentralisation of governance in the Asian region are accumulating the last few years and show a number of common lessons.

The first lesson is that elections and even reservation policies in representative bodies do not prevent that dominant communities from continuing to dominate in local affairs. The functioning of local representation and democracy appears not to be perfect as few local politicians can rely on their own resources for election campaigns and most have relied on sponsors. In Karnataka, for example, these are the local business houses, liquor barons, agriculturists, etc. (Mengers, 1997). These sponsors wield considerable power over their protégés and over the favours and disfavours that are distributed to the electorate. Also after elections this 'support' ensures access to and stake in the local administration. On the other hand, the local politicians after election assume the role of intermediaries for many households, particularly the poor, who would otherwise not know how to successfully access government institutions and civil servants. The concept of 'machine politics', developed by Steffens (1963) and further explained by Scott (1972), provides a useful analogy for this phenomenon. Scott has defined three prerequisites under which machine politics can emerge. These are:

- (a) Political power at local level is fragmented among candidates of the major parties and the independent candidates who switch sides whenever that would yield better results. Their power is determined by the behaviour of the voters during elections. The electorate casts its votes by judging what benefits it has received from the previous councillors and how confident it is that the candidate may serve it better and has some stake in local politics. Good councillors are those that provide it the most;
- (b) There is a growing ethnic cleavage and growing social disorganisation between societal groups, whether ethnic or religious. Moreover, a low level of education among the majority of voters makes them vulnerable to manipulation and dependent on help for getting access to bureaucracies, finance, services and shelter; and
- (c) A majority of the electorate is poor and their only tradable asset is their vote. In such circumstances, the interest of the poorer electorate is short-run and material. The electoral behaviour is, however, rather opportunistic with the result that councillors change quite often.

'Machine politics' is accompanied by pre- and post-electioneering mechanisms of patronage and intermediation by local middle-men who lock in the electorate while they exert protectionism and expel other contestants from accessing the so-called 'vote banks'.

That local democracy has not reached maturity is also illustrated by the weak democratic organisation of the local parties. Party foremen are directed by personal interests and by their sponsors, rather than by party discipline or party manifestos. The existing and stronger lobbies are through their sponsorship successful in manipulating and co-opting elected authorities, and in neutralising possible negative decisions by these established assemblies.

Another lesson is that central authorities (state, provincial or central government) are reluctant to progressively decentralise political and financial autonomy. The expectations that are raised at the lower level of government are frustrated by sustained legal and administrative restrictions on municipalities' governance and financial affairs.

A third lesson is that even when powers were decentralised this was not always utilised properly as the local representatives had poorly understood the inseparable link between power and responsibility to rule. Lavish spending occurred and autocratic and undemocratic behaviour persisted. The overall goals described above are very often not understood and decision making processes are often inspired by petty concerns, direct material gains or short-term benefits. Education and the level of experience do play an essential role. Much could have been avoided if training of local officials and representatives in administration and democratic principles would have accompanied decentralisation.

The literature on decentralisation in the Asian region from which the lessons have been drawn have not paid much attention to the political forces that are unleashed with decentralisation movements. There is no doubt about that decentralisation will change the balance of political and also administrative powers in favour of the lower tiers of government. It will be natural that the established powers will react to and resist such unfavourable changes. For example, in a recent article by Rosenbaum and Rojas (1997), it was postulated that the decentralisation movement in Sierra Leone contributed to a major revolt and subsequent mutiny by the military power. They were supported and, possibly, instigated by the established central government institutions that were against a major deprivation of power and access to public means by other than themselves. The result was a military coup and those who were initially in favour of the revolt were quickly forgotten and marginalised. In Asia such experiences have not occurred as yet.

In the sections below, the experiences with decentralisation and the current state of urban development in Karnataka state, India provide an analysis of these dimensions of decentralisation.

3 HISTORY OF LOCAL GOVERNMENT IN INDIA

In India's history, forms of local government existed under the rule of Hindu kings that resembled a form of representation of the citizenry and, to an extent, of self-government. In Medieval and Mughal India, local government continued but was reduced to a mere lower tier of military rule and did not constitute citizens' participation. The British did not alter this form of local administration when they established the Madras Municipal Corporation in 1687. The Corporation had appointed representatives from among the elite citizenry and was charged with levying taxes, with maintaining law and order, exercising justice, controlling court proceedings and with undertaking works to improve the often appalling sanitary situation. In 1882, this situation changed drastically when Governor-General Lord Ripon issued a resolution and established a network of local self-government institutions. The resolution reduced the official element in local government to not more than a third of the total membership of the corporation; gave more financial powers and most importantly, adopted election as a means of constituting local bodies. The Resolution of Lord Ripon, who is sometimes referred to as the Father of India's Urban Local Self-government, was implemented half-heartedly and resistance built up from the established bureaucracy, the appointed commissioners, and later from Lord Curzon, Ripon's successor. Moreover the election process was not based on general adult franchise but only restricted groups were included in the electorate. They comprised only two per cent of the adult population and proved, thus, unpopular (Sachdeva, 1993).

In the wake of the mounting independence movement, local self-government was brought to life once more by the Government of India Resolution of 1918. In addition, communal representation was introduced. The Government of India Act of 1919 made the establishment of local governments a provincial responsibility and, at the same time, gave more powers to local governments. Municipal Acts were established and amended to articulate such powers. The experiences with local government were not positive as administration and efficiency deteriorated and corruption emerged, for example, in Punjab. Some local bodies were superseded (Sachdeva, 1993). It was the onset of the struggle for power between the central legislative and executive authority and the local one. As a reaction, municipal executive officers were installed with greater powers who restored administrative efficiency and reasserted government control. More municipalities were superseded in the 1930s. Many failures of the municipal bodies were due to the hybrid framework in which they had to operate. They were neither democratic, nor autocratic. Moreover, lack of administrative experience among elected members and lack of guidance from the provincial government made the first decades of local self-government an unhappy experience. Between 1935 and

Independence in 1947, when British Rule was under siege, no significant efforts were made to bring about reforms in municipal government. The British left in 1947 'without firmly establishing a self-reliant, virile, healthy and efficient system of municipal government' (Sachdeva, 1993, p. 62).

The Constitution of independent India placed local government within the legislative competence of the states. The role of central government would be advisory and catalytic, rather than prescriptive or ruling. The Constitution failed, however, to constitutionally recognise urban local government, to delineate its powers, functions and resources. Moreover, many states neglected to establish an adequate body of state laws for urban local governance. It is observed that '...feeble attempts have been made from time to time in tinkering with urban local self-government and giving it a face-lift, but the response from those in power has generally been lukewarm and occasionally hostile'². The National Planning Commission has been a serious onlooker from the mid-1950s and has made regular appeals to the central and state governments to strengthen local government, but to no avail. Thirty years later they observed that 'The urban agglomerations, by their very nature, need a minimum of basic services for their healthy existence. However, the state of urban areas in this respect is far from satisfactory. In fact, in general the picture is extremely bad. Many municipalities have undeveloped and/or eroded tax systems and suffer from lack of capital funds and there seems no sign of reversal' and '...many of the municipal bodies are moribund or have been superseded and are being administered badly'³.

2. in M.Kistaiah, 'Sarkaria Commission and Local Self government', paper presented at the Tenth Annual Conference of the Indian Public Administration Association, Waltiar, November 29 – December 1, 1985.

3. in Seventh Five-Year Plan 1986-91, para. 12.27, 1986.

4 ADMINISTRATIVE AND POLITICAL CONTROL BY THE STATE GOVERNMENT

According to the 1991 Census, there are 3,592 urban local bodies in India, of which 55 are municipal corporations, 1,290 are designated as municipalities, 253 are governed by municipal boards and 213 are listed as municipal committees⁴. In Karnataka, there are 232 urban agglomerations, of which seven are a corporation with a population size of more than 300,000. Bangalore is the largest corporation with 2.5 million citizens. There are nineteen city municipal councils with a size between 50,000-300,000, one hundred thirty-five town municipal councils with a size of 20,000-50,000. The remaining 69 urban agglomeration are smaller in size. Karnataka had its first Municipalities Act in 1964 and a Municipal Corporation Act in 1976. The acts list several obligatory and discretionary functions. The Karnataka municipal legislation is ahead of other states in giving a large number of functions to urban local bodies. However, a number of essential functions, either as obligatory or as discretionary functions, have not been mentioned in both Acts: physical land use planning, housing, public transport, power supply and economic and industrial policy.

4.1 OBLIGATORY AND DISCRETIONARY FUNCTIONS OF CORPORATIONS AND MUNICIPAL COUNCILS

City Corporations

According to the Karnataka Municipal Corporation Act of 1976, a city corporation has an elected body and is headed by a Mayor. The administrative apparatus is headed by a Municipal Commissioner who is in charge of the establishment. He is assisted by various sections, such as Engineering, Health and Revenue. It is incumbent (Table 1) on a corporation to make reasonable and adequate provisions to carry out obligatory functions such as (a) watering and cleaning of all public streets and public places, and removal of all sweepings; (b) the collection, removal, treatment and disposal of sewage, offensive matter and rubbish, (c) the construction, maintenance and cleaning of all drains and drainage works, public privies and similar other conveniences, (d) maintaining or adding pre-primary education facilities, (e) maintaining of ambulance services, (f) planting and

4. Government of India, 25th Meeting on central Council of Local government and Urban Development, 1994.

maintaining of trees on road sides, (g) the management and maintenance of water works (h) maintaining vital statistics, etc. Through notification, the Government can assign any other obligation under the Act or any other law⁵. Under the discretionary functions, the corporations may provide wholly or partly other services such as maintaining or managing maternity, infant welfare homes, and centres for the infirm, old or blind etc. The corporation may also provide public baths or any facility in the interest of public health, hospitals for animals, museums or galleries, provisions of shelter to destitute or homeless persons, urban poverty alleviation and promotion of cultural and aesthetic aspects, etc.⁶

Municipal Councils

A municipal council has obligatory functions such as lighting public places, watering public streets and public places, and cleaning of public streets, places, sewers and all places not being private, which are open to the enjoyment of the public, whether such places are vested in the municipal council or not, removing noxious vegetation and abating all public nuisances, etc. (Table 1)⁷. In addition, the council has to undertake some special functions, such as providing special medical aid and establishing and maintaining relief work in times of famine or scarcity for destitute persons⁸. The government has the power to exempt⁹ the council from any of the functions. In addition, the council has to discharge discretionary functions such as laying out new streets, maintaining public parks, libraries, museums, planting and maintaining roadside trees, promoting public health or childcare, supplying of water, promoting the well being of municipal employees and exercising urban poverty alleviation measures, etc.

