

Summary of the National Workshop on ‘Governance, Capacity Building and Administrative Reforms’

Inaugural Session

Welcome Remarks:

- Dr. Isher Judge Ahluwalia, Chairperson ICRIER opened the session by welcoming Shri Venkaiah Naidu, Hon’ble Minister for Urban Development, Housing and Poverty Alleviation to the Workshop. She shared with the participants the main features of ICRIER’s Urban Programme on Research, Capacity Building and Knowledge Dissemination. She pointed out that the Urban Programme at ICRIER was started soon after the submission of the Report of the HPEC on Urban Infrastructure and Services (2011), which she had the privilege to chair. It now completes two years.
- The aim of the program was to place the policy dialogue on urbanisation at the center of the debate on development policies. Prior to this, urban policy research was conducted in specialized research institutions and not a mainstream think tank such as ICRIER. The response at the workshops from resource persons, officials of central, state and local governments and other stakeholders has been very heartening. At least in 6 workshops, the Chief Minister of the state in which the workshop was held was present and participated in the deliberations. The programme was launched in 2013 by the then Minister, Urban Development, Government of India. We are fortunate to have Hon’ble Minister Urban Development, Housing and Poverty Alleviation with us today. Dr Ahluwalia recognized the presence of Dr. Kasturirangan, Dr. P K Mohanty, Dr. Ramachandran, among others at this workshop.
- Dr. Ahluwalia emphasized that public health consequences of unplanned urbanisation are very serious and need to be communicated to the people in a very determined manner. Swatch Bharat campaign is very welcome in this context. Commenting on the experience of the past 10 years, she observed that while there are some sectors in some Indian cities which have transformed themselves, the challenge is in scaling up for other sectors and other urban regions. Without fixing the state of solid waste management and water supply, cities will not be able to provide either good quality of life to their residents nor attract investors for faster and sustainable growth.
- Dr Ahluwalia invited the Hon’ble Minister, Shri Venkaiah Naidu to deliver his keynote address.

Key Note Address: by Shri. Venkaiah Naidu

Hon'ble Minister of Urban Development, Housing and Poverty Alleviation, Government of India

Vote of thanks to the Minister by Dr. Rajat Kathuria, Director and CE, ICRIER.

- On behalf of ICRIER, I take this opportunity to express our heartfelt gratitude to the Minister for agreeing to be the Chief Guest at this important workshop.
- The presentation of the Minister was well articulated, clear and significantly it was embedded in the local context. As the Minister has argued, the time is ripe to consider solutions to our problems that are locally inspired.
- Strengthening institutions of governance and building capacity at all levels within our federal setup will have to be a key reform agenda in the urban space and indeed for a number of infrastructure sectors as India grows. The Minister emphasized this and it was a recurrent theme of his talk.
- We sincerely hope that this 14th workshop is not the last one we host in collaboration with the MoUD. We would like to think of this workshop as representing the end of the phase one of ICRIER's engagement with the Ministry.
- We wish to continue to contribute to the urban agenda for we have built a knowledge base, which can feed into the government's urban agenda.
- There is a need to bridge the gap between what is normatively desirable and that which is practically feasible. This is where locally created knowledge can help the political process immensely.
- As urbanisation gains pace, capacity building will assume even greater significance. In this context, it is crucial to note that capacity building cannot and should not happen in isolation. Locally created knowledge based on large amounts of carefully collected and carefully analyzed data will fortify the task of capacity building.
- ICRIER has been at the vanguard of creating the evidence base for more informed policy making. Other ongoing research at ICRIER on issues relating to education, climate change and employment to name a few, have significant linkages with India's urban challenges. We would like to continue working with the government on India's urban challenges and thereby contribute constructively to the agenda of research and capacity building.
- Once again I express my sincere appreciation to the Minister for his presence and to all the distinguished participants of this inaugural session.

Session I: Administrative Reforms

Chair: *Shri. A. S. Bhal, Economic Advisor, Ministry of Urban Development.*

The chair highlighted the issue of whether the present incremental approach of capacity building would sustain in the future based on public demands.

