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**Inadequate Decentralization or Incapacitated Local  
Governments?  
An Explanation of Poor Urban Service Delivery in India**

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## Abstract

The legitimacy and efficacy of urban local governance for urban basic service delivery was affirmed through a 1992-3 amendment of India's Constitution. However, delivery of basic services like water supply, sewerage, and street lighting and other services in cities and towns have not improved and have even deteriorated (Savage & Dasgupta, 2006, p.50) This paper contests the commonly held view that poor decentralization continues to be the reason for poor delivery. It presents a comparative case study of urban local bodies to show that the binding constraint is no longer inadequate decentralization but rather inappropriate structure of local body organization and proposes a few models of organizational redesign.

In the scheme of public governance, the delivery of common services required in the day-to-day life of people is the task of local governments. These function on the basis of decentralized authority and powers and are closest to the people. Endowed with elements of participative democracy, urban local bodies (ULB) can promote twin objectives of accountability and responsiveness of policy concerning delivery of local public goods and services to citizens (Bardhan & Mookherjee, 2007, p.5). In India, weaknesses in local governance stemmed from limited democratization, poor empowerment and little access to financial resources. The 74th constitutional amendment of 1993 granted local governments exclusive powers over eighteen subjects, made elections mandatory and conferred specific powers of taxation and resource-raising. However, only 30% of sewage is treated and half the urban population does not receive piped water and adequate sanitation facilities (GOI, 2005, Overview, p.4).

In marked contrast India's economic growth is massive, at over 8%, a 2/3rd share of it taking place at or near urban centres, a major constraint being the inadequacy of facilities to support and service the urban population.

This study points to the fact that corresponding to the additional functions and powers clothed on ULBs a new organizational structure has not been given shape to. The public sector utility organizations which had near complete sway over urban service infrastructure provision continue to dominate the scene, having shed little by way of structural components of their organizations in favour of ULBs. "Structure is the setting in which power is exercised, in which decisions are made, and in which the organization's activities are carried out" (Peter Blau, 1974, p.12) and should be such as to have control over goals, output, property, technology, and individuals.

The paper has found that ULBs in India have not been redesigned and conformed to perform their upgraded and expanded role, leaving substantial gaps in organizational empowerment. "The impact of decentralization will depend both on the context where it is implemented (particularly political traditions pertaining to the functioning of local democracy) and on the way it is designed and implemented. One should expect the outcomes to be context and design specific (Bardhan & Mookherjee, 2007, p.9-10).

India needs to restructure its urban local government organizations for effective service delivery for citizen welfare and economic growth.

## I. Introduction

Good governance requires that services affecting the daily lives of people be administered by lower tiers of government. Based on elements of participative democracy, such local governments can deliver efficient and accountable services.

The range of services provided by local governments in India's urban areas -- urban local bodies (ULBs) -- however, remained limited in scope and coverage until the 1990s. These limitations were perceived to be arising from weaknesses in the system of local governance. The specific reasons attributed are limited democratization, poor empowerment, and little access to financial resources (GOI 1991 & 1992). The low level of democratization is reflected in the failure to hold regular elections and prolonged super-session of elected bodies. Poor empowerment and resource position stem from insufficient devolution of functions and resources. Many basic urban utility services were provided by public sector utility boards or para-statal which were centrally controlled by higher level state governments. Slowly, the perception emerged that all basic urban infrastructure services should become the concern of ULBs. Also, it came to be accepted that local governments should be constituted by democratically elected leadership (ibid) since effective and responsive local governance requires strong participative democracy at grass-root levels. The local bodies also need access to financial resources, which requires that higher government levels share their revenues and grant them adequate powers of local taxation.

In India's governance, powers and functions are shared between the Union i.e. the Central government and the State governments, legislative powers being distributed among them by subjects. Local government is a subject within the legislative competence of states<sup>1</sup>. With a view to mandating increased democratization, functional devolution and financial empowerment, and for improving the effectiveness of local governance, the Constitution of India was amended by introducing in 1992 a new "Part IX-A", effective 1 June 1993 (GOI 1993). The amendment laid down the manner of holding elections for constituting

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<sup>1</sup> Constitution of India, Article 246(3), Schedule VII -State List, item 5.

ULBs, set apart 18 specific items of functional responsibilities to be devolved and it delineated the methods of raising resources.

The state governments completed the needed legislative process with varying levels of efficiency, but largely satisfactorily as will be shown later in the paper. Subsequent law-making such as appointing election commissions to constitute ULBs according to the new provisions, appointing state finance commissions (SFC), and similar other steps were largely implemented during the period 1993-1996. However, there has been no improvement in the access to and quality of basic urban services by 2008 – well over a decade after the substantial elevation of local governance in status, functions, and powers. Worse, studies report that basic services have deteriorated in urban areas across the country (Savage & Dasgupta 2006, 50).

Most cities and towns are severely stressed in terms of infrastructure and service availability. In 2001, 50.3% of urban households had no piped water within premises, 44% were devoid of sanitation facilities and 23.6% lived at income levels that were below the poverty line. Slum populations accounted for 14.12% of urban dwellers with a significant proportion of it without access to even the most basic services.” (GOI 2005 Overview, 4). Reliable city-based time period comparisons of services are hard to find. There has been no systematic attempt to assess the impact of the 74<sup>th</sup> Amendment Act provisions on the working of municipalities at the all-India level (NIUA 2005, vii). We can only consider limited available city service profiles. A ten-year scenario in Bangalore city is presented in table 1. It is feared that levels of delivery will decline even further. Assessments in Bangalore and Hyderabad provide a grim picture of urban services likely to occur by 2021 (Savage & Dasgupta 2007, 52).

In Kerala, water supply levels in urban areas remain at 40-90 litres per capita per day against the targeted 150-200litres. Sewerage covers only 20% of the capital city Thiruvananthapuram, 5% in Kochi and no coverage in all other cities and towns. Satisfaction of poor households in the matter of storm water drainage is only 16 % (GOK, 2005).