4.2 LEGAL AND ADMINISTRATIVE CONTROL OVER CORPORATIONS AND MUNICIPAL COUNCILS

The administrative control of the state government over either a corporation or council is also embodied in the two Acts (See Table 2 below). The state government has the right to call for records, to inspect any work, to order an inquiry, to demand performance of certain duties under the law, and to appoint another person in case of non-performance. The state government can also revise any decision of the corporation or council, and cancel or suspend or rescind resolutions. The same applies for municipal by-laws. For municipalities the deputy commissioner of the district administration (DC) is the main actor in the latter provisions. He is also entitled to execute work on behalf of the municipality and to allocate municipal funds or taxes to certain works or duties. Furthermore, the Karnataka government has established a Directorate for Municipal Administration

5. The Karnataka Municipal Corporation Act, 1976, Section 58.

6. KMCA, 1964, Section 59.

7. Section 87 of the Karnataka Municipalities Act (KMA), 1976.

8. Section 88 of the KMA, 1976.

9. Section 89 of the KMA, 1976.

(DMA) in 1985 and many of the aforementioned powers are vested with this agency. In addition the DMA can rescind or modify the orders of deputy commissioners.

Table 1: Obligatory and Discretionary Functions of a City Corporation and Municipal Council in Karnataka

Functions of a City Corporation	Functions of a Municipal Council
<p><i>Obligatory:</i></p> <p>Erection of boundary marks for municipal limits, collection and disposal of sewage etc. and establishing compost plants, maintaining public water works, construction and maintenance of drains, street lighting, maintenance of ambulance service, maintaining schools for pre-primary education, public vaccination, planting of trees, improvement of streets, checking the spread of dangerous diseases, vital statistics, regulation of tanneries etc.</p> <p><i>Discretionary Functions:</i></p> <p>Institutions for the infirm etc., public baths, health, museums, staff housing, shelter for destitute, urban forestry, urban poverty alleviation, slum improvement and upgradation</p>	<p><i>Obligatory:</i></p> <p>Cleansing of streets, public places etc., extinguishing fire, regulating dangerous trades, cremation grounds, public toilets / urinals / baths, naming streets, pre-primary education, public vaccination, registering deaths and births, anti-rabic treatment, housing for municipal sweepers, planting and maintaining road side trees, updating record of all buildings etc.</p> <p><i>Discretionary Functions:</i></p> <p>Public parks, libraries, mental hospitals, shelter for destitute women, sanitary houses for the poor, staff housing, promotion of public health and child care, urban forestry, ambulance service, grazing grounds, transport facilities within municipal limits etc.</p>

Source: Karnataka Municipal Corporations Act, 1976 and Karnataka Municipalities' Acts, 1964, Government of Karnataka

The control of the state government over financial matters of the municipalities is even more elaborate. Urban local bodies are restricted by imposed expenditures ceilings. They have to obtain state government approval for all expenditures beyond the ceiling. For example, the municipalities in Karnataka have to obtain sanction from the Department of Municipal Administration when they want to give technical sanction to works worth more than a mere Rs. 50,000 (US\$ 1,400). Beyond Rs. 500,000 (US\$ 14,000) the sanction of the state government has to be obtained. Another example is the limit to do repairs without prior approval from the deputy commissioner or DMA in the case of repairs and overhaul of vehicles. The ceiling has been set at Rs. 5,000 (US\$ 140) for towns and Rs. 10,000 (US\$ 280) for cities in each case. Towns and cities have no discretion to purchase any vehicle, car or tractor without prior approval by the deputy commissioner or the DMA. The same applies to borrowings, revisions of fees and taxes, to levy and collect taxes. The annual allocation of state government development funds and grant-in-aid is another instrument to exercise control. Outstanding debt service amounts and occurred deficits are subtracted by the DMA before any transfers to the urban local bodies. Although the DMA is only allowed to recover outstanding debt in part (i.e. 50 per cent) from the grant-in-aid, the department subtracts effectively the amount in whole. It may be concluded that urban local bodies are

excessively restricted by state government regulations, interventions and supersession.

Table 2: Control over Municipal Corporations

Control over Municipal Corporations	
Municipal Corporations	Government of Karnataka (GoK)
<p>Section 69 of the Karnataka Municipal Corporation Act (KMCA) lays down that 'subject to the provisions of this Act, rules and regulations, the Commissioner shall specify the duties of persons borne on the corporation establishment and exercise powers of supervision and control over them, and decide all questions relating to their conditions of service'.</p> <p>Under Section 82 (1) in consultation with the Mayor, the government may appoint one or more Deputy Commissioners and Assistant Commissioners. In consultation with the Mayor, the government shall (Sec 82(2)) appoint an officer not below the rank of Assistant Commissioner to be the Secretary. Subject to the provisions of Sec 85, and 86 appointment to posts on the corporation establishment other than those borne on the cadres of the KMAS and the posts referred to in Sec. 82 shall be made by the Commissioner in accordance with the KMCA, the rules and regulations. The corporation may appoint special health officers, architects, engineers or special revenue officers etc. provided that:</p> <ul style="list-style-type: none"> • no such special office shall be created without the sanction of the government • the remuneration etc. shall be subject to the sanction of the government.(Section 850 	<p>As per Section 82 of the KMCA 'the Government shall appoint for every corporation such officers of the State Civil Services as it considers suitable to be Engineer, health officer, revenue officer, chief accounts officer and Council Secretary for the efficient functioning of the corporation</p> <p>Every officer appointed under Sec 82(1) and 82 (2) shall be paid such salary by the corporation as may be determined by the GoK.</p> <p>Notwithstanding anything contained in the KMCA or any other (Sec. 83-1) law for the time being in force such of the posts under any corporation as are included in the Karnataka Municipal Administrative Service (KMAS) shall be filled by the GoK.</p> <p>GoK have full powers to appoint (in the event of the occurrence of any unusual mortality or prevalence or apprehended outbreak of any dangerous disease, on its own motion appoint a special health officer wholly or partly at the expense of the corporation.</p> <p>GoK have reserved the right to appoint the following officers to the MCC.</p> <ul style="list-style-type: none"> • Administration: commissioner. Deputy commissioner, Secretary, assistant commissioner, public relation officer, welfare officer, chief auditor, chief accounts officer. • Revenue: revenue officer, octroi superintendent and deputy revenue officer. • Health. Health officer, assistant surgeon/health officers/ medical officers, chemists • Engineering: superintendent engineer, executive engineer, assistant engineer,

Control over Municipal Corporations

Municipal Corporations

No officer can be punished (Sec. 90) by the authority lower than the appointment authority. This means that the MCC have no powers to punish officers appointed by the GoK.

In the case of recruitment by promotion;

- if a post is to be filled in, promotion by selection of the person is on the basis of merit and suitability in all respects to discharge the duties of the post with due regard to the seniority, and selected from among the persons eligible for promotion (Rule 11-2-a).
- if a post is other than above, selection of a person is on the basis of seniority cum merit, i.e. seniority is subject to fitness of the candidate to discharge the post, and selected among the persons eligible for the post. (rule 11-2-b).

Government of Karnataka (GoK)

- Planning: assistant directors of horticulture statisticians.

The GoK may by rules provide for the following matters, namely;

- the tenure of office, salaries, allowances and other conditions of service of officers and employees appointed under chapter of KMCA.
- The procedure to be followed in imposing any penalty, and
- Any other matter which is incidental to or necessary for the purpose of regulating the appointment and conditions of service of persons appointed to services and posts under the corporation and any other matter for which in the opinion of the Government, provision shall be made by the government.

Notwithstanding anything contained in the KMCA or any other law, the State government may transfer any officer or servant of a corporation (Section 91-A) to a corresponding post in any other corporation.

All vacancies in respect of direct recruitment shall be filled either by competitive examination or by selection through State Public Service Commission Rules 1963.

Table 3: Control over Municipal Councils

Control over Municipal Councils¹⁰	
Municipal Councils	Government of Karnataka
<p>Powers of the Commissioner to prevent extravagance in the employment of establishment:</p> <p>If in the opinion of the Commissioner the number of persons who are employed by the Municipal Council (MC) or whom a municipal councillor proposes to employ or the remuneration assigned by the MC to those persons or to any particular person is excessive, the MC shall on the requirement of the Commissioner, reduce the number of such persons or the remuneration of such persons. The MC though has the right to appeal to the Government. The decision of the government shall be final (Section 312).</p> <p>Appointment of Chief Officer(CO):</p> <p>The Commissioner has the powers to appoint a CO but can do so, only from among the persons of the Karnataka Municipal Administrative Service (KMAS).</p> <p>The MC may also recommend disciplinary action for abuse of powers, misconduct or neglect of duty (Sec. 327).</p> <p>Powers to undertake works:</p> <p>The MC may subject to the control of the government may draw up detailed improvement schemes and incur expenditure (Sec. 155).</p> <p>On the municipal employees becoming part of the KMAS and hence as a consequence acquiring the status of an employee of the state government, by virtue of Section 365(2), (a) all the powers exercisable by the municipality in relation to them under the rules can only be exercised by the government or some other authority to whom the power is delegated by the government. Thus, any resolution passed by the municipality in relation to service matters will have no relevance¹¹.</p>	<p>Government may require any municipal councillor (MSc) to appoint an Health Officer:</p> <p>GoK may require any MC to appoint a health officer. The GoK may in its discretion pass an order vetoing the appointment or continuance in any such office of any person selected therefore or appointed thereto by any MC, and the tenure of such office by any such person shall notwithstanding any contract or any other provision relating to his conditions of service, cease and determine on and from the date on which such order is communicated to the MC (Sec. 312).</p> <p>Powers to transfer officers:</p> <p>The government has the powers to transfer any municipal officer or servant to the service of any other municipality or any other local authority or any government department. (Sec. 320).</p> <p>Sanction of schemes:</p> <p>The schemes have to be sent to government for sanction before any implementation steps are taken.</p> <p>Karnataka Municipal Administrative Service (KMAS):</p> <p>Such posts as may be specified by the State Government shall be filled by appointment of officers belonging to the KMAS.</p>

10. The Karnataka Municipalities Act, as amended by Act No 24 of 1995.

11. Lingangowda vs. Town Municipal Council, Lakshmesar (1975) 1, Kar.L.J. Jr, 56, Sh. N. 158

4.3 FUNCTIONING AND SUPERSESSION OF CORPORATIONS AND COUNCILS

The state government can supersede a local government up to one year and request for an extension of half a year. In such a case, an administrator will be appointed who governs on behalf of the corporation or council. Moreover, a president of a council can be removed for misconduct, neglect or incapacity to perform duties. Supersession has been particularly popular in the states of Tamil Nadu, Haryana, Orissa, Bihar and Uttar Pradesh, where no council or corporation has been in place for years on end. In Haryana, civic elections have been postponed for almost two decades. Supreme and High Court orders have frequently forced state government to hold civic elections. In Karnataka, however, the state government has shown a certain degree of restraint to do so. Except for a few municipalities, most have continued to be in session during the last term of the council between 1989 and 1994.