Presentation I: Role of Centre, State and Local Governments in Improving Administration for better Governance, *Dr. M. Ramachandran, Former Secretary, Ministry of Urban Development.*

- Empowering urban local bodies: States such as West Bengal and Kerala have been strengthening urban local governance through political empowerment. On the other hand, states such as Jharkhand have struggled to hold local body elections. States like Sikkim, Arunachal Pradesh and Mizoram have only recently been able to legislate for urban local bodies.
- Initiatives of the central government: He stressed the importance of providing financial stability to urban local bodies through assured financial transfer. The performance grant provision should aim at making reliable data on local bodies' receipts and expenditures available through audited accounts, and improving in own revenues, besides measuring service delivery in relation to service level benchmarks for basic services.
- Hesitation of the states: Even after twenty years since constitutional empowerment and with the central government highlighting the need for achieving the goals of the amendment, there is lack of action at the state level. There is no regularity and no systematic basis for making resources available to the local governments from the state governments. The Urban Mission experience shows that PPPs have not really been able to take off effectively at the city level as there are no transparent policies and methodologies. Further, a functional municipal regulatory system has still not come into existence.
- Where do ULBs stand: There is no uniform accounting and reporting framework at this level and the municipal revenues have limited buoyancy. The strengthening of tax collection efficiency and user charge collection has to happen at the local level. Despite emphasis placed by the reform agenda, there is no enthusiasm to revise tariffs and collect user charges to cover operation and maintenance costs.
- Governance System: He pointed out the differences in Mayors responsibilities across India. He highlighted the Second Administrative Reform Commission's suggestion of Mayors being directly elected to insulate them from the adverse impact of defections. If the local bodies are to be treated as institutions of self government, the political executive system must be an integral part where power and authority must be vested in the elected head. As per the High Powered Expert Committee for Estimating Investment requirements for urban infrastructure services, the local conditions should determine

whether cities want to adopt a directly elected Mayor or a Mayor in Council system, but the spirit of accountability of the mayor as an executive head of the city must prevail.

- Some Important Questions: There are no strategies drawn at the city level to ensure equity in access to water, reduction of non revenue water, sustainability and climate change. He also raised the question whether by the Central government should take the lead or prompt and motivate the State government to bring about the changes. What will make the State government improve the role of the ULBs? Will the ULBs rise to the occasion to meet the new complex challenges and where do the urban residents figure in these scenarios?
- Way forward: (i) The issue of strengthening of ULB should be discussed at a forum of NITI Aayog so that the workable consensus emerges at Chief Ministerial level. This can provide a comprehensive frame of action listing various action points. (ii) Revisiting the 74th amendment to make it more focused along with a workable time bound agenda at the Chief Minister's level. The agenda could cover greater empowerment to raise resources, revise municipal cadre structures, capacity building actions and an agreed framework for devolution. (iii) A new framework law framework could be considered if full empowerment of elected mayors or chairpersons does not meet the consensus. This framework could allow for gradual improvements in empowerment of local bodies to provide better governance and service delivery (iv) A well structured reform agenda should form part of the Central programs like Swachh Bharat Mission and Housing for all.

Discussant: *Dr. Shubhashis Gangopadhyay, Research Director, India Development Foundation*

- The delivery of services from the cities should happen in densely packed spaces than in wide spread spaces. He raised the issue of implementation of why this is not being done.
- Focus on both the outcomes as well as the processes are important if Indian cities are to be developed and transformed.

General Discussion

Prof. K.C. Sivaramakrishnan, Honorary Research Professor, CPR, New Delhi

- There is a major problem in recognizing ULBs as institutions of self government. Local self government is still not accepted.
- He pointed out that ULBs are not allowed to compete for political space. The political space rests with the State government.

Dr. Isher Judge Ahluwalia, Chairperson, ICRIER, New Delhi

- Agreed with Dr. Sivaramakrishnan that political recognition and empowerment of urban areas is crucial.
- Emphasized the importance of carrying out the relative roles of the centre and state governments in urban planning and development.
- The state governments' role in creating an enabling environment for Urban Local Bodies to function effectively and also in building capacities at the local government level is crucial.
- The reform agenda of JNNURM could not be enforced. The lessons learnt from this Mission must be incorporated while designing the New Mission. Reforms for better governance and strengthening the finances of Urban Local Bodies must form the core of the new Mission.
- What role can the Centre play with less progressive states to nudge them towards creating an enabling environment for Urban Local Bodies similar to what the more successful state governments have done over the last decade?