**Table 1**  
**Decline in Service Outcomes in Bangalore, Karnataka**

Service delivery measure	1991	2002
Slum population	7%	12-18%
Water connections	26%	25%
Water availability-litres per capita per day	150-160	80-100
Access to low cost sanitation	30%	18%

In Tamil Nadu in 2004, daily per capita water supply across ULBs varied from 37 to 78 liters, significantly below the state norm of 90 liters. Only 60% of the population in cities, 32% in municipalities, and 16% in erstwhile town *panchayats* had access to safe sanitation and sewerage. Although 80% of solid waste generated was collected, most local bodies did not have organized disposal facilities. Less than 60% of the roads were provided with storm water drains (Venkatachalam 2005).

These statistics stand in marked contrast to India's massive economic growth rates of over 8% since 2003. An increasing share of the growth is taking place at or near urban areas (GOI, 2005). Urbanization in India, growing in pace with global trends, is producing cities that are increasingly becoming competitive centres of economic growth. The need for good urban infrastructure is therefore more deeply felt than ever before. While the potential for sustaining this high economic growth rate remains strong, a major constraint is the inadequacy of facilities to support and service the urban population.

Against this background, this paper attempts to find out what remains to be done for giving visible and effective expression to the performance of ULBs by identifying the constraints they face. The paper will trace Constitutional amendments as well as state-level legislations, rules, and notifications. At the micro level, it will look at what has really happened in terms of grassroots implementation in two states. It further looks at the existing administrative, structural, organizational, and staffing arrangements for implementation. It focuses on the question of whether functional and financial decentralization has remained incomplete and persist as the cause of poor urban services. If however, inadequacies in decentralization are not an overriding reason, what really are the remaining constraints? The methodology used is the case-study approach with reference to a few specific functions and ULBs. The

sources are drawn from interviews with elected representatives, officials and service recipients, documents of ULBs, and site visits to projects and service installations.

## **II. The Empowerment Process**

### **(i) Constitutional**

The primary requirements for local self-governance are legitimacy of this role and capacity to perform the role. Legitimacy is derived from the framework laid by the Constitution and the laws enacted for that purpose. Such legitimacy must be bolstered by creation of capacity in the organization and personnel composition of the ULB in order to fulfill its assigned role. Put together, these would form the enabling environment for local governance. This section examines the Constitutional provisions and discusses the implementation of those provisions.

Constitutional provisions in part IX-A-“The Municipalities”, introduced through the 74<sup>th</sup> amendment, require that ULBs be constituted in every state (Article 243 Q). Before this, the states were the only sub-national units officially recognized by the Indian Constitution. The other newly added provisions relate to the structure, composition, and duration of ULBs, and reservation of seats for women, Scheduled Castes, and Scheduled Tribes. There are provisions to govern the conduct of elections and the setting up of state election commissions and state finance commissions which are to be independent of the state government. The Constitutional provisions create a threshold of powers and responsibilities for ULBs including the power of taxation. The 18 functions listed in the Twelfth Schedule include planning (urban and town planning, land use regulation, economic and social development planning); basic economic infrastructure (roads and bridges, water supply, conservancy); social infrastructure (public health, sanitation, solid waste management); public amenities (fire services, burial grounds, cattle pounds, vital statistics); environmental services (forestry, parks, regulation of slaughterhouses); and poverty alleviation measures (safeguarding the interests of weaker sections, slum improvement). Implementing these new provisions will help consolidate democratization, ensure the fair conduct of elections, and the vesting of functional and financial powers on ULBs.

## (ii) Legislative

After 1 June 1993, the date of effect of the Constitutional amendment, state governments began legislating those changes and have been largely successful in it. Table 2 gives a snapshot of this in a few states (based on NIUA, 2005etc.).

**Table 2**  
**State-wise Compliance of 74<sup>th</sup> Constitutional Amendment Provisions**

State	ULBs formed?	Reservation of seats for disadvantaged sections?	Regular elections to ULBs?	Level of devolution of functions	Regular State Finance Commissions (SFCs)?	Level of acceptance of SFC recommendations
Assam	Y	Y	Y	High	Y	High
Bihar	Y	Y	Y	High	Y	Low
Haryana	Y	Y	Y	High	Y	High
Karnataka	Y	Y	Y	High	Y	High
Kerala	Y	Y	Y	Very high	Y	High
Madhya Pradesh	Y	Y	Y	High	Y	High
Orissa	Y	Y	Y	Poor	Y	Low
Rajasthan	Y	Y	Y	High	Y	High
Tamil Nadu	Y	Y	Y	Very high	Y	High
West Bengal	Y	Y	Y	Very high	Y	High

One study (NIUA 2005, x) found that most state governments have included all 18 functions in the list of duties to be performed by municipalities. Elections to municipalities are being conducted in all states regularly, except in the states of Chhatisgarh and Jharkhand. ULBs are empowered to levy various taxes, fees and tolls. Another study (WASP, 2005) found significant revenue increases, after accounting for inflation and population, for various agencies in Bangalore in the period 1995-2003. Service outcomes have declined despite these resource enhancement measures, underscoring the need to ensure, inter alia, new management and organizational approaches (NIUA 2005, 53).

To examine the empowerment process and its efficacy more deeply, I will look closely at two states which are selected according to their indicators of progress in

decentralization. The state of Kerala is considered exhaustively, and Tamil Nadu is also studied. These two states display some of the best statistics on decentralization.

The Appendix discusses the laws legislated in Kerala to fulfill the Constitutional mandates regarding decentralization, local body finances, and planning and delivery of basic services. It shows that the Kerala legislature and executive have followed through the Constitutional mandate by extensively amending dozens of laws – an effort that is considered “exceptional” (ARC 2007, 47). A State Election Commission came into existence in Kerala on 3rd December 1993 as envisaged in Article 243(K) of the Constitution of India. Elections have been held under its responsibility every five years. Elected ULBs have not been subjected to super session.

Tamil Nadu, one of the most urbanized states of India with an urban population that is 44% of the state population (27.5 million), has oscillated between decentralization and recentralization of power to ULBs prior to the 1990s, with irregular conduct of municipal elections and wide fluctuations in fiscal devolutions. However, after the 1992 Amendment Tamil Nadu passed the conformity legislation in 1994, conducted two rounds of local government elections, and constituted and implemented the recommendations of the SFCs 1996 and 2001 (Venkatachalam 2005).

### **(iii) Financial**

The Constitution (Article 243-X) authorizes ULBs to levy and collect taxes, duties, tolls, and fees. They are entitled to receive an assigned share of state tax revenues and grants-in-aid.