It has been argued (Mohanty, 1989, Sachdeva, 1993, Avasthi and Avasthi, 1994, Singh and Singh, 1993) that supersession and postponement of civic elections are politically motivated¹². The political parties in power at the state government often face opposition from urban politicians¹³ and supersession under the pretext of perceived mal-performance, corruption or any other reason will put an end to this. In case of elections, the political parties ruling the state government may not be sure of getting into power in municipal bodies. Deference is thus an adequate remedy, albeit other excuses are put forth, like the non-preparation of electoral rolls, non-delimitation or demarcation of electoral wards, and non-existence of congenial atmosphere for holding elections, etc. This applied to Karnataka in 1995, when the government led by the Janata Dal party postponed municipal elections. The Janata Dal has a strong rural electoral base but was less certain about their urban base, where Congress and BJP are traditionally strongly represented. Pressurised by the Supreme Court, the municipal elections were finally held in January 1996.

12. Such examples have been quoted by L.N.P.Mohanty (1989) and describes the history of supersession of urban local bodies in Orissa between 1950 and 1986 and in West Bengal in the 1970s and 1980s.

13. For example, in Basiston's work (1986, p.252) in Orissa in only 5 out of 19 studied municipalities the same party dominated in the municipality as at the state government at that time (Janata Party).

5 A FRAGMENTED MUNICIPAL PERSONNEL SYSTEM

5.1 FRAGMENTED PERSONNEL SYSTEM

The personnel system of urban local bodies in Karnataka is a mix of three systems, according to Sachdeva (1993). In the so-called 'separate personnel system', each local authority has the power to appoint and administer its own personnel. They are not transferable to any other jurisdiction by a central body. This system is considered to have the advantages of better knowledge of and attachment to local circumstances, and of encouraging a long-term appointment and a higher sense of responsibility and accountability. This system is used for all municipal personnel in states West Bengal, Maharashtra and Gujarat. In Karnataka, it applies only to the lower ranks of personnel: sweepers, drivers, clerks and typists. However, the system experienced several disadvantages: nepotism, patronage, superfluous numbers of personnel and inflexibility to introduced changes. The second 'unified personnel system' was seen as a remedy to the aforementioned disadvantages. In this system a cadre of staff is created by the state government for purely municipal functions who can also be rotated between municipalities. In this way, municipal services are provincialised. Career possibilities are greater. The involvement in local politics will be reduced because of their protection of state government, their relative independence of local decision makers and their limited duration of tenure. Rajasthan, Uttar Pradesh and Haryana have such a system. In Karnataka, this system only applies to a small group of Karnataka Municipal Administrative Service cadre (KMAS). It was created in 1985, and consists of mostly revenue officer and chief officers. They are under the control of the Directorate of Municipal Administration. In the third 'integrated personnel system', personnel is employed by state government departments and posted in municipalities. They can be shifted between municipalities and also transferred to other departments where their services and qualifications are of equal use. Tamil Nadu and Kerala have adopted this system. In Karnataka, the Karnataka Administrative Service cadre (KAS) can be categorised under this system. The KAS are under the control of the Department of Personnel and Administrative Reforms. Secondly, the technically qualified personnel employed and under the control of the Public Works Department, Revenue Department, Health Department and Social Welfare Department, Town Planning Department and others, fall in this category. For example, an engineer employed by the Public Works Department can be transferred from a city municipality to the Karnataka Housing Board, then to the Mysore Urban Development Department, to the Karnataka Slum Clearance Board and finally back to the 'parent department' to await retirement. These employees are also protected and more aloof from local politics and at times show disinterest

when posted to an unfavourable location. Municipalities are often conceived as an unfavourable location for posting: there is little professional challenge, and few opportunities and fringe-benefits.

This existence of three parallel systems has created a situation in which the municipal administration consists of officers of different cadres with different backgrounds, interests and ambitions. Those who have a higher administrative status, such as the KAS, will look for state administration challenges and linkages in the upper administrative hierarchy and political network. Those who belong to KMAS and state departments have a professional outlook and have career ambitions within their cadre or department hierarchy. Both groups of officers remain somewhat distant from local affairs and politics and realise that their tenure may be rather short. Finally, those who are permanent employees of the municipality have little scope for upward promotion, except in the few larger municipalities, and serve 'aliens' who come and go with the passing of the years and seasons. One can imagine that creating a kind of team spirit, the paradigm of modern personnel management, may be difficult if not impossible.

5.2 STAFFING OF CORPORATIONS AND MUNICIPAL COUNCILS

The rules formulated under the Corporations' and Municipalities' Acts lay down the number of posts. In the case of a corporation, one Deputy Commissioner, Council Secretary, Assistant Commissioner, Public Relations Officer, Welfare Officer, Chief Auditor, and Chief Accounts Officer is appointed. Similarly, for the Revenue Section the sanctioned posts are one Revenue Officer and one Deputy Revenue Officer. In the Health Department, one Health Officer, one Medical Officer or one Health Officer or Assistant Surgeon is permissible under the rules. For the Engineering Section, the sanctioned posts are five, i.e. one Superintendent Engineer, one Executive Engineer and three Assistant Engineers. The rules also permit appointment of Legal Assistants on tenure for a period not exceeding 3 years.

Ultimately, the numerical strength is determined by the annual normal income of the corporation or the municipality. Thus, municipalities can have a staff strength as per the norms, but also under or above the norms with the permission of the state government. The government has the powers to disallow any council or corporation employing any officers or servants or reducing the number of officers and servants of any category. In case of a municipality with a normal income of more than Rs. 1,500,000, there is provision for a Grade 1 Municipal Commissioner, an Office Manager, an Account Superintendent, a Head Accountant Grade 1, three accountants, three Grade 1 clerks and twenty second division clerks (See also table 4). There is also a provision for one billing clerk for every 1,500 assessments. For every twelve sweepers there shall be one conservancy Daffedar, one vaccinator for every 25,000 resident population, one sweeper for every 700 resident population and one scavenger for each public latrine of ten seats, depending on the financial position of the municipality.

The above relates to the sanctioned posts and many a municipality or corporation will have vacancies. In its attempt to curtail government spending, the state government issued a Government Order in 1996 that has put a ban on all recruitments and the filling of vacancies for sanctioned posts.

Table 4: Staffing Norms for Municipalities

Staffing Norms	
Posts*	Staff to be employed Numbers
Commissioner	1
Office Manager	1
Accounts Superintendent	1
Head Accountant Grade 1	1
Accountants	3
1 Division clerks	3
11nd Division clerks	20
Typists	2
Junior stenographer	1
Revenue officer	1
Revenue inspector grade I	1
Bill collectors	At the rate of one bill collector for every 1500 assessments
Bus stand sergeant	At the rate of one for each bus stand.
Health officer	1
Senior health inspectors	2
Junior health inspectors	8
Vaccinators	One vaccinator for every 25,000 residents
Conservancy Daffedars	At the rate of one for every 12 sweepers and scavengers
Sweepers and scavengers	One sweeper for every 700 residents depending on the financial position of the council. Also one scavenger for each public latrine having 10 seats, one for 40 latrines coming under private scavenging; one for every 1000 residents having no private latrines
Assistant engineers	1
Public works supervisors	2
Peons	One for each officer and at the rate of one for every 8 clerks

* excluding octroi staff

Recruitment and Promotion: All appointments by direct recruitment, i.e. the lower ranked officers, are to be done either by competitive examination or by selection through the Karnataka Public Service Commission (Service of Local Authorities, Rules 1963). All other posts are to be filled by getting a list of candidates from the Employment Exchange office. In the case of recruitment through promotion, it is based on acquired merit to discharge duties with due regard to seniority from among persons who are eligible for promotion.

Financial remuneration of staff: Financial remuneration levels like pay scales, dearness allowances, etc. are laid down by the state government, and municipalities have to abide to these rules. The Municipal Corporation Act specifies that the Commissioner will place before the Standing Committee (taxation, finance and appeals) his proposals setting forth the designations and pay scales of officers and staff, including salaries, fees and allowances payable to them. The Standing Committee will either amend or approve the proposals and place these before the corporation with its remarks. The corporation accords its approval with or without modifications and may also amend it from time to time on the recommendation of the Commissioner and the Standing Committee. However, no new office can be created without the sanction of the state government when the monthly salary exceeds Rs. 900¹⁴. The method of wage payment is conventional. The employee is paid for the time he works, rather than for the output. The employee is assured of his wages or salaries irrespective of his output and this gives him a great sense of job and income security. It is the supervisor's responsibility to ensure that the assigned task is completed. The only control mechanism is the annual increment in the pay scale, the annual confidential report and the prospects of promotion. Since there are no output indicators for each employee or group of employees, the performance appraisal is subjective and based on the judgement of the supervisor. There is no incentive wage system that could help to motivate the worker and promote productivity.

Service conditions: The government lays down conditions of service such as retirement age, salary and allowances, gratuity, leave of absence or other conditions of service of officers and other employees, the procedures to be followed for imposing penalties, etc.

Transfer of employees: At present the state government under the Municipalities' and Corporation Acts has the powers to transfer any officer or servant of the corporation of municipality to a corresponding post in any other urban local body or in any local authority.

Training and development: There is no well laid out policy to impart training to employees in order to improve staff skills or add to their existing knowledge or efficiency, or to prepare the employee for higher level duties. The existing situation is that employees learn through on the job experience. There is no systematic training programme of any type as part of a regular personnel development programme. An exception are the cadres of the IAS, KAS and KMAS, who are called for training from time to time at the Administrative Training Institute in Mysore or at sister institutes in the country.

14. which is about half of the legal minimum monthly salary.

6 DECLINING LOCAL LEADERSHIP AND PUBLIC PARTICIPATION

An important dimension to local government is the existence of a council with members who have been appointed through an election process. The council also has been given certain powers and duties to decide about finance, to allocate funds and to initiate certain activities or works. In a democratic set-up local government is expected to have the following roles, i.e. to educate the citizenry in the basics of democracy and to strengthen civic sense and shared responsibility; to be a training ground for emerging leaders; to solve local problems, to be more accountable to the citizenry; and to be more alert and responsive to local needs and problems. Local government is also the decentralised form of administration that can provide and manage basic service; and can collect government taxes and fees; and can reduce the burden of state and central government and avoid centralisation of administration and bureaucracy.