Dr. P. K. Mohanty, Former Chief Secretary, Government of Andhra Pradesh and Executive Chair, National Institute of Urban Management, Hyderabad

- The way in which the 74th constitution amendment act was structured is imperfect. The share of municipal expenditure in GDP is 0.9-1% and state finance commission is 0.4% of GDP, which is far low compared to other countries. He cited examples from Brazil, Nigeria, South Africa and China.
- As per the 10th, 11th, 12th and 13th finance commission reports, the shares of the municipal revenues from the central and State revenues have been consistently going down.
- Due to lack of robust data, the conclusions made by every finance commission have been ad hoc in nature.
- There is a need for a finance list which is lacking in the 74th constitution amendment act. He also pointed out that the measures to strengthen municipal finances need to be considered.

Session II: Urban Governance in India

Chair: *Dr. Krishnaswamy Kasturirangan, Chairman, Karnataka Knowledge Commission*

Presentation II: Urban Governance with Focus on Challenges of Metropolitan Governance in India by *Dr. Isher Judge Ahluwalia, Project Leader and Chairperson, ICRIER and Dr. Vaidehi Tandel, Associate Vice-President, IDFC Institute*

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Discussant: *Dr. Partha Mukhopadhyay, Senior Fellow, Centre for Policy Research*

- The focus on unified governance is important. The question of census towns is a reminder that separation of local governance as rural and urban is essentially artificial. There is a need for common governance structure at the local level. Within the parameters of 73rd and 74th Amendment, the states can choose to take a broad approach to this issue, as opposed to the current situation. Once we get unified governance and empowerment, there is a possibility of bottom-up systems existing. The STEM system could happen only in Maharashtra because the urban bodies there have sufficient agency and power. Similarly, Kolkata's transport system has allowed district authorities to negotiate for routes crossing across two districts, thereby removing the need to approach the state for local decision. Political participation is necessary to demand better services.
- Smart city could consist of two philosophies: i) control philosophy- all information moves to a central control room ii) crowd philosophy- information is pooled from various sources, like Delhi's system of aggregating GPS data of public vehicles, users, to see a common structure of traffic status. It is worrying that smartness is attributed without identifying the subject. A city needs to have agency and decision making power. Without that, who will be using the plethora of information collected?
- When levels of services in different areas of the city (core, periphery, others) were compared, the differential was very stark, except for Mumbai. In Mumbai, it could be attributed to the urban bodies having decision making powers. Day-to-day politics will eventually contribute to improvement of services.
- Land in cities is the first obstacle towards moving forward. State control the development authorities which control valuable land decisions in the cities. Given the immense rents which would accrue from the land, states would naturally be reluctant to give up control of urban land.
- Would the states agree to bargain on matters regarding GST? It would have to be a political negotiation. As would the question of existing state players ceding authority over urban sectors.
- Transport is another big rent area. With more cities demanding a metro system, and given the huge cost per/km involved in laying the lines, the potential for rents is quite high.

Even if the cost of procuring public buses is lower, the rent capacity of the former could swing the city's transport decisions. This structure needs to be addressed. Lack of link between land use and transport is equally problematic. Land use changes should become more doable at local level. The availability of appropriately zoned land is a bigger problem than land acquisition in India.

- Cities use very little water; they abuse a lot of it. Further, the lack of confidence in the government's capacity to implement waste management initiatives in their neighborhood needs to be addressed. The communication challenge has to be surmounted.

General Discussion

- How to strengthen the metropolitan council and make it into a committee. In our given scheme of things the dominance of the state government in the governance of megacities will continue. Mumbai will be governed by the chief Minister of Maharashtra. One sees an emergence of another governance system coming up and it would be necessary to have the involvement of the Chief Minister.
- Delhi was once a one single corporation and was then divided into three. Even Bangalore is thinking on those lines. The trend seems to be to divide the existing large urban local bodies. However, Delhi is now thinking of consolidating its local governments. Such experiments will continue.
- The unified metropolitan transport authority should address issues such as inter-modal coordination, better transport planning etc.
- Many of the metropolitan regions are still governed by local bodies which follow municipal corporation acts. Thus looking at municipal bodies still becomes critical when one looks at metropolitan governance. One of the major issues is that municipal budgets do not provide a detailed breakup according to functions. This is because function based accounting is missing. Further, many rounds of state finance commissions have been completed. However, none of these reports have been able to identify what function the urban local bodies have been performing and how much resources are being spent on the functions.
- The additional commissioner of Ludhiana highlights the following points:
 - A lot has been said about raising resources but what about expenditures from the raised resources. During election years due to promises made in election campaigns the corporation's committed liabilities increases many fold. Further, in the elections year loans are sanctioned to carry out infrastructure projects. Repayment of loans is being undertaken by the state government. These loans are sanctioned so that MLAs can get elected rather than the councilors.
 - Further, state governments mandate other projects such as mechanized sweeping without understanding whether the city requires such projects in the first place.