A review of the Municipal Acts of the states shows that ULBs are already empowered to levy various taxes, fees and tolls in different states (NIUA 2005, xiii). State Finance Commissions (SFCs) have been constituted in all states, except in three north-eastern states. Reviews of action -taken reports on both the first and the second SFC recommendations showed that the proportion of recommendations accepted (fully, partly or in a modified form) is much higher than those which have not been accepted (NIUA 2005, 30). SFC recommendations on ‘Global Sharing of State Revenues’ have been accepted by most state governments (p.xiv), as also

recommendations on property tax reforms (p.xiv). Most states accepted the recommendations with respect to profession tax and entertainment tax. Suggestions on user charges have been accepted in the states of Assam, Kerala, Madhya Pradesh, Punjab, and Uttar Pradesh (p.xv). The result of all these actions shows overall revenue surpluses and steady upward movements in the quantum of surpluses available for capital and fixed investments for improving service delivery. A picture of the revenue budget position for the period 1998 to 2003 is shown in table 3(TFC, 2005).

**Table 3**  
**Revenue accounts of all ULBs of India: 1998-2003 (Rs. million)**

<b>Category/ Rs million</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
Own & other revenues	7037	8537	10944	10646	11758
Assigned revenue and devolutions	5590	6423	6109	4529	8953
Total Revenues	12627	14960	17053	15174	20711
Total revenue expenditure	8914	10405	11808	11892	14896
Revenue surplus/ deficit	3713	4555	5245	3282	5815

The last decade has seen the emergence of the municipal bond market. The fact that some municipal bodies have succeeded in raising resources on the strength of their own creditworthiness indicates the potential to raise resources for financing urban projects. An added advantage of this method of mobilizing resources is that these bodies improve their efficiency and awareness about quality of service (ARC 2007, p.36).

The financial capacity of particular ULBs in Kerala is examined against such a background. Consider the case of two ULBs – Thiruvananthapuram and Thrissur. Table 4, which summarizes their financial situation for a five-year period ending 2002-03 highlights two features. First, both ULBs are in good shape financially. Capital revenue surplus accumulations and the considerable leeway for enhancing revenue through better management enable these two ULBs to be in a comfortable resource position. The potential resource availability opens up significant levels of capacity to leverage own resources.

**Table 4**  
**Financial situation of two ULBs in Kerala**

	<b>Thiruvananthapuram</b>	<b>Thrissur</b>
<b>Budget Surplus</b>	Revenue surpluses in all 5 years	Revenue surpluses in 4 of 5 years.
	Capital surpluses in 2 years.	Capital surpluses in 4 of 5 years.
		Electricity distribution (separately budgeted) has revenue surpluses in all 5 years.
<b>Financial Projections</b>	For a proposed investment of Rs.1910 million, on sewerage, sanitation, drainage, and road: Revenues sufficient to cover O & M costs	For a proposed investment of Rs.1800 million on water supply, drainage, roads, and solid waste management: Revenues are sufficient to fully cover O & M costs
	Debt service obligations also can be covered on a 49% investment loan component.	With a 49% loan component, ample ability to meet full debt service obligations, ensures a safe debt service coverage ratio (GOK 2005, City report, Thrissur).
	Financial position robust throughout the projected period, ensures sustainability of the project with a good debt service coverage ratio (GOK 2005, City report, Thiruvananthapuram).	
<b>Property Tax:</b>		
Current collection level	43% of collection potential	75% of collection potential
Last updating of Data base	1988-89	1980s

In Tamil Nadu the devolutions permitted the ULBs to maintain operating surpluses on their revenue account. Also, capital investments, post-devolution, have grown manifold year on year with the exception of 2000-02, when the state government faced severe fiscal deficits (TFC 2005, SSFC 2001). This was made possible almost entirely on account of the creation and functioning of two innovative institutional mechanisms for ULB financing, namely the Tamilnadu Urban Development Fund (TNUF) and the Water and Sanitation Pooled Fund (WASPF) which, for some ULBs, filled gaps in organizational capacity. It has been observed that (Venkatachalam 2005) “the real binding constraints in Tamil Nadu’s long term municipal market development are not financial bottlenecks, as popularly perceived, but ULB capacity to structure and execute viable projects, and contain

development risks. In order for ULBs to graduate from concessionary to market finance, they would need to broaden their technical and financial skills and resources". As TNUF and WSPF roles in project structuring cannot substitute for ULB capacity shortcomings for extended periods, unless local governments develop demand side capabilities in project preparation and development, financial innovations would fall short and that has been witnessed in Tamil Nadu already.

One study in Bangalore city for the period 1995-2003 found significant revenue increases for various agencies after accounting for inflation and population. Service outcomes have declined despite these resource enhancement measures underscoring the need to ensure, inter alia, "new management and organizational approaches" (WASP 2005).

### **III. Capacity for Governance: Organizational Structure of ULB**

Section II has shown that the Constitutional, legislative and financial empowerment of ULBs is largely successful. It needs examination now whether ULBs have the organizational capacity required to deliver services by making use of the powers and resources that are available to them.

The paper will now examine the changes in organizational structure in Indian cities and towns since the new strategic role of urban local governments came into existence. A typical current organizational structure of a ULB with a population of less than one million is presented in Figure 1 (page 12). This figure represents the organization chart of non-metropolitan ULBs in Kerala and Tamil Nadu and it is typical of a large majority of Indian ULBs. The striking feature immediately apparent is that several services are absent -- provision of water, sewage disposal, drainage etc. -- which constitute the preponderant share of new investments needed as a result of very heavy backlogs.<sup>2</sup>

To assess ULB capacity building, we need a detailed understanding of the administrative and management mechanisms instituted for these functions. For this, we need to consider not only the structure but also its staffing. Since it will be more worthwhile to undertake such an analysis at the micro level, I consider two ULBs in