India has had many eminent leaders who started their political career in local councils. 'Municipal governments have produced many leaders of national eminence and status, who were shining examples of sober and healthy municipal politics and restored to these institutions, the authority and dignity they deserved' writes P.R.Dubhashi¹⁵ about the pre-Independence era. Feroz Shah Mehta, Jawahar Lal Nehru, Subhash Chandra Bose and Vallabh Bhai Patel are often referred to. 'These giants of yore had raised the term 'politics' to the high level of municipal statesmanship'¹⁶. There is little evidence for such observations and these impressions are rather a romantic view and deviate from what was factually true. One may recall that in the 1930s municipal councils were also dissolved for reasons of mal-administration, inefficiency and corruption. The situation of today, nevertheless, is not much better as Dubhashi (1986) and others observe, where one may find only a few capable councillors but most lack any such qualities. Faction-ridden politics, inertia, poor performance and a declining image of the councillors among the public are - with a few exceptions - common observations¹⁷. Nor are

15. For example in the Foreword of S.L.Kaushik's *Leadership in Urban Governments in India*, Kitab Mahal, Allahabad, 1986

16. Proceedings of a seminar on local government, National Academy of Administration, Mussourie, 1970.

17. R.Srinivisan and B.A.V.Sharma (1965), 'Politics in Urban India; A Study of Four Corporations' in S.P.Aiyer and R.Srinivisan (eds.) *Studies in Indian Democracy*, Bombay, Ali Ashraf (1966), *City government in Calcutta: A Study of Inertia*, Asia Publishing House, Bombay and Ali Ashraf (1977), *government and Politics of Big Cities: An Indian Case Study*, Concept Publishing Company, Delhi

council proceedings an example of mannerly behaviour, with deadlocks, rowdy scenes, ugly protest, shouting and screaming, skirmishes, demonstrations and walkouts. S.L.Kaushik (1986) and M.N. Buch (1993) made similar observations about recent municipal politics. 'The poor quality of the elected representatives has resulted in most municipalities being unable to think beyond their respective noses.' (M.N. Buch in *The Independent*, 26.4.1993) and 'The better politicians eschewed municipal politics and aimed at higher targets' (M.N. Buch in *The Telegraph*, 25.7.1994, Calcutta). They also observed that many councillors are unaware of the basic municipal laws and provisions.

Caste and community background is an important factor for the electorate to vote for candidates. The earlier mentioned studies by Kistaiah, Kaushik and also Jangam and Sharma¹⁸ indicate that upper castes Hindus, particularly Brahmins, are better represented, while lower caste and other religions are under-represented. Where lower caste Hindus have been elected, this has been due to state election reservations for those groups. The reservation policies for Scheduled Castes and Scheduled Tribes have - to some extent - been successful in safeguarding the interests of such communities. At the same time, party politics are more sensitive to such deprived minorities. For a long time, political parties were kept away from municipal politics and council candidates campaigned as independents. However, the dependency on established parties for obtaining a party ticket and completing a successful election campaign increased. Behaviour and decision making in the council is more determined by lines of party discipline and politics. This party regime does not only apply to own party candidates but also to many officially independent candidates that have co-opted for a party-affiliation after becoming councillor. Municipal politics are seen as a stepping stone to get into state politics where the prestige, status and rewards are much larger. Talented politicians seldomly dwell for long in municipal councils. An important reason for the unattractiveness of municipal politics is the limited and declining powers of urban local bodies (Avasthi and Avasthi, 1994).

The relationship between councillors and municipal officials deserves some attention. A general observation is that the division of functions between officials and councillors as laid down in the state legislation is not followed in practice. Councillors encroach upon executive tasks, officials do the same with policy matters, councillors claim executive successes as solely theirs, while officials fence off executive responsibilities where they should be more transparent, consultative and communicative. Politicians claim more say and responsibilities on democratic grounds, while officials deny them such privileges on the basis of existing administrative rules and regulations. Rosenthal (1976) observed in the case of Lucknow that councillors adopt various strategies to establish control over municipal administration and to get the work done. Personal relationships is one common strategy, and often based on caste affiliation, family or school ties and exchange of informal favours and services. Secondly, political pressures may be mobilised from higher level political leaders or from district or state government officials. This external support also implies an implicit threat of ultimately

18. of the city of Jalna in Maharashtra by R.T.Jangam and B.A.V.Sharma and published in Leadership in Urban government, New Delhi, 1972

arranging an unfavourable transfer for those who do not 'co-operate'. Transfers of officials have, thus, become increasingly political.

Democracy at any level postulates the interest and active participation of the citizenry in public affairs. In urban areas, the participation could be more significant because of the proximity of the local government to the citizenry. The extent of participation of the citizenry - whether direct or indirect - 'will depend on their access to information and the opportunity of presenting their views to elected representatives'¹⁹. It is a global phenomenon that active participation and interest is only present among a small group of citizens, while the large majority only gets involved in casting their votes and in matters that affect their well-being of livelihood directly. Karnataka is no exception: indifference, apathy and at times disgust with local politics and government can be found among the people. The organisation of society is still very much along the lines of community and *jati* (the caste in which one is borne). Local government constitutes an amorphous and heterogeneous institution that hardly bears resemblance with cast or community identity²⁰. At best people can identify themselves with their own representatives who are the main conduit for dealing with local government (Rosenthal, 1976). Moreover, people have no aspirations or sense of belonging with respect to the city they are living in (Avasthi and Avasthi, 1994). Their quality of life considerations are confined to the house and family. Local government is rather a supplier of basic amenities to this perceived life and they would rather like to be left undisturbed in their daily struggles. As a consequence, people find it difficult to make any linkages with payment of local taxes and the level of service that can be provided by local government. Hence, a civic sense or sense of duty for paying taxes is missing.

That rather poor image of local leadership is a result of the decline and lack of able leadership is widely recognised (Buch, 1993). 'The municipal councillors of today are mediocre - some of them illiterate, semi-educated, and devoid of spirit of dedication and service...They do not hesitate to throw their weight around...are not reticent while they exercise their power or claim their privileges' (Sachdeva 1993, p. 373). In fact those that are educated and have a high social status do not seek elections to local bodies (Avasthi and Avasthi, 1994). This is partly confirmed by Kaushik's research in which a majority stated that their local leaders are insufficiently equipped or trained for their function. The structure, efficiency and organisation of local government leave a lot to be desired. The structure is based on archaic, conservative and autocratic principles of rule, based on mistrust, avoiding delegation and the centralisation of powers of expenditure and decision making (Jha, 1989).

19. Roy Darke and Ray Walker, *Local government and the Public*, London, Leonard Hill, 1977, p.89

20. Mohit Bhattacharya, *Civic Consciousness and Citizen's Participation*, Indian Institute of Public Administration Delhi, 1979, p.9

7 SPECIAL PURPOSE STATE AGENCIES AS PANACEA FOR POOR FUNCTIONING LOCAL GOVERNMENTS

Since independence, there has been a strong emphasis on the development of metropolitan areas, which were seen as the industrial, commercial and educational engines of the economy. The development of infrastructure in these areas were delegated to special purpose agencies, such as urban development authorities, water supply and sewerage boards and other sectoral departments. Many state governments found the creation of such agencies a suitable panacea for the poorly functioning local urban bodies. Several arguments were tabled when specialised state level agencies were created in the 1960s and 1970s: the poor administrative capacity; the limited resources to tackle the needs as the result of urban growth; the municipal rules and by-laws restricting developmental activities; political nepotism, corruption and financial mismanagement; and the lack of technical expertise to handle large scale project of super-municipal nature. Surprisingly, never was there any attempt by state governments to strengthen local bodies.

In Karnataka, the organisation concerned with urban development and local bodies is the Secretariat of Housing and Urban Development, headed by a Secretary. He reports to the Minister of Housing, the Minister for Urban Development and in some functions directly to the Chief Minister. The Secretary is further responsible for the special purpose state agencies that have been listed selectively in table 5. Their respective functions and jurisdiction have also been presented. The creation of these agencies has led to erosion of municipal functions. Moreover, it has created envy and an atmosphere of competition between these agencies and local governments. While local governments continued their traditional role, the state agencies were developed into strong bureaucracies equipped with administrative, financial and technical capacities. The genesis of state level agencies was accompanied by statutory amendments effectuating the decline of administrative responsibilities and powers at local level in favour of state agencies. Officially local governments request state level agencies to design and implement infrastructure projects. State level agencies also seek financial assistance on behalf of the local governments for the bulk of the capital costs of the projects. Local governments become the owner of created assets once they are completed and handed over by the state agencies. Repayment of loans or pre-finance arranged by the state governments commences shortly after the transfer of ownership. The medium and small sized towns became increasingly dependent on the state for the provision of infrastructure. Local governments in Karnataka are allowed to spend not more than Rs. 50,000 on water supply in a single year beyond which the permission of the Karnataka Urban Water Supply and Drainage Board is needed

(Karnataka Municipal Act, 1964). Often, infrastructure projects are initiated, planned and executed by the state agencies with only marginal involvement of local governments at any stage. Many local governments are poorly informed about the technical requirements and financial implications of these projects.

Table 5: Departments and Boards falling under the Secretariat for Housing and Urban Development

Specialised state agencies and year of establishment	Main functions	Jurisdiction
1. Karnataka Housing Board, 1965	Land acquisition and (infrastructure) development, housing construction and distribution of sites and houses	All urban local bodies, including selected rural areas
2. Karnataka Urban Water Supply and Drainage Board, 1975	Construction of water supply and drainage works	Urban local bodies, except Bangalore
3. Directorate of Municipal Administration, 1985	Administering urban local bodies and implementing and monitoring of urban development schemes	All urban local bodies, except the 7 Corporations
4. Karnataka Urban Infrastructure Development and Finance Corporation, 1993	Project formulation of infrastructure developing schemes, obtaining and channelling finance, monitoring and loan repayment of such schemes	Urban Karnataka
5. Urban Development Authorities and City Improvement Boards, 1976-1988	Land acquisition and (infrastructure) development, housing construction and distribution of sites and houses	22 larger urban local bodies where such boards have been constituted, except Bangalore
6. Department of Town Planning, 1959	Preparing of urban development plans for urban areas and assisting development authorities in their tasks	All urban local bodies
7. Town Planning Authorities, 1961	Execute statutory planning and enforcement of the Town and Country Planning Act	4 Urban local bodies
8. Karnataka Slum Clearance Board, 1975	Slum identification and declaration, development of housing schemes, resettlement, clearance or improvement of existing slums, distribution of sites and houses	All urban local bodies

Source: Housing and Urban Development Department, Government of Karnataka, Annual Report 1994-95

8 DETERIORATION OF MUNICIPAL FINANCE AND PERFORMANCE

‘All undertakings depend upon finance, hence, foremost attention should be paid to the treasury’ writes Kautilya about 3,500 year ago in his *Arthashastra*²¹ when guiding the kings in administration.

The preparation of a municipal budget is an annual exercise. The existing sources of income are listed and can be classified into four categories: a) local taxes and revenues, b) non-tax revenues, c) grant-in-aid and fiscal transfers from state government, and d) loans and borrowings. Local taxes and revenues are without doubt the most important source of income and help to secure a healthy financial operation. In 1987, the National Institute of Urban Affairs conducted a survey among 155 municipalities in India. The study revealed that local taxes comprise 54.3 per cent on average of the total municipal income²². Local taxes consist of octroi (tax on entry of goods), property tax, profession tax, entertainment tax, advertisement tax, water and lighting tax, health cess, education cess, sanitary cess, motor vehicle tax and a few others. Of these, motor vehicle tax, profession tax and entertainment taxes are revenues that are shared with the state government (Report on Urban Local Bodies in Karnataka state, 1986).