- Also, the Ludhiana municipal corporation spends almost all its resources on electricity bills so that services are delivered to the households (such as water).
- The additional commissioner also mentions that councilors are not interested in raising resources for their jurisdictions because of the existing democratic set-up. Thus one should view with caution the idea that local bodies should be vested with the power of fixing rates of property taxes. Commissioners who take on the challenge of dealing with councilors are generally transferred in 3-4 months.
- A possible solution could come from the central government. For example for the smart cities program cities have to get qualified for the program. How will corporations in Punjab, which are in a financial mess, qualify for this program? Probably criteria based on service delivery benchmarks should be established and maximum central assistance should be based on this which should be directly given to the local bodies.
- According to Dr. Ahluwalia, there exists a difference between municipal corporations of Punjab and those like Bangalore. In Bangalore the demand for good governance is rising. However, in Punjab there is no economic policy or strategy. The only hope would be to go for a demonstration effect where the state is providing an enabling environment, where there is some financial resilience with the cities and where there are champions who could take up these causes. Once the change happens, the states that are delaying reforms will have to react. We must not fall into a trap of trying to uplift the most backward cities. There are pre-qualified conditions to be eligible for the 500 cities program or the smart cities program. The cities that meet these conditions will qualify but the other cities will eventually lift themselves up to meet the conditions.
- Dr. Partha Mukhopadhyay in response to the comments and questions made the following points:
 - For metropolitan governance the big challenge is transport. Households in cities like Jaipur, Surat and Delhi depend a lot on two wheelers. Thus public transport has to provide the convenience of door to door transport that the two-wheeler provides, and at the same price. The challenge for us is to come with a transport system on those parameters.
 - Land based financing is a means to raise resources. However, one should also focus on expenditures from these land based resources. Development authorities raise money, but sometimes do not spend them. The Delhi Development Authority had Rs 20,000 Crores in the bank just lying there.
 - Mumbai is a linear city. The question is about tradeoffs. Should one invest in the north south corridor or the east west corridor? However this is not a question people ask. Transport has the ability to constantly modify urban structures. Thus resources in the transport sector are directly related to changing urban form.

Session-III: Capacity Building in India

Chair: *Shri. Neeraj Mandloi, Joint Secretary, Ministry of Urban Development*

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Presentation III: **Capacity Building for Improving Urban Governance** by *Dr P K Mohanty , Former Chief Secretary, Government of Andhra Pradesh and Executive Chair, National Institute of Urban Management, Hyderabad*

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Discussant 1: *Mr. Barjor Mehta, Lead Urban Specialist, World Bank*

- Capacity building is not about training, it is about the resources, processes and institutional structure which are generally neglected. There is a need to give prior importance to the financial health of the ULBs which is otherwise ignored. ULBs in India have lost their financial strength in due course of time with the abolition of octroi and local body tax. A share from GST to ULBs can boost the finances, which in turn can strengthen the institutions.
- Municipal Cadre system should be further debated. Every ULB needs five key personnel namely; Administrator, Municipal Finance specialist, Engineer, solid waste management specialist and a Planner. A standardized body of knowledge should be created in a state for each of the above five positions on the lines Chartered Accountants (CA) accreditation.

Discussant 2: *Prof Abhay Pethe, Department of Economics, University of Mumbai*

- Dr Mohanty has provided an exhaustive discussion of the relevant reports by expert groups/ commissions and studies that have contributed to our understanding in this arena. I only thought that in concluding rather than listing large number of ‘things that ought to be done’, it would have been better had he given a hint of sequencing/ priorities or grouping in order of importance amongst them, so as to avoid the appearance of a wish list.
- First we ought to look at capacity building in at least a couple of ways one which is related to training which is largely related to actual implementation given the extant parametric environment and second in terms of empowerment of organizations so as to enhance the very potential to deliver outcomes. Let me run through the nodes of the template flow and illustrate.
- An important area apart from provision of basic municipal amenities which requires extensive capacity building is Public Private Partnerships (PPPs). This is very relevant, given the almost non-existent capacities in the public sector to write complex PPP contracts.