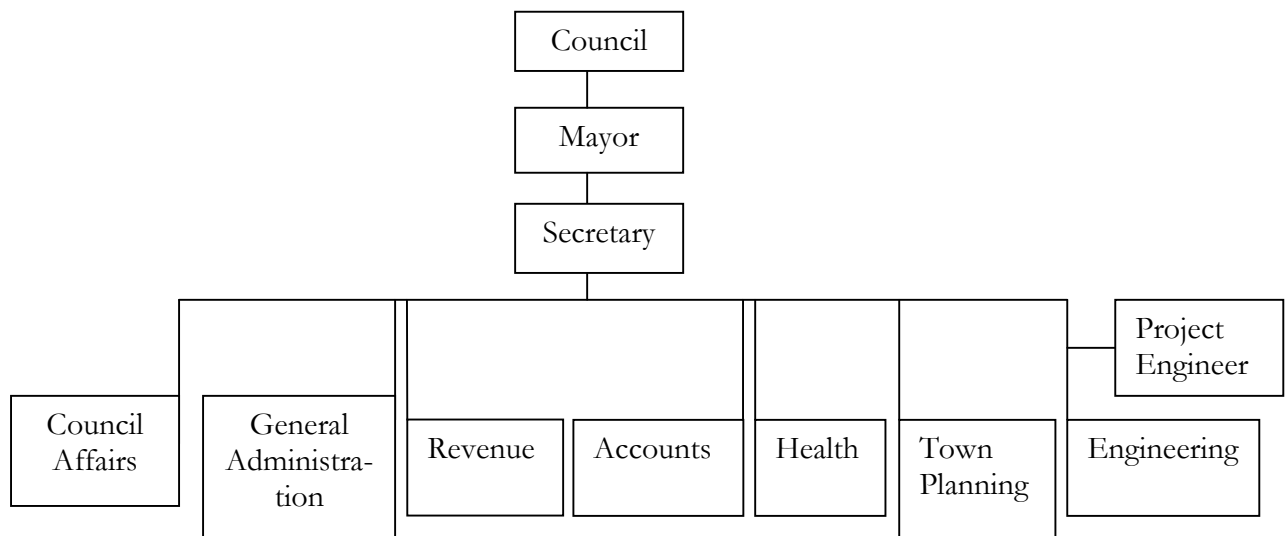
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<sup>2</sup> Investments for selected ULBs funded by TNUDF and WSPF indicated a proportion of 60% for water, sewerage and storm water drainage and 25% for roads and bridges.

Kerala, selecting the ones that were discussed earlier in connection with financial resource capabilities -- Thiruvananthapuram and Thrissur. ULBs in Kerala, numbering 60, all, except Thrissur, have essentially the same organization structure. Thiruvananthapuram ULB represents this typical structure. Thrissur is the only ULB, where there are internal structural elements and staff for water and street lighting, additional to what all the rest of Kerala ULBs possess. By taking these two ULBs for examination, the differences between the one with some structural components for specific services and all others with none can be focused.

Following the redefinition of the role of ULBs, each set up a post of Superintending Engineer inducted from either the Irrigation or the Public Works department of the state government through a process styled “deployment” for a tenure of a maximum of three years (GOK 2002, 557-561). The deployed functionary is assigned to “to take care of all kinds of engineering works including water supply schemes irrespective of their parent cadre” (ibid). There have been no other changes in the organization or staff composition in these ULBs.

**Fig. 1**  
**Existing organizational structure of a ULB**



I analyze below how ULB functions are discharged, examining this in detail with reference to four activities -- urban planning, water supply, sewerage, and street lighting.

**1) Urban Planning**

In the organizational structure of the two ULBs there is no department that is charged with making a master plan and/or detailed plans. Neither is there any alternate arrangement such as a networking mechanism. Consequently, these ULBs are simply not performing any planning function at all. The “Town planning” unit of the ULB is staffed by persons whose qualifications and experience do not empower them to be urban planners. As a consequence, despite the changes in urban planning laws (see appendix), town planning schemes for Thiruvananthapuram and Thrissur cities continue to be prepared by the state government’s Department of Town and Country Planning. The sole function discharged by the town planning unit of the ULBs is the issuing of building permits based on the planning framework of the state government department (CMD 2007).<sup>3</sup>

## 2) Water Supply and Sewerage

The Thiruvananthapuram ULB does not have an internal unit or person experienced in water or environmental engineering. It has not taken over the water supply and sewerage installations of the Kerala Water Authority (KWA) in its area despite the “vesting” of these functions in ULBs as seen in the appendix. (See table 5)

**Table 5**  
**Service Delivery Mechanisms in Water Supply and Sewerage in two ULBs**

<b>Thiruvananthapuram</b> <i><u>Willing but Unable</u></i>	<b>Thrissur</b> <i><u>Willing and Able</u></i>
No unit within ULB organization for implementing water supply projects.	ULB has its own staff unit for water supply headed by an assistant executive engineer <sup>4</sup>
ULB set apart funds for improving water supply year to year in annual budgets. <sup>5</sup>	ULB attends to repair and maintenance of lines owned by it.
Having no implementation unit, ULB deposited the earmarked funds with KWA for project execution and repairs and maintenance.	KWA pumps water, purifies it and effects supply to ULB.
No project was completed within the agreed timeframe and even much after.	ULB distributes water, collects water charges, extends new connections, makes disconnections, and maintains and repairs pipelines (but all only within the old municipal area).

<sup>3</sup> See also a preliminary report prepared by CMD, Thiruvananthapuram.

<sup>4</sup> Expansion of distribution capacity was not attempted, to correspond with enlargement of operational area, on account of freezing of organizational composition.

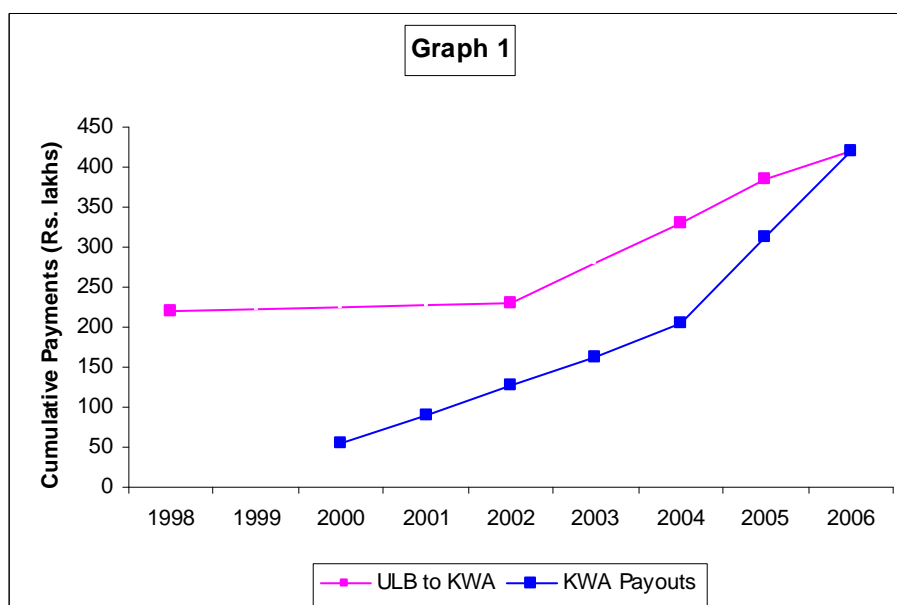
<sup>5</sup> The allocations were for line extension, replacement of old, worn-out and small diameter pipes and a stand-alone scheme for Thrikkannapuram area.