Octroi is levied by local officials at the entry point of municipal areas. The tax depends on the goods, the carried weight, and type of the vehicle. Octroi is still collected in many states in India. In the days that goods travelled over short distances with slow modes of transport, octroi was acceptable. Octroi came under fire by powerful trade and transport lobbies and they demanded abolition. They argued that octroi constitutes a major hindrance to the free flow of traffic and trade. It retards the growth of commercial and industrial activities. Octroi is a regressive tax as its incidence falls mainly on articles of the common man. It stimulates corruption. It is discriminatory and in favour of already prospering municipalities along the national and state highways. Truckers went on strike for weeks and state economies came to a complete standstill. In many states these lobbies had their way. State governments have also been suspected of supporting these lobbies in order to obtain greater control on urban local bodies by removing their resource base. The Government of Karnataka abolished octroi in March 1979. The decision was made at a tactical moment: elected municipal councils were either suspended or elections were not held yet after the term of the previous councils was expired. The decision, thus, would not meet organised resistance or protest but had severe implications for the functioning of local governments. Moreover, no alternative

21. as translated by Shomasastri, Raghuvveer Printing Press, 1956, p. 65.

22. National Institute for Urban Affairs, *Upgrading Municipal Services: Norms and Financial Implications*, Research Study Series, No. 38, 1989, New Delhi

arrangements were in place at the time, neither an alternative source of income for the local bodies nor a just system of payment of compensation. In the past, octroi constituted up to 60 per cent of the tax revenue and approximately one-quarter of the total income of municipalities in Karnataka. The octroi also represented an elastic source of income that would increase with the ever increasing growth of volume of traffic. Prior to the abolishment of octroi, it grew at a comfortable rate of 14.8 per cent per annum (Local Finance Commission, 1986). More than one year after abolishment, the state government decided to introduce an octroi compensation, payable each quarter and equal to the amount received in the year of abolition with an annual increase of, initially, 10 per cent and later 12.5 per cent²³. This had three effects. The urban local bodies lost their financial independence to a considerable degree as state government obtained an instrument of control over municipalities by releasing or withholding payment of octroi compensation at will. The quarterly and, at times, irregular release of state octroi compensation created frequently, an acute liquidity problem for the municipalities. The increase in volume of transported goods and income from sale tax proved to increase much more than the increase in the Consumer Price Index. In the end, the adopted systems proved to be advantageous to the state government at the cost of the financial position of local governments. Ultimately, it has been argued whether the abolition of octroi had the desired effect; which was a smooth flow of goods traffic, trade and commerce (State Finance Commission on Urban Local Bodies, 1996, p.32). The Commission concluded that it 'has certainly wrecked the finances of Urban Local Bodies in Karnataka'.

The second most important local source of income is the property tax. Property tax is levied on buildings and lands on the basis of their rental value. The rental value is based on market rents of neighbouring buildings or lands, allowing for permissible deductions for repairs and maintenance. In Karnataka, the rental value can be revised every four years. The property tax is assessed at 8-22 per cent²⁴ of the 10-month annual rental value. A municipal body can by resolution and with the approval of the state government impose, suspend, reduce or abolish the tax, or exempt in whole or in part properties from the payment. In fact any person, class of persons or property is eligible for such exemptions. Moreover, the state government can also exempt charitable, philanthropic and religious buildings, as well as institutions like schools, colleges, hospitals, state government offices, etc. Property tax has become the foremost important source of income after octroi was abolished. In Karnataka's corporations it comprises 52 per cent and in other municipalities 43 per cent of local government income in 1981. Yet, there are various problems with this tax instrument that makes it an inelastic and under-utilised source of income. For example, many properties have not been entered in the list for valuation and taxation. A survey in Bangalore conducted in 1992-93 showed that 35 per cent of the total number of properties are not registered (State Finance Commission related to Urban Local Bodies, 1996). It is expected that this percentage is much higher in other cities. The assessment of the rental value is often negotiable between the municipal officer and the owner of the property - at a

23. The state government related the increase to the overall inflation and Consumer Price Index and not to the increase in volume of goods or income from state government sale tax.

24. For municipal corporations the maximum property tax is 22 per cent of the ARV, in City Municipal Councils 10 per cent and in Town Municipal Councils 8 per cent.

certain price - with the result that most properties are under-assessed. Periodic revisions of property tax have been delayed under pressure of municipal or state politicians. Either municipal politicians frustrate decisions to revise property tax and get approval from the state government or the state government delays approval under political pressures.

One may say that today the ability of urban local bodies to raise their own revenues is particularly low. In 1991-92, municipalities were able to raise a mere Rs. 205 per capita. In comparison the states raised Rs. 574 and the central government Rs. 987 per capita. Considering the fact that the urban areas contribute to over 50 per cent of the GDP in India, their own revenues are as low as 0.6 per cent of GDP. It is evident, 'that as the cities' economies prosper, the municipalities become impoverished and remain peripheral to both the city and the national economy due to their inability to establish effective linkages with the spatial and economic activities within their jurisdiction' (Sundaram, 1994). Based on the two reports of the Karnataka Local Finance Commission of 1986 and 1996, the income situation of urban local bodies in Karnataka emerges to be not much better than in the rest of the country. The income in real terms increased by 30 per cent in this period. This has been mainly on the account of the larger cities. As a matter of fact, the larger municipalities, i.e. corporations and city municipal councils, fared reasonably well, but the smaller town municipality councils are financially in a poor condition (See table 6). The table also shows that the real income of town municipal councils has started to decline in the 1990s after the opening up of the Indian market which led to a steep increase in prices.

Table 6: Per capita income situation of urban local bodies in Karnataka between 1980-1995 (in Rs. per capita)

Urban Local Body / Year	1980-81	1990-91	1994-95
Corporations	101	299	472
(in real terms ²⁵)	101	141	144
City municipal councils ²⁶	49	159	181
(in real terms)	49	75	85
Town municipal councils	47	124	125
(in real terms)	47	58	38
Total:	70	215	298
(in real terms)	70	101	91

Note: Income includes all taxes, non-tax revenues and grants

Source: State Finance Commission, 1986 and 1996

25. At a discount factor of 1.00, 0.471 and 0.301 respectively based on Consumer Price Index for 1980-81, 1990-91 and 1994-95 for urban non-manual labour

26. For 1990-91 and 1994-95, the city of Raichur has been excluded as the stated income and expenditure figures have been incorrect and would have distorted the average figures considerably.

The decline in income of the town municipal councils is partly due to the decrease in grant support by the state government (See table 7). This decrease was as well in the proportion to the total municipal income, as in real terms between 1980-1995. On the other hand, table 6 shows that the corporations and city municipal councils have been much better in improving their own revenues and to compensate for the decrease in state government grants (in real terms) than town municipal councils.

Table 7: Percentage of state government grant support as part of municipal income between 1980-1995 (in percentage of total income)

Urban Local Body / Year	1980-81	1994-95
Corporations	57.5	31.0
City municipal councils	34.3	32.1
Town municipal councils	52.0	27.3
Total:	49.9	32.8
Actual (in Rs.):	35	98
(in real terms, in Rs.)	35	30

Note: Income includes all taxes, non-tax revenues and grants

Source: State Finance Commission, 1986 and 1996

The deterioration of the status and clout of urban local bodies in urban development in India, and the state of Karnataka in particular, has a number of causes which are summarised here. While the functions of urban local bodies have been on the increase, the state governments have not paid sufficient attention to the required proportionate resources (Jha, 1989). Secondly, states have appropriated or abolished conventional sources of municipal revenue without providing sufficient compensation or alternative sources of income. Octroi (abolished), entertainment tax and profession tax (both appropriated) are examples. Compensations for octroi, motor vehicle tax and others have not been kept in line with the increase in traffic and volume of transported goods. Again, larger cities located on national and state highways were deprived of a substantial source of income. The compensation over time proved to be 'obviously ... meaningless' (Government of Karnataka, 1986, p.52). Local political unwillingness to introduce new taxes or increase new taxes aggravated the financial situation. Local politicians considered only short-term political goals but at the cost of the long-term development potential of urban local bodies. Moreover, they found it more convenient to cut on capital expenditures than to reduce recurrent expenses, in particular the payment of salaries to municipal staff. The state grant-in-aid allocation has been on the decline in real terms and, moreover, was often inadequate, irregular, unsystematic and prone to political patronage (NIUA, 1989, Kapoor and Anand, 1995). State governments have been encroaching upon local revenues, e.g. in a number of states the state governments have taken a larger share of the profession tax (Jha, 1989) and entertainment tax. Accounts and financial management are often weak in urban local bodies (Kapoor and Anand, 1995). Funds and revenues have been booked under wrong headings, while financial management operates with a single-purse system, not keeping to the budgeted amounts or planning. Audit reports were prepared after long intervals, if they are prepared at all, and corrective measures listed in the reports have not been followed up. As a result, resource bases started

to erode. The role of local urban bodies in development became marginal. As they could offer little service to their citizens, they acquired a poor reputation. Any ambitious and competent politician would avoid local politics and make state politics as the starting point to his/her career.

9 RECENT LEGISLATION FOR THE DECENTRALISATION OF POWERS TO LOCAL GOVERNMENTS

Critical comments by urban development experts have not escaped the attention of the Government of India. The Sarkaria Commission observed in 1987 that 'there is a tendency towards greater centralisation of powers, there is a special need in a country like India for conscious and purposive efforts to counter this all the time. There is considerable truth in the saying that undue centralisation leads to blood pressure at the centre and anaemia at the periphery. The inevitable result is morbidity and inefficiency. Indeed centralisation does not solve but aggravates the problems of the people'²⁷. Also the National Commission for Urbanization (1989) observed: 'It is an irrefutable fact, of which this Commission takes due notice, that urban India is in a mess. For any evidence of this, one has but to refer to Volume II of the Seventh Five Year Plan document. To quote from paragraph 12.27:

"The urban agglomerations, by their very nature, need a minimum of basic services for their healthy existence. However, the state of most urban areas in this respect is far from satisfactory; in fact, in general the picture is extremely bad. ... Many of the municipal bodies have undeveloped and/or eroded tax-systems and suffer from lack of capital funds for development. The services, if provided, have deteriorated over the years and there seems no sign of reversal. Overcrowded and under-serviced, an increasing proportion and area of urban conglomerations are being turned into slums."

and

'The Commission once again takes notice of the utterly horrifying position of urban management at city level. While, on the one hand, many municipal corporations and municipalities are superseded, on the other, we have examples of citizens rejoicing that the councils have been sent packing'.