- The problem in India's urban context is not the dearth of possible solutions but the absence of political will. Lacking sufficient political maturity and will, even the best reforms would fail to achieve their goals. Therefore, capacity building of the political class is the most important challenge that needs to be addressed immediately.
- Currently, the municipal commissioner lacks ownership of the city. S/he and is simply a career bureaucrat who is nominated by the state, and would be reluctant to challenge his/her political masters. This is markedly different from cities like Shanghai, where the Chief Executive of the City is paid better than a Cabinet Secretary. In that sense, we need to create independent spaces for these crucial positions.

General Discussion

The main issues that came up during the discussion are listed below:

- Dr. Mohanty stated that it is imperative to articulate and acknowledge all issues if any real action has to be taken. The first point of action is 70 thousand councilors and existing administrators, who need to be trained in municipal law, town planning, and property tax collection. We need to conduct research to create modules for various municipal functions (how to collect Property tax, e-Seva etc.) which will be done electronically and don't necessarily need a new bureaucratic structure. The organizational aspects are equally important. Just like the private organizations, a holistic view has to be taken in order to address existing problem. Tools will have to be created for various (human resource, financial, legal etc) system managers and they will have to be trained to effectively leverage these resources. Issues of finance, cadre creation and other long term reforms should be stressed upon, but the starting point has to be the capacity building of councilors. This would be possible only when focused research is conducted by existing institutions and available resources.
- According to Dr. Ahluwalia, experience shows that interactions with officials at the local level are more productive, and valuable experience and knowledge is shared at the ground level, without the local officials being overawed.
- Participation is not the same as acceptance in these training sessions. Due to this, these exercises become mechanical and perfunctory. Given this truth, how would you assess the existing capacity of the persons being trained? Are the specific requirements of the participants being factored in? Further, the three Fs have been discussed extensively for decades. However, what is the actual mechanism through which these are devolved?
- Dr. Mohanty and Shri Neeraj Mandloi jointly responded that the people who are to be trained are the most important. Therefore, the training program should not be designed without involving them. If the community perceives benefit, they would willingly participate. There is a disconnect between the trainers and the training group, and the

officials perceive the trainers as outsiders ignorant of ground realities. A better approach to this exercise may ameliorate the situation. As long as the stakeholders see value in the training being imparted or if it is linked to performance indicator or promotions the resistance may go down. The role of institutions is crucial build capacities for both local officials and themselves.

- Given the sheer number of cities which have to be trained, the capacity of current training institutes is inadequate. The current format of organizing seminars and training programs fails to serve the desired purpose. Long term vision is required to bring professionals into the urban management systems.
- It will take at least 4 to 5 years before these urban managers are trained and inducted into the system. However, in the case of solid waste management and waste water treatment, a range of public private partnerships have emerged. Given the weakness of public sector in framing contracts, a host of these initiatives (both good and bad) have started. And here is where these sessions (capacity building/training) will be relevant, as they allow for knowledge dissemination for both the officials and researchers. And more events have to be organized by the government itself, at a much larger scale. If the government does it, the feeling of being an outsider may not be present with the training group.
- Need for the revision of Model Municipal Law is important to incorporate the changes in the last decade with a legal framework e.g. Public Disclosure Law, Area Sabha Committee, Accrual Based accounting etc.
- It is necessary to identify key change makers in cities in the short run, and to empower these people. This would lay the groundwork for long run change.
- In order to make a training program effective, it has to be contextual and practical. This can be done by identifying important issues for a particular region and moulding the training program accordingly in a local language.

The Commissioner of Mangalore City Corporation presented her observations:

- There is requirement of mindset change in order to rise above petty politicking. It is not particularly the lack of awareness, but the presence of vested interests and circles of influences for each political actor, which incentivizes them to maintain the status quo and resist change. The role of capacity builders should be to impress upon the councilors the need to see reform agendas in a positive light. The state of Karnataka has a good practice of organizing regular knowledge and experience sharing within districts and the city managers association in the state is also very active. Instead of a simple information sharing exercise, knowledge dissemination should be carried out through implementation. Choose a pilot project, implement it, showcase it, and expand it over the city and other regions as well.