The position is the same for sewerage.

There is no piped sewerage system.

All existing water and sewerage installations and facilities in the area under the Thiruvananthapuram ULB are operated and maintained by the KWA just as prior to the statutory amendments. ULB efforts to enhance the water supply and sewerage system have culminated in the mere placing of its resources with the KWA. As for the KWA, its capacity for managing its facilities, undertaking project planning, contract procurement, fund flows, and performance efficiency are all low. One author comments, "There are delays right from [the] invitation of tenders" (Ramachandran 2002, 12) which often take as long as two years with additional delays in supplying materials to contractors, causing lags in the execution of contracts as well as excesses in claims by contractors. As a result, project completion has been extensively delayed, funds were diverted, and costs have swelled (Ramachandran 2002). The situation is best demonstrated by the Thrikkannapuram water project executed for the Thiruvananthapuram ULB as shown in figure 2. It brings out the impact of ULB dependence on a monolithic, centrally controlled, bureaucratic organization to implement an essential and core function. The project took eight years for the KWA to complete -- an over four-fold excess time -- also causing a high cost overrun.

**Fig. 2**  
**Pace of execution of water supply project for Thiruvananthapuram ULB**



In Thrissur, by contrast, the ULB takes bulk water from KWA supply lines that pass through the corporation area. Unlike in Thiruvananthapuram and other ULBs in the state, the distribution lines and supplies to consumers are maintained by ULB in Thrissur.

### 3) Street Lighting

The Thiruvananthapuram ULB does not possess any internal or acquired skill to provide street lighting as can be seen from table 6. Although the ULB owns the street lighting system, it remains fully dependent on the state utility board KSEB (Kerala State Electricity Board) for power distribution and system maintenance. A huge organization that is centrally administered at the state level, KSEB has poor and inefficient procurement and management systems. Its lack of responsiveness to the needs of the ULB has resulted in unacceptably low provision of street lighting.<sup>6</sup> Despite the desire of the Thiruvananthapuram ULB to take over management of street lighting, it could not do so for want of capacity to manage the task.

Again unlike the Thiruvananthapuram ULB, the Thrissur ULB directly manages street lighting and power distribution in the old municipal area, and has the capacity to perform these tasks relatively efficiently. It has a long history of self-managing power distribution, at one time even generating electricity by raising contributions from potential power consumers (Thrissur Municipality 1962), and always generating income surpluses on this account. A specialized internal organizational unit in the ULB is the primary reason how it became possible for the ULB to provide its own street lighting without depending on KSEB unlike in Thiruvananthapuram.

**Table 6**  
**Delivery Mechanisms for Street lighting in two ULBs**

Thiruvananthapuram	Thrissur
ULB has no electrical engineering department.	ULB has own electrical engineering unit headed by executive engineer.
ULB deposits its funds with Kerala State Electricity Board (KSEB) seeking to arrange	ULB has separate budget for power distribution, into which it collects power tariff.

<sup>6</sup> This is supported by a study the findings of which are similar to the study on KWA.

facilities like line extension, replacement of burnt out bulbs and waits for extended periods as KSEB's procurement procedures lack efficiency and timeliness.	ULB takes energy from KSEB on grid tariff basis.
KSEB executes tasks like replacement of damaged electric bulbs and lamp posts, erection of new posts.	ULB distributes power to consumers.
	ULB owns assets like lines, posts, and transformers.
	ULB looks after asset maintenance.

The above discussion shows that despite being considered a forerunner in political decentralization, Kerala does not in fact have much success in this endeavor due to the lack of ULB capacity. Kerala's solution of "deploying" a few personnel to ULBs without regard for their fit and without reintegrating the organizational frame does not satisfy the requirements of differentiated functions since each task requires a distinct work experience. The position in Tamil Nadu is not much different.

The ultimate strategic objective of local governance is the effective implementation of public service provisions, packaged and delivered through a democratic process. Admittedly, formulating strategies is difficult. Making strategies work i.e. executing or implementing them is even more difficult. But no strategy can succeed without effective implementation which is itself a process. Implementation is the result of a series of integrated decisions or actions over time (Hrebiniak, 2006). The basic platform on which all those decisions are spread over time, organized, and carried forward is the organizational structure.

The organizational structure of the ULB should be designed for capacity to deliver its desired goals. Capacity is understood as the ability of people, organizations and society as a whole to manage their affairs successfully (OECD 2006, 14). Although capacity has often been looked upon as a technical process and consequently capacity development as enhancing the knowledge and skills of individuals, capacity is not only about skills and procedures; it is also about incentives and governance, and demands that adequate attention be given to both organizational and individual issues (OECD 2006). Capacity is primarily derived from the governance structure of the ULB. Organizational capacity building would include designing appropriate structures within the organization and re-engineering internal processes. Organizational capacity building, however, does not mean that the organization builds within itself all the skills and knowledge required to perform its tasks. What it does mean is that the organization should have the capability of tapping specialized skills through means such as partnerships, networks and outsourcing

functions for enhancing the capability of the organization (ARC 2007, 70). These organizational and institutional changes need to be integrated with skill creation among individuals. Capacity is a function of the enabling environment that includes the organization and its staffing.