In spite of the bitter experience with local bodies, the central government felt that economic and democratic development cannot take place without the development of urban local bodies. It was realised that the strong centralisation of responsibilities and resources needed to be reversed for the benefit of equal economic development. In particular the late Prime Minister Rajiv Gandhi took efforts to introduce a bill for greater self-government at local level: 'No longer will democracy in local self-government become a passing political pastime. Through

27. Report of the Sarkaria Commission on Union-state Relationship, government of India, 1987

these bills, democracy in local self-government becomes a solemn constitutional obligation, an obligation that can neither be suborned nor flouted for reasons of expediency or indifference²⁸. In 1989, the Constitution (64th Amendment) Bill and Constitution (65th Amendment) Bill were introduced in the Lok Sabha to revitalise respectively rural local government and to strengthen urban local government.

That same year, the National Front came to power when Congress(I) lost in the General Elections. Although the V.P. Singh government was committed to decentralisation of powers to local bodies, neither he nor his successor Chandar Shekar succeeded in passing the Bills in the Lok Sabha. It was the Congress(I) government that resumed power in 1991 which introduced the Bills once more as the Constitution (73rd Amendment) Bill and Constitution (74th Amendment) Bill in September 1991. The main points of the 74th Amendment Bill are:

- Statutory acceptance and definition of urban local bodies, i.e. municipal councils for urban areas with more than about 20,000 population, municipal corporations with a population of more than about 300,000. It also defines metropolitan areas with a population of more than about two million, and possibly including two or more rural and urban administrations;
- Control of elections directly by the state Election Commission;
- The establishment of ward committees in urban areas with a population of more than 100,000;
- Reservation of members in municipal councils and corporations and ward committees for Scheduled Castes and Scheduled Tribes in proportion to their population and a 30 per cent reservation for women;
- A tenure of five years for elected bodies and in the event of their dissolution, the constitutional obligation to hold elections within six months after dissolution;
- A committee at district level comprising members of the municipal councils and corporations that will be entrusted with the tasks to develop a district development plan and will have to monitor urban development plans;
- A uniformity in state legislation with regard to municipal functions throughout the country. The Twelfth Schedule attached to the 74th Amendment had been proposed for adoption by state governments (See endnote);
- Sound finances and state legislation for empowering urban local bodies to perform their duties adequately; and probably the most important provision; and
- A Finance Commission to review the financial situation of urban local bodies and to make recommendations to the Governor with regard to the principles of determining taxes, duties, tolls and fees by municipalities, the distribution between state and urban local bodies of shared taxes, and the allocation of state government grant-in-aid.

28. Extract from Rajiv Gandhi's speech in the Lok Sabha on August 7, 1989.

The *legal and electoral* implications of the Bill are that the city wards from where a number of candidates were elected previously, will be further divided and demarcated into smaller wards from where only one candidate will be elected. Secondly, certain wards will be reserved for Scheduled Castes, Scheduled Castes or women. Thirdly, non-voting experts and voting Members of Parliament and Members of Legislative Assemblies may be included in the municipal councils and corporations. Although the first two implications have been supported, the last condition has been criticised for its unwarranted interference in local democracy. The *functional* implication was that responsibilities are returned to municipalities that determine their social and economic development, and allow for self-governance. These functions are mentioned in the so-called Twelfth Schedule to the 74th Amendment. However, the Act left it to the state government to decide what functions may become obligatory and what functions discretionary. The central government did not want to impose these functions in order not to violate the federal constitution of India. There are two risks to this position of central government, with the possible result of leaving things as they were. First, arbitrariness and political motivation may be practised in the devolution of such functions. Secondly, no time schedule was fixed for the state government to decide about inclusion of the Twelfth Schedule in the amendment to the state legislation. The *financial* implication of the Bill is a prerequisite to the two earlier implications. In other words, without providing local governments with the financial means, the legal, electoral and functional objectives of the Bill will fail terribly. The central government left this to the state governments to resolve. The Act made it mandatory for state governments to establish a State Finance Commission every five years²⁹. The State Finance Commission will make recommendations regarding the principles of distribution of the net proceeds of state and local taxes, duties, tolls and fees between the state government and the municipalities. Secondly, the Commission will recommend regarding the procedure and rationale of allocating grant-in-aids to municipalities from the consolidated fund of the state. Thirdly, the Commission will recommend improvements in the financial position of municipalities. The recommendations of the Finance Commission are an official document to be submitted to the state Legislature. The central government is to amend the terms of reference of the Central Finance Commission to include issues of centre-state transfers to augment the consolidated fund of the states. What has been considered an omission (Chaturvedi, 1995) is to propose an uniform accounting and budgeting procedure in order to allow for better insight in incomes and expenditures, to allow for better monitoring and administrative control, and for inter-state comparisons and central government policy making.

In spite of some opposition, the Congress and former National Front MPs passed the Bill in 1992, which became the so-called Nagarpalika Act. The central government also made it compulsory for state governments to pass the Act in the state Legislature before 1st June 1994. A few states complied, including Karnataka.

29. Many states, had already established a State Finance Commission. Karnataka had its first State Finance Commission in 1983. The Nagarpalika Act, hence, unifies and further defines the role of these Finance Commissions.

Although the Act is hailed as historic and momentous, a number of critical observations surfaced. The Chief Ministers of non-Congress(I) states, and the parties BJP and CPI staged protests against the Act. They viewed the Act as against the interest of the state government, depriving them of essential powers and violating the federal structure of the Constitution. In the period preceding the introduction of the Bill in 1989, there were several conferences for national and state officials, academicians and politicians to discuss the Bill and to formulate recommendations. The Report of the National Commission on Urbanization (1989) chaired by Charles Correa also made several suggestions. The Bill was, thus, brought forward after much contemplation and consultation (Sachdeva, 1993). However, the forum was select and there was no participation of the public or any local governments in the preparation and amendments of the Bill. In Karnataka for this matter, a government order was prepared in great haste in the early part of 1994 and passed by the state assembly without any consultation with the public or elected representatives of urban local bodies. Only after the state government had passed the order it had to relent to pressures and attended discussions organised by the Association of Municipal Presidents in Davangere and a forum of citizens in Bangalore in the fall of 1994 and early part of 1995. This is most surprising as the Bill carries the flag of "Power to the People". A number of states disapproved of the obligation of passing a Bill that is constitutionally a state subject.

Once the Act is passed by the state assemblies, it will imply less state government and more local government. What will happen with the special purpose agencies at state government level, has so far been an unanswered question. The State Finance Commission stated in their report: 'Therefore, we recommend that all functions of urban development boards constituted in the state, and all town planning units operating in the state should be brought under the jurisdiction of the respective municipal bodies'. Indeed, there were rumours in government circles that the urban development authorities would be dissolved and become part of the local governments. However, a soothing silence has replaced the disturbing rumours in the state capital. The Karnataka Urban Water Supply and Drainage Board and the Bangalore Water Supply and Sewerage Board are recommended to continue as autonomous agencies. Apparently, neither the bureaucracy, nor the state assembly wanted to voluntarily do away with their created control over urban local bodies, the discretionary powers they can assert as commissioners and board member of the many specialised state agencies. These positions, provide so much prestige and opportunity for electoral and personal gains.

In Karnataka, an ordinance was issued by the government on 30th May, 1994, which would be followed by further amendments of the Karnataka Municipalities' and Corporations' Acts in the fall of 1994. These amendments were delayed when the Janata Dal government came to power in December 1994. 'It is surprising, that even after three years of constitutional amendments, the [two Acts] have not been amended to make them totally consistent with the 12th schedule and other provisions', writes the State Finance Commission relating to Urban Local Bodies in her report of 1996. In 1997, the state government took another step and prepared amendments for the Corporations' and Municipalities' Act. Their approval by the state assembly is yet to be expected (late 1998).

10 POSSIBLE AVENUES FOR EFFECTIVE DECENTRALISATION

The preceding sections suggest that decentralisation of urban development to local bodies lacks support from state government administration and politicians. Is there any hope for an enhanced role of municipalities in urban development? Are there positive developments that illustrate changes toward decentralisation? Can this resistance be overcome? One has to admit that although 10 years is a long period and little may have effectively been achieved, there have certainly been changes. For a start, the central government remains committed to decentralisation and this provides continued pressure on state government to move forward, though slowly. The state of Karnataka has in that regard progressed much further than many other states in India and has - from time to time - taken positive steps, such as the adoption of the 74th Constitutional Amendment, the passing of two Ordinances for the Municipalities and Corporation Acts, the submission and adoption of the report of the State Finance Commission, the preparation of amendments of the Corporations' and Municipalities' Act, as well as supporting the ongoing debate about the position and role of their state agency for planning, housing and urban development.

The basic restraining force of decentralisation is that the majority of state government bureaucracy and politicians are not convinced that progressive decentralisation will bring about better governance of the cities. True, there are sufficient reasons to believe that it will when one looks at the experiences of local governments in the past. However, one could draw lessons from these experiences and move ahead. What is lacking, is a sufficient degree of courage to give decentralisation another try. With a carefully designed and phased strategy decentralisation can work and has done so in the past. The elements of such a strategy are outlined in this chapter.

Keeping decentralisation on the political agenda; pressing from above

Decentralisation was high on the agenda of the Congress-led central government that ruled up to 1994. The preparation of the Bill, and the pursuit of passing legislation by the state government could be considered as active interventions by the central government. After 1994, when a coalition government at the centre was formed, decentralisation was moved to the background. The coalition government continued the policies of liberalisation of the Indian economy but lacked policy innovations. The political agenda was rather determined by keeping the coalition together and by avoiding potentially controversial issues. The Parliament was also frequently embroiled in corruption scandals and the trust in the ruling government was regularly at stake. The Prime Minister was changed twice and ministers were also changed from time to time. The unstable political situation probably

contributed to the decreased attention to decentralisation policies which could neither serve or threaten the central government coalition, and decentralisation was accorded a lower priority. When the central government did not pursue such policies, the state governments did not pursue them either, and also in Karnataka the pace of reforms slowed down after 1994. In 1998, new national elections were held which resulted in a rise of the BJP. However, the central government had to be based on a coalition of many parties with the Congress(I) party put in the opposition benches. Within a year, the electoral base of the BJP eroded when state elections showed clear wins for the Congress(I) party while these states were considered BJP strongholds. These developments do not give much hope for a revival of decentralisation policies. Nonetheless, several steps can be taken by the central government. While the national government has progressed as far as it could with legislation, it could call for special meetings with Chief Ministers, Secretaries to Government and others, and reopen the debate on decentralisation and take stock of the progress. National institutes that are concerned with urban affairs (the National Institute for Urban Affairs, the Human Settlement Management Institutes and others) could facilitate in organising supporting seminars and present experiences and help to raise the level of interest in and commitment to decentralisation.

Providing training and exposure to successful experiences

The current low level of interest in and scepticism about decentralisation is partly fed by the belief that decentralisation does and cannot work. This is true when decentralisation policies are poorly conceived and supported. However, there are examples of decentralisation policies that have worked and exposure to these will encourage the key decision makers to re-think their views. So far, little international experience has been presented in national fora. Almost naturally many do tend not to look immediately to what has happened elsewhere as the Indian situation is different. Like any country, India has its own legal, institutional and social context and history but these are not so unique as to exclude learning lessons from experiences in the region and elsewhere, and apply these. This may be an opportunity to create new impetus to the decentralisation process. In fact, modern forms of public administration have always had a normative premise and have ignored and even denied indigenous societal and historical contexts (Haque, 1997). Nation building and change has always been accompanied by sacrifices as the history of this Asian region has taught.

Maintaining the debate at the state level

While a debate on decentralisation was initiated in the late 1980s at the level of the national government and continued for several years, it would be appropriate to say that a similar debate has not really taken off in many states. In Karnataka, the decentralisation debate was held in the form of a few meetings and seminars in 1994-95. A non-governmental organisation (CIVIC in Bangalore) took the lead and the government participated in the discussions. Under some pressure the state government then organised a few hearings with citizens and with elected representatives (Presidents of corporations and councils), unfortunately, after the passing of the Ordinances in 1994. Since then it has become silent. The transformation of the Corporation and Municipalities Acts to bring them in line with the spirit of the text of the 74th Constitutional Amendment and the State

Finance Report on Urban Affairs has just started. Apparently, decentralisation is not high on the state political agenda. While the earlier discussions were mostly between groups of professionals and bureaucrats, it is necessary to revive the decentralisation movement at the state political level. The non-governmental organisations could take a lead in this, as well as training institutions that are extending support to urban local bodies. Once decentralisation appears on the political agenda the bureaucracy will have to follow and to speed up the necessary amendments to the legislation and the implementation of the recommendations of the State Finance Commission.

Involving the local stakeholders: corporations and councils

Ultimately, the corporations and the municipal councils will have to pull the cart of urban development. Besides an occasional briefing and hearing organised by the state government, little more has been done in this area. Those meetings provided several useful signals about the level of opposition to implementation of decentralisation policies. One signal is that corporations and councils themselves are not convinced that decentralisation will serve their purpose. They think that dependency on the state government has and will take away their problems of finance and personnel. Decentralisation policies will rather aggravate existing problems. Many do not see the possible long-term benefits of self-governance and can only think in terms of the current dependency arrangements between local and state government. There is very little knowledge of how other states or countries have organised different levels of government and what self-governance can do for local economies and their citizens. Secondly, decentralisation policies also create an opportunity for renegotiating the stakes in urban development. Many do not see the opportunity to insist on provisions that they could not have demanded for earlier and which will allow them to operate more effectively (See below). The state governments on their part will have to intensify the communication with the corporations and councils. This communication will have to articulate what provisions of decentralisation are possible and desirable, the time scale of implementation and the supportive measures to go along with implementation. On the other hand, the municipalities will have to commit themselves to pursue the agreed changes. So far, the state government has been operating by circulars and this cannot provide the basis for decentralisation. It also shows that an authoritarian and paternalistic attitude has to evolve into an attitude that builds on rational and committed partnerships.

Changing the personnel system

In the previous section it was illustrated that the current fragmented personnel system is far from conducive for effective local urban management. The state government of Karnataka would be wiser to follow the example of some of the other states in India where municipal staff at all levels are recruited and appointed by the corporations and councils, e.g. in Gujarat. There is also little justification for maintaining the current fragmented personnel system in view of delegation of responsibilities to lower level of governments. The concept of senior municipal administrators who have to serve the interests of both the state and local government has not been successful anywhere. Second, it goes against the principle of local democracy and self-determination. The current provisions in the Acts provide sufficient authority to the state government and the deputy commissioner

in the district – if necessary – to stop or overrule activities and expenditures by local governments against the interest of the state government. There is no need for deputation of state administrative cadres to urban local bodies. The changes that are required are to make IAS/KAS/KMAS subordinate to the council or corporation with an obligation to report to either the deputy commissioner, Director of Municipal Administration or the Secretary for Urban Development. The posting should be for at least three years. The KAS/KMAS cadres may be retained as the current personnel market situation would not produce equally knowledgeable or experienced administrators. However, the municipalities need to have an equal role in decisions about their recruitment, training and posting. KAS/KMAS officers would have to apply for a post with a municipality so that competition is stimulated. For those municipalities where there is no interest among the KAS/KMAS, the state government in consultation with the concerned municipality may select an officer from the pool of KAS/KMAS or allow for recruitment on contract from the private sector. The state government should not have a veto over transfers when both the officer and the municipality wish to continue the association. Lower levels of municipal officers (including engineering and health) should become permanent employees of municipalities. Municipalities should also be allowed to recruit experts on a project basis from the private sector, e.g. for land and estate development, larger civic projects, business parks development, interim management, organisational reforms, etc. The system of state government engineers, health officers, etc. posted to a municipality should be terminated. In future municipalities should be allowed to advertise, recruit and fill up vacancies themselves by means of an established procedure.

Changing the legal provisions in the Acts

In Section 4 of this paper it was shown that municipalities are controlled by the state government through the provision of the Corporations' and Municipalities' Acts and the Karnataka Public Service Commission (Service of Local Authorities, Rules 1963). Thereby, the following implications are introduced: ceilings for expenditures, overruling decisions of councils and corporations, sanctioning of purchases and contracting of works, supersession of councils and corporations, to hold or postpone elections. While the situation in Karnataka is favourable as compared to other states, changes in the Acts are needed to give local bodies more liberty to decide, purchase, contract and spend. In fact, the degree of control – whether used or not – hampers daily operational and democratic functioning of urban local bodies.

Specifically, changes in the provisions of these Acts would have to include:

- Essential municipal duties such as physical land use planning, housing, public transport, power supply and economic and industrial policy to be listed as obligatory municipal functions;
- Limitations to the right of the state government to intervene and overrule decisions of the corporation, council or their executives;
- Limitations to the right of the state government to supersede corporations and councils. The procedure should contain notification, warning and trial periods. The right for supersession should be vested with the Chief Minister with a

possible right to appeal to the High Court who could better weigh the interests of both levels of government;

- Simplification and delegation of powers to revise local taxes³⁰;
- Liberalisation of staffing norms and recruitment by the municipalities in combination with an improvement of the recruitment and appointment procedures to allow more flexibility with regard to appointments by contract from the private, maintaining an officer for longer periods and a larger role of the corporation and council in appointments;
- Flexibility to allow for incentives and bonuses for municipal employees;
- Revision of posting and recruitment of officers belonging to the IAS, KAS and KMAS cadres in view of the suggestions given in the previous section;
- Drastic upward revision of ceilings for expenditures, purchases and contract to be entered into by the municipalities;
- A unification of the municipal personnel system should within a period of 5 years. Second, a stronger integration should be established within 5 years of the cadres of IAS, KMAS and KAS into the organisational functioning and reporting and division of responsibilities within a corporation or municipality;
- Staff development, upgrading of skills, management and leadership skills and orientation through a programme of training and seminars for selected groups of municipal officers and also for elected representatives who are member of Standing Committees for Works, Finance, Health, etc.

In view of the 74th Constitutional Amendment and the recommendations of the State Finance Commission, the role of the state agencies for housing, planning, slum improvement, water supply and infrastructure finance and development needs to be redefined. In principle, these institutions should initiate projects within a state urban development and housing policy which is at the moment absent. Projects should be developed in consultation with the municipalities as the ultimate client, taking into account the corporation's and council's preferences, and, most important, their financial limitations for investment and to execute operation and maintenance.

Strengthening the resource base of municipalities

In Section 8 the deterioration in the financial position of urban local bodies was presented and it is clear that measures have to be taken that will strengthen the resource base of municipalities. There are two strategies: a) cutting costs of civic and administrative services and enhancing the revenues for income sources that are handled by the municipalities and b) enhancing the support from the state government in the form of compensations, tax shares, grants and development funds. The State Finance Commission has outlined clear and solid proposals that will establish a rational allocation system for funds to municipalities in Karnataka. However, the total increase in funds is limited and will increase only modestly in

30. In 1998, the Karnataka state government has issued a government order that aims to simplify the fixation and revision of property taxes.

the coming years. It is important that the payment of these funds should be timely and support the liquidity position of municipalities.

Would this be enough? Though S. Paul (1997) views the recommendations of the State Finance Commission as sound and timely, he questions whether the State Finance Commission has gone far enough. The proposed increase of the funds for municipalities to the amount of Rs. 2.1 billion is not small but 'is unlikely to make a dent in the problems pointed out by the KSCFC' (Paul, 1997, p. 344). Other funds from financial institutions will hardly be available for the majority of municipalities as they are considered financially not creditworthy. He proposes that municipalities obtain the means to raise money by themselves from the market and to de-link financial management from state government control.

With regard to the yield of municipal income sources the following avenues can be explored and are shown in table 8 (with reference to the study conducted by M.J.Rodell and K.K.Pandey for the Asian Development Bank for the cities of Mysore and Ramanagaram, 1997):

Table 8: Strategies for strengthening the resource base of municipalities

Accounting Reform
<ul style="list-style-type: none">• Upgrade the existing accounting system by introducing and implementing consistent classification standards for financial accounting• Computerising of accounting systems and introducing fund accounting principles for preparation of financial and management reports.• Set up and implement a fund accounting system.• Develop and implement a management accounting system for monitoring billing and collection of property tax revenues, water supply revenues, and the costs of the water supply and sewerage management services, the solid waste management service, and costs of revenue collection under the revenue section's property tax responsibilities and the water supply systems accounting and revenue sections.
Revenue Enhancement Plan
Increase property tax rate to the statutory level. <ul style="list-style-type: none">• Extend coverage of the property tax.• Implementation the Regularisation of Unauthorised Constructions Act, which will provide the basis for levying property tax on so far unauthorised construction• Introduce an automated monitoring system for billing and collection of both the property tax and water supply charges, to be able to evaluate the potential for increasing property tax collection by using the sanction of suspending water supply service when the taxpayer falls in arrears
Operation Management Plan
<ul style="list-style-type: none">• Reorganise the billing and collection systems for the property tax and water supply charges, to reduce administrative costs and increase the staff capacity• Reorganise responsibilities for solid waste management, to bring all the major cost components and budgeting responsibilities under one department or section• Prepare a feasibility study for contracting, for vehicle replacement and maintenance policy formulation, and possible changes in state regulation of vehicle disposal• Reorganise responsibilities for water supply and sewage management under a single department or section
Asset Management Plan
<ul style="list-style-type: none">• Update or prepare the inventory of properties and to outline a plan for the exploitation and monetarisation of the municipal assets
Borrowing and Debt Management Plan
<ul style="list-style-type: none">• To prepare an inventory of debt service payments for the present and the future.