### **Structure and Strategy**

Organizational structure needs to follow the organization's strategy. To perform the significantly expanded strategic functional role of ULBs, which include an array of services like water supply, piped sewerage, and drainage, construction of higher tier roads, town planning and urban planning functions as their exclusive responsibility, ULBs need to undergo appropriate structural renewal. It is the new objectives, the new mission and the new goals of an organization that should shape its design. According to basic theories of organization, an organization needs to have control over goals, output, property, technology, structure and individuals (Osborn 1980, 175). Management theory defines organizational structure as "the distribution, along various lines, of people among social positions that influence the role relations among these people. The setting in which power is exercised, decisions are made and the organization's activities are carried out is called structure" (Blau 1974, 12). Diversification and expansion of roles have always necessitated major modifications in the structure of organization.

What are the considerations that should guide the evolution of a structure? One of the determinants is technology. A sanitation and conservancy unit of a ULB for low cost sanitation (such as pit latrines, the collection of solid wastes, and the sweeping of streets) is much less suited for managing a modern underground piped sewerage system for liquid wastes, or a sanitary landfill disposal system for solid wastes. The health department of the ULB therefore needs to be supplemented with another department for sewerage and sanitary landfill. This also applies to other newly added functional responsibilities.

The people involved in the activities of the organization constitute a second determinant of structure. The competence and attitude of subordinates and their ability to work with each other in specific ways significantly affect the setting up of work units and the allotment of tasks. People with different educations and work

experiences often respond differently to various structural arrangements – for example, the professional or technical specialist may seek autonomy and freedom from tight structures. The effort to tap such human resources for greater participation calls for job redesign, creation of autonomous work groups, and other approaches that considerably affect structure.

A third and key determinant of successful organizational structuring is its “fit” or agreement, not only with the strategy and external environment but also with the organization’s internal environment. The most appropriate way of designing and managing an organization depends on the characteristics of the situation in which the organization finds itself. The fact that ULBs had pre-existing structures suggests that their design will be different from what would otherwise have been. Organizational design is contingent on many factors including the environment, goals, technology, and people, and effective organizations are those in which these various elements are aligned well together (Mary& Ann 2006, 41).

The discussion above has laid out the importance of creating organizational structures in accordance with organizational strategies. There could be different ways of approaching the redesign process for achieving its objectives, which are discussed later in the paper.

### **ULB Organizational Capacitating Efforts at National Level**

The urgent need to redesign ULB organizational structures so that governance reforms may succeed and the problems of service delivery may be alleviated has not received attention at the national level in India. Multilateral aid agencies have tended to focus almost exclusively on ‘training’ and not on organizational capacity in relation to organization structuring (UNDP, 2005). Some researchers have pointed out that “local governments lack institutional capacity for performing functions entrusted to them” and that “the literature on municipal capacity building suggests that capacity building is driven, among other things, by three factors viz. human resource development, organizational development and institutional and legal framework” (Jha). But most observers have submerged this real issue under perceived constitutional, political, legal, and financial empowerment issues.

Organizational capacity, a key determinant of the effectiveness of decentralization, is therefore not yet a focus at the level of the national government. This perception is borne out by the “governance reforms” agenda of the ambitiously funded Jawaharlal Nehru National Urban Renewal Mission on Urban Infrastructure & Governance. The Mission is targeted at improving urban services in 60 selected cities and has been operating since December 2005. However, it talks only about “implementation of decentralization measures as envisaged in the 74<sup>th</sup> Constitution Amendment Act” (GOI 2005). The mission makes no mention of the delivery capacity of ULBs. Worse, its prescription is to reform and strengthen delivery capacity of para-statal – which is tantamount to treating the para-statal as the functional equivalent of ULBs. This would be disastrous since it holds the potential for actually reversing the process of decentralization.

Service delivery through para-statal cannot realize the twin objectives of accountability and policy responsiveness that form the foundation of local governance reforms spearheaded by the Constitutional amendment. Rather, such a system would be an urban management structure that “de-politicizes urban management, alienating local society and distancing decision-making from poorer groups” (Benjamin 2000, 52-53). In fact, the abundant presence of state government-owned utilities and their continued preponderance in service delivery sectors in urban areas seem to challenge and discourage the efforts of ULBs to enter into their legitimate domain. In Bangalore, the city corporation operates in an arena along with seventeen para-statal agencies, under the purview of five state ministers and their respective administrative departments. It is this larger institutional structure that directly or indirectly shapes urban development in the city, virtually leading to centralized forms of governance (Benjamin 2000, 45, 51).

By far the most direct assessment of the issue of organizational capacity at ULB level was done by the second National Administrative Reforms Commission (ARC). The commission observed that “the crucial issue of capacity building in urban and rural local bodies remains a largely neglected area in decentralized self governance. Beyond short-term ‘training’ of personnel and elected elements of these bodies, little has so far been contemplated, and even in this sphere there has been limited initiative and fitful progress” (ARC, 68). ARC pointed out that the task of building organizational capacities is more complex and demanding than upgrading

individuals' skills, partly because of the hitherto gross neglect of this and partly due to more complex initiatives required to achieve this goal (ARC, 70).

### **Capacity Development and a New Organizational Structure**

Given that ULBs seriously lack the skills and capacities to deliver according to their mandated expanded role, alternative organizational designs involving appropriate structures are to be evolved. Some options for this, entailing innovations in organizational design are examined below.