Source: M.J.Rodell and K.K.Pandey (1997), *Financial Management and Administration*, TA 2202-IND 'Capacity Building for Improved Infrastructure Development in Selected Municipalities in Karnataka State, India', Asian Development Bank, Manila.

Increasing local accountability

Decentralisation policies cannot succeed without corporations and councils taking responsibility for their managerial and financial situation. To date many municipalities have not taken such responsibilities and have found the control and support of the state government rather convenient. This has to change. Municipalities have to realise that the situation of services and finance is partly their own doing and the ultimate responsibility of the corporation and council, not of the state government. It is their responsibility and, by act, discretionary authority to enhance taxes, to initiate improvement and civic infrastructure projects and to demand a better utilisation and management of the scarce municipal resources. One way of increasing local accountability is to further explain their responsibilities, the goals of local governments, the importance of inducing a civic sense and to show the means to exert control over local affairs. Another way is to make corporations and councils more accountable by agreeing on performance targets against development funds from the state government. The state government has an essential role in this (See also below). Another and useful measure was suggested by S.Paul (1997). He argues that the management of these municipalities should be taken away from the state bureaucracy and be put under the control of professional managers hired by contract from the private sector, again de-linking state administrative control and hierarchy that has been hampering rational decision making in the past.

Training for local elected representatives and administrators

The previous sections, illustrate that there are several areas where training to local elected representatives and administrators will be instrumental. These are concerned with the benefits and requirements of decentralisation policies, increasing local accountability, increasing the local resource base, imparting and disseminating a civic sense to the public, taking the rightful role in local development and all other issues that come along with revisions of the Municipalities' and Corporations Acts and the Karnataka Public Service Commission (Service of Local Authorities, Rules 1963). The state has a number of training institutes that could take the initiative to conduct such programmes: the State Institute for Urban Development, the Administrative Training Institute in Mysore and their District Training Institutes in most district headquarters and the All-India Institute for Local Self-Government with their branch in Belgaum.

Temporary measures to prepare the ground for self-governance and accountability: MoUs

Along with changing the provisions in the Municipalities' and Corporation Acts and the Karnataka Public Service Commission (Service of Local Authorities, Rules 1963), and until these changes have materialised, it is opportune to initiate a different organisational arrangement between the state and local government. This strategy would have to allow local governments to arrange for their own staff and operational requirements and would be expressed in terms of a Memorandum of Understanding between these two levels of government.

The reason for such temporary measure is that it will be difficult to see the above changes materialising in the next few years in order to show an immediate and significant improvement in the quality and quantity of municipal services. The Memorandum of Understanding is a tested arrangement between governments and public enterprises in India. It has given more autonomy to public enterprises and reduced the inherent danger of unanticipated financial burdens to the government. The MoU is signed between government and the public undertakings, and represents a document whereby the public undertaking gives defined performance outputs and profitability levels according to detailed guidelines. The financial dependency on the government is negotiated. As per this MoU, the public enterprise gets the required autonomy and the government knows what to expect from the enterprise. An additional advantage is that the performance of top executives is assessed according to criteria and standards laid down in the MoU³¹. These advantages could also be made effective between state government and local governments. The Memorandum of Understanding is a commitment between the GoK and the municipal government regarding the performance levels that the municipal government will achieve and the scale and kind of support the GoK will give to the municipal government. A MoU has to be negotiated and be introduced as an experiment, though, will have to be legally and mutually binding.

The contents of such a MOU is proposed to be as follows (after Mulkh Raj, 1997):

Part I :

Municipal mission and objectives: A clear statement of mission, priority objectives and its relationship to the performance targets of the municipal government.

Part II:

Areas of improvement, performance targets and weights: Performance targets with respect to priority objectives are laid down as commitment of the municipal government. Performance evaluation criteria and means of identification are arrived at to monitor progress in respect of set performance goals. Each performance target is assigned a weight. It also provides the means of verification. These performance goals represent the expectations of the state government to be achieved by the municipal government. These goals could in the area of water supply, solid waste management, but also collection of water taxes and property taxes. Specific targets have to be assigned to these areas and should be realistic. Once the targets are accepted and the MoU signed then the municipal and the state government make the necessary budget provisions.

31. The MoUs between state and central government and public undertakings have had successes and failures. The failures were not so much on the account of the potential of a MoU but rather on the account of insufficient monitoring, by the state or central government, reluctance in taking corrective measures against top bureaucrats who were running public sector undertakings, and political interventions undermining the principles of the MoU.

Part III:

Support from the state government: This includes performance related delegations of powers by the state government to municipal government. It should give sharp focus to municipal autonomy by identifying clearly the required exemptions or relaxations required from various provisions in Acts or Rules/ Regulations or notifications issued by the government from time to time. It also contains the level of financial support from the government.

Part IV:

Monitoring and evaluation arrangements: This should stipulate the frequency of monitoring, information flow and evaluation arrangements.

Organisation of municipalities; pressing from below – an Association of Municipalities.

Once municipalities are convinced that decentralisation policies will be conducive to their development, they would have to realise that a degree of organisation is required to pursue reforms with the state government. It is the experience in other countries that an Association of Municipalities stands a better chance to become an equal partner and stakeholder in the reform process and to maintain sufficient pressure for successful implementation. It would be naive to assume that the state government would sufficiently represent the interest of local governments. As of now, there exists only an association of Presidents of Corporations and Council in Karnataka who meet from time to time and discuss current issues. The association has no official status and is a successful instrument in the activism of some political foremen. Frequently political issues overshadow the output of these meetings and provide little countervailing forces to the state government. Following the example of other countries, an Association of Municipalities registered under the Registered Societies Act would need to be established with its own staff and budget. The Association would be financed by membership fees paid by municipalities. The Association of Municipalities would aim to:

- Be a channel for municipalities to articulate their administrative and financial needs;
- Be an agent for collecting and distributing relevant information and experiences among municipalities;
- Be a resource to prepare comments, briefs, amendments and reports on municipal legislation and financial administration;
- Be a representative of municipalities in negotiations with the state government about financial allocations to municipalities, distribution of powers, election and elected representation matters, personnel policies, implementation of legislation and reforms, urban development and housing policies and programmes;
- Establish sufficient representation and say in state and central government institutions;
- Assist in specialised tasks where urban local bodies do have expertise or knowledge, e.g. project formulation, improvement of administrative and

financial management, resource mobilisation. The Association could facilitate in identifying, appointing and monitoring experts;

- Organise training programmes for selected municipal officers and elected representatives; and
- Maintain a lobby group in the state capital for the above matters.

11 CONCLUSION

This paper has attempted to illustrate that local forms of government existed for centuries in South India but were part of the administrative and military control of subsequent Hindu, Muslim and British powers. Urban local self-government has been aimed for since the beginning of this century. Elected representatives became part of local administration in the 1930s and ever since there have been elected bodies at this lowest level of urban government. The experience has not been a positive one as mal-administration, corruption and unruly proceedings of council meetings gave state governments sufficient reasons to curtail the powers of local government and to suppress any ambitions to more self-governance. In fact, the status of local governments remained ambiguous that were neither elected nor autonomic. After independence, the attempts to establish self-governance were qualified as feeble, tinkering with legislation that - by and large - kept the control in state government hands. It has to be said that the educational qualifications and performance of elected councillors was far from good. After independence, the role of parties and the power of money to influence politicians became important in local politics. Patronage and 'machine politics' could be used as suitable descriptors for the political affairs in Karnataka. Though functions were delegated to the local administration, the powers of local governments to raise revenues, to contract and to spend remained limited. In many states, there were interventions by the state politicians and administration that kept some elected council under suspension for many years. Also the fragmented personnel system has not been conducive for a united administration and able to work toward a joint development goal. The personnel system was designed to serve the state government interests and to exert sufficient control over local affairs. State governments kept powers close to their chest and established special agencies for housing, water supply, sanitation, town planning and slum improvement in the 1960s and 1970s. The state of Karnataka in South India served in this paper as an illustration. The paper illustrates that local taxes were appropriated by the state governments, thereby, making the local government highly dependent on state government funds and grants. Shared taxes were appropriated by state governments, compensations to be paid by state governments were paid without regularity, not kept pace with the annual price increases. The local governments ended up with a revenue base that was inelastic. Moreover, local politicians were not eager to increase tax rates on a regular basis. As a result, most of the local government faced a decline in income in real terms.

Recently, the national government introduced legislation to decentralise powers and redistribute financial resources in favour of local government. However, the centralised powers of the specialised agencies in the state capitals provide too many advantages to government officials and state politicians. The question was

raise why the state government should voluntarily give up its powers and access to state resources? Moreover, it seems that the majority of state government bureaucracy and politicians are not convinced that progressive decentralisation will bring about better governance of the cities. Although they – on one hand – promise and install more responsibilities for urban local government, they – on the other hand – take out the means to execute the responsibilities, i.e. the financial base. One may get the impression that a multi-faced monster has been created that is a blessing and a doom at the same time, i.e. a form of ‘perverse decentralisation’. The situation looks bleak but it is expected that the further implementation of the 74th Constitutional Amendment and the recommendations of the State Finance Commission will succeed in ultimately bringing closer urban development by and through urban local governments. To speed up this process, eleven avenues have been elaborated in the previous section and they included:

- Keeping decentralisation on the political agenda from above;
- Providing training and exposure to successful experiences in the Asian region;
- Maintaining the debate at the state level;
- Involving the local stakeholders, i.e. corporations and councils;
- Changing the fragmented personnel system;
- Changing the legal provisions in the Acts;
- Strengthening the resource base of municipalities;
- Increasing local accountability;
- Training for local elected representatives and administrators;
- Temporary measures to prepare the ground for self-governance and accountability by establishing Memoranda of Understanding between state governments and local governments; and
- Mobilising pressure from below through the establishment of an Association of Municipalities.

It is expected that a combination of these will bring about a stronger, mature and more resourceful local government that is able to provide better services to its citizens.

Annex

Twelfth Schedule to the Constitution (74th Amendment) Bill, 1991

‘243W - Subject to the provisions of this Constitution, the Legislature of state may, by law, endow--

- (a) The municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibilities upon municipalities, subject to conditions as may be specified herein, with respect to--
 - (i) the preparation of plans for economic development and social justice;
 - (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matter listed in the Twelfth Schedule;
 - (iii) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.’

‘4. After the Eleventh Schedule to the Constitution, the following Schedule shall be added, namely--

"TWELFTH SCHEDULE"

(Article 243W)

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.

8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
8. Provision of urban amenities and facilities such as parks, gardens and playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
8. Burials and burial grounds, cremations, cremation grounds and electric crematoriums.
15. Cattle pounds, prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.’

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