#### **(i) Hierarchical structuring**

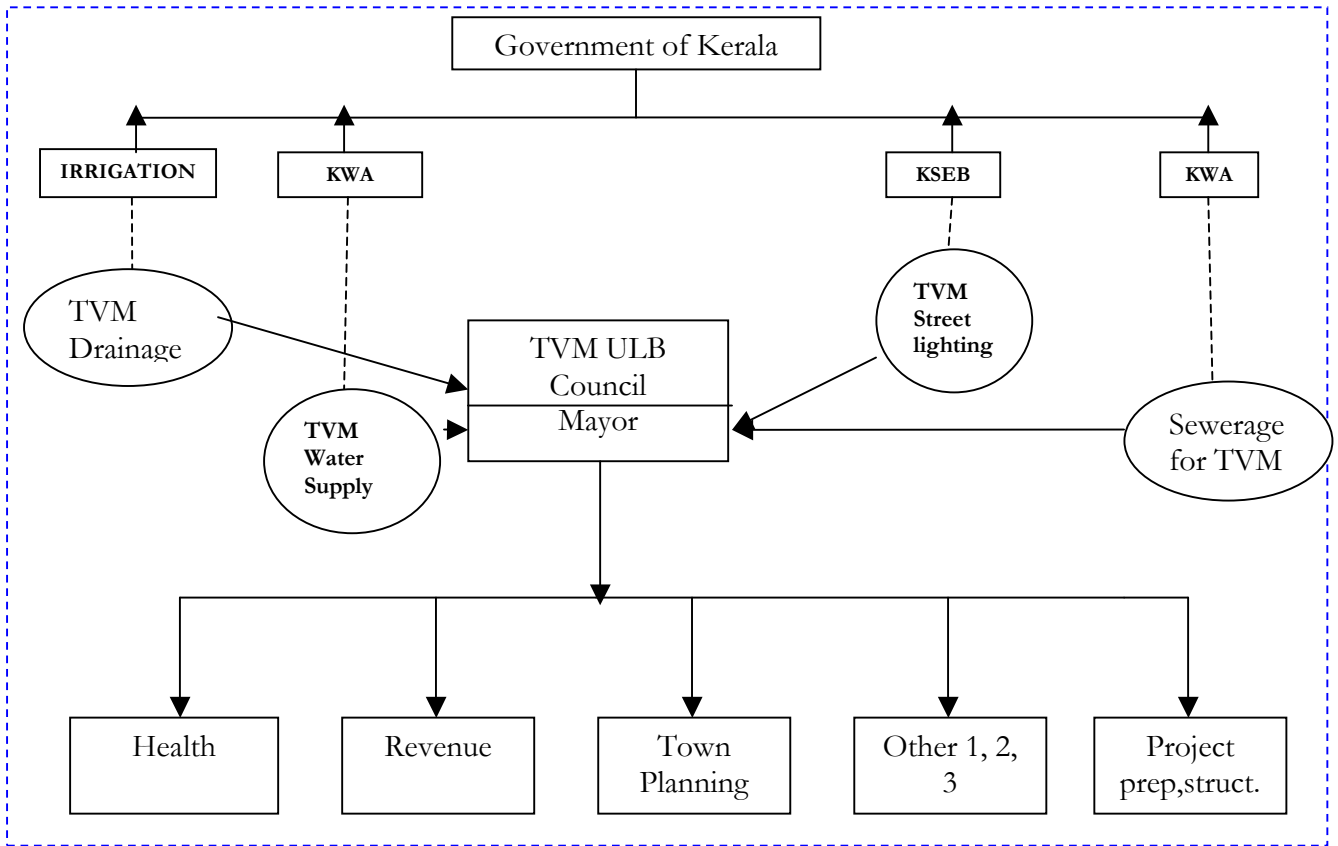
One method of creating the required organizational structure is bringing in existing units from state government departments or utilities such as water supply, sewerage, drainage, urban planning, town planning, fire protection, urban forestry etc. This could be done in different ways -- one simple option is to bring each primary unit into a direct reporting relationship with the city mayor or ULB chairman without disintegrating the lending body. Supplemented by a project formulation and financial structuring mechanism, the ULB could secure a complete organization enabling the delivery of various services. The resulting organizational structure would be along the lines of that shown in figure 3 (page 19).

#### **(ii) A company owned by ULB**

Alternatively, the ULB could be structured by forming units separated from the pre-existing organization. This method could, depending on the size of the activity in the ULB, be implemented by forming a unit as a registered company, such as a company for water supply owned by the ULB with the city mayor or ULB chairman as heading the company. The new entity owned by the ULB is likely to have better access to financing from bond and other money markets than the current player on the water supply scene. This route has been tried quite successfully in China, where the highly decentralized infrastructure allows the city government to take the responsibility of providing city level infrastructure (Mahadevia 2006). ULBs in China have companies set up for urban infrastructure, bolstered with grant support from the city government and capable of borrowing against city government guarantees.

**Fig. 3**

## Design of modified organizational structure for ULB



### (iii) A Networking Solution

A third delivery mechanism could be by networking with an appropriate organization. This method particularly suits a ULB for which a separate hierarchical unit or a company may not be viable, considering the limited scale of operations of the particular service function or for other reasons. Networks are inter-organizational relationships characterized by organic and informal systems, in contrast to bureaucratic structures within an organization. A properly conceived network can provide a ULB with a sustainable arrangement to rely upon for capacity accession needs, where such needs need not be in the form of in-house capacitating. For example, the Alandur ULB in Tamil Nadu is a residential suburb of the city of Chennai with an area of 19.5 sq. km and a population of 165,000. With a cost of Rs. 340 million, it very successfully implemented an underground sewerage project by outsourcing the preparation of the project, engineering, project structuring, and contract procurement and supervision. This type of organization is sometimes

referred to as “hollow” organizations (Anand et.al, 2007). Evolving partnerships, developing networks and outsourcing functions are all methods of enhancing the capability of an organization (ARC, 70).

There could be other organizational typologies which combine the three models mentioned above, for instance a company that absorbs the primary unit of the existing state utility body. There could also be variations linked to scale of ULB operational requirements or natural resource endowments such as a shared water project for a group of ULBs involving a source of raw water supply.

#### **IV. Conclusion**

Decentralization of functional and financial powers to local governments is a powerful and desirable tool for improving the quality of urban services. In India however, a decade after extensive reforms of local governance were built into the Constitution and the laws, service delivery through urban local bodies has not improved. With population share and economic output of urban areas fast advancing, poor service delivery raises obstacles to both citizen welfare and economic growth.

This paper has analyzed the scenario with a view to identifying the factors that obstruct urban local government action. It has found that the reasons for poor local governance lie not in any shortcoming in democratization or empowerment as often attributed, but in the fact that the local organizational structure is not redesigned to conform to its upgraded and expanded role, leaving significant gaps in the organizational capacity of ULBs. Decentralization cannot work without major reinforcement of the capacity of the decentralized agencies. “There cannot be any general presumption that decentralization will improve public–service delivery or represent the interests of the poor better. Instead, one should expect the outcomes to be context and design specific” (Bardhan & Mookherjee 2007, 9-10).

The paper has therefore identified the significant lack of execution capacity of decentralized urban governments as the most binding constraint in delivering basic urban services. The system lacks steerage and organizational coherence in ULBs. The paper has put forward a few models for redesigning urban local body

organization towards increased capacity development and the delivery of basic urban services far more effectively.

## Appendix

### Kerala Laws to Implement Constitutional Mandate

With a view to examine whether the constraints on effective local self-governance arise from lack of decentralization of powers, consider the laws themselves, as applicable in Kerala state for selected functional areas.

#### (a) Democratization of Local Governance

The Constitution requires that municipality seats be filled by direct election with one-third of the seats reserved for women and proportional reservation for scheduled castes and tribes.<sup>7</sup> It provides that every municipality must govern for five years and that there be no dissolution through statute amendments. A fresh election is to be conducted before the municipality expires its term. The supervision, direction and control over preparing the electoral rolls are to be vested in a State Election Commission (SEC) and all election-related matters are to be governed by laws made by the State legislature (Article 243-ZA).

A detailed examination of The Kerala Municipality Act (Act 20 of 1994) (KM Act), which replaced a 1961 act of the same title, shows that the Constitutional mandate on the manner and frequency of elections and the role of the State Election Commission has been elaborately and specifically laid down in this enactment, which soon followed the amendment of the Constitution.

The superintendence, direction and control of the preparation of electoral rolls, for, and the conduct of, all elections to the municipalities vest in the SEC (Section 68). The SEC has full powers control, supervision and command over staff on election duty including the police (Section 104A). It has the powers of a civil court (Section 196). It enjoys unique powers such as that it is the SEC who chairs the Delimitation Commission which delimits local government constituencies and assigns reserved posts and constituencies. The Delimitation Commission can disqualify those

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<sup>7</sup> Articles 243-R, 243-S, 243-T, 243U and 243V

candidates who do not submit election accounts and candidates found guilty of defection. Government's power to dissolve a municipality and to suspend and cancel a resolution of municipality is circumscribed by the requirement of an advice by an Ombudsman recommending such dissolution, suspension or revocation (Sections 57&64).

Elections have been held under the exclusive jurisdiction of the SEC every five years to ULBs in Kerala (they were held in 1995, 2000 and 2005). There are neither cases of super-session of elected members or bodies, nor other interventions of state government in the conduct of elections or the constitution of the elected ULBs.

### **(b) Municipal Finance**

The Constitution (Article 243-X) authorizes municipalities to levy and collect taxes, duties, tolls, and fees, and to assign a share from state tax revenues to ULBs. Grants-in-aid are to be provided to them by state government. A municipal fund is to be constituted at the ULB level for crediting and withdrawing moneys received by them. The KM Act gives authority to ULBs to levy property tax, profession tax, tax on animals and vessels, show tax, tax on advertisements, and tax on timber brought into the municipal area (Section 230). The act empowers ULBs to levy a surcharge on any tax for the purpose of providing a specific civic service or amenity. Section 283 provides for constituting a Municipal Fund into which all moneys are credited. ULBs are authorized to make expenses from the fund for purposes related to their functions.

### **(c) Urban Services**

With a view to study whether the service functions listed in Schedule XII have been transferred to ULBs we discuss four different services and functions in this section:

#### **(i) Urban Planning**

In keeping with the terms of the Constitutional provision, urban planning should be the responsibility of ULBs. This is a function of crucial importance as it concerns

development plans, master plans and urban design. In Kerala, the law relevant to planning is The Town Planning Act [IV of 1108 Malayalam Era]. According to Section 7 of the Act, the municipality has the primary responsibility to prepare a town planning scheme, which (in terms of this statute) should consist of laying out or relaying out of land, reservation, and allotment of land for various functions such as streets, grounds, schools, and markets. Services such as construction and improvement of roads and bridges, transport facilities, water supply, lighting, surface drainage, sewage disposal, and housing are also to form part of the plan (Section 3).<sup>8</sup> The KM Act grants municipalities the power to prepare the master plan with “focus on scientific spatial planning” (Section 51(3)). The Act also empowers the municipality to “prepare and implement detailed town planning schemes” (Section 51(4)).

### **(ii & iii) Water Supply and Sewerage**

In Kerala all statutes relating to water supply and sewerage have been amended after 1993 with a view to transfer the functions of urban water supply and sewerage exclusively to ULBs. The K M Act of 1994, overriding the provision for the state water utility board Kerala Water Authority’s (KWA), ownership of water supply and sewerage installations (which is in terms of the Kerala Water Supply and Sewerage Act, 1986-Act14 of 1986)<sup>9</sup>, provided that all assets of KWA, in respect of water supply and sewerage service in the area of a municipality “shall vest in and stand transferred to the municipality” (amended section 315). The KM act stipulates that if the water supply and sewerage scheme falls under the purview of more than one local government institution, it should be vested in a committee convened by a senior KWA engineer and including the municipality chairperson and presidents of the concerned panchayats (Section 315A). It grants every municipality “the power and right to prepare and implement water supply or sewerage scheme within its municipal area” and to impose water charges and service charges for sewerage on beneficiaries (Section 315B).

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<sup>8</sup> The act does not use the expression master plan, but calls it a ‘town planning scheme’

<sup>9</sup> This was brought in through an amendment of 1999 to replace the provision that government “may entrust to a municipality the implementation of any scheme of water supply and drainage”.

The empowerment of ULBs in the matter of discharging water-supply and sewerage functions was further deepened through the enactment of the Kerala Decentralization of Powers Act (Act 16 Of 2000). This act(which further amended Act 14 of 1986), provides that KWA should render technical services to local bodies for planning, executing and running water supply and sewerage schemes [Section 34(1)(5)]. Also, local governments are “free to start their own water supply and sewerage schemes either individually or as a group of local bodies” and “to fix their own user charges” [Section 34(1)(6)]. It is obligatory on KWA to compulsorily transfer any water supply scheme or sewerage service under the area of a single municipality to that municipality upon request [Section 34(2) (1) (b)].

#### **(iv) Street Lighting**

K M Act requires municipalities to ensure that public streets in their area are appropriately lighted (Section 316). ULBs are allowed to take out a license from KSEB for distributing electricity locally by bulk-purchasing from it. The Kerala State Electricity Board (KSEB) is mandated to assist ULBs by providing the required electrical energy and technical assistance (Sub-section 2).

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