Crisis as Opportunity: Big City Governance - Separate Architecture for Million Plus Cities

by

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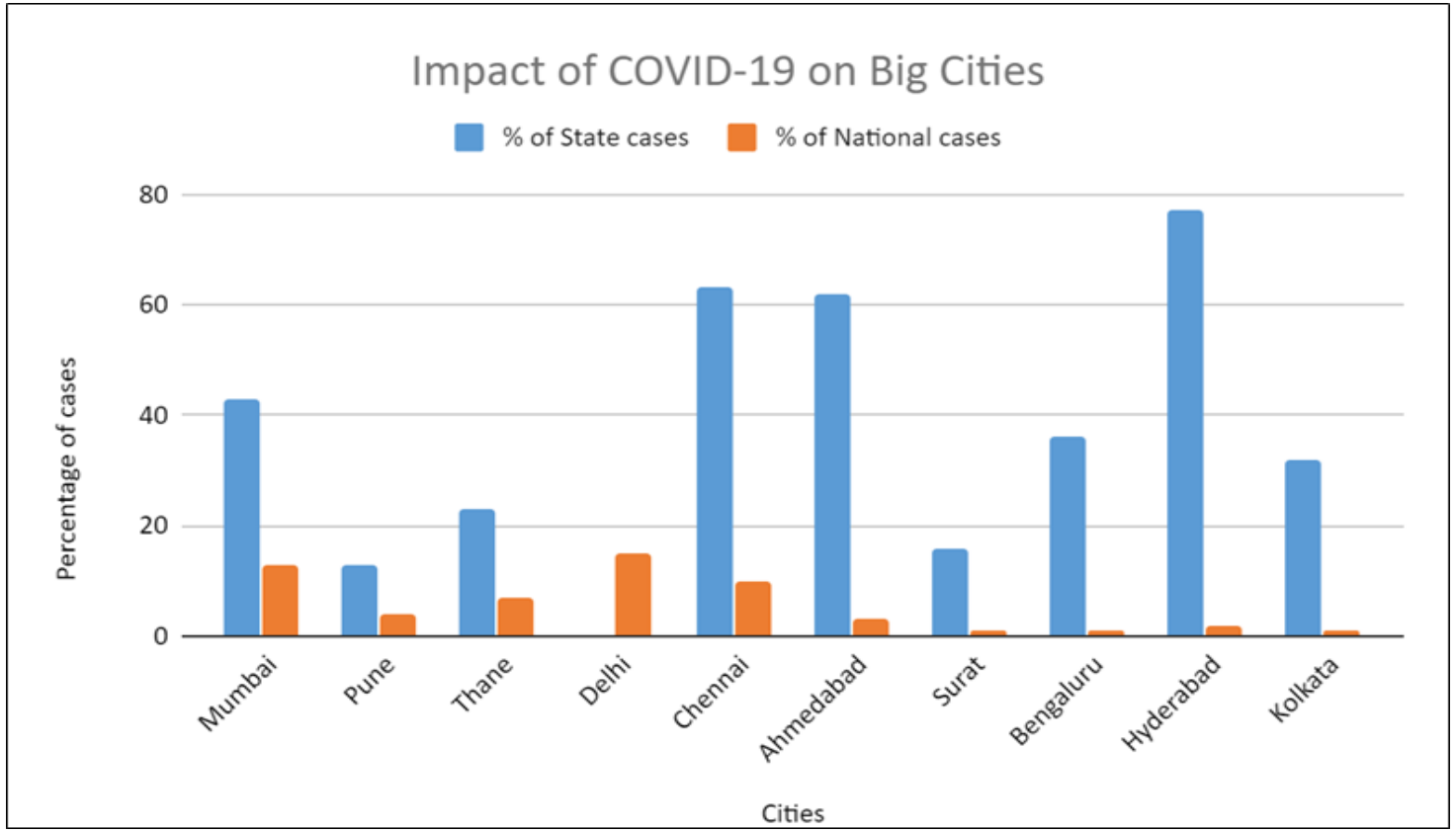
"A crisis is a terrible thing to waste"

- Paul Romer

COVID-19 & Cities: How are they coping?

Cases as on 4th July, 2020



Mumbai	82074
Pune	25454
Thane	43634
Delhi	94695
Chennai	64689
Ahmedabad	21543
Surat	5461
Bengaluru	7173
Hyderabad	15750
Kolkata	6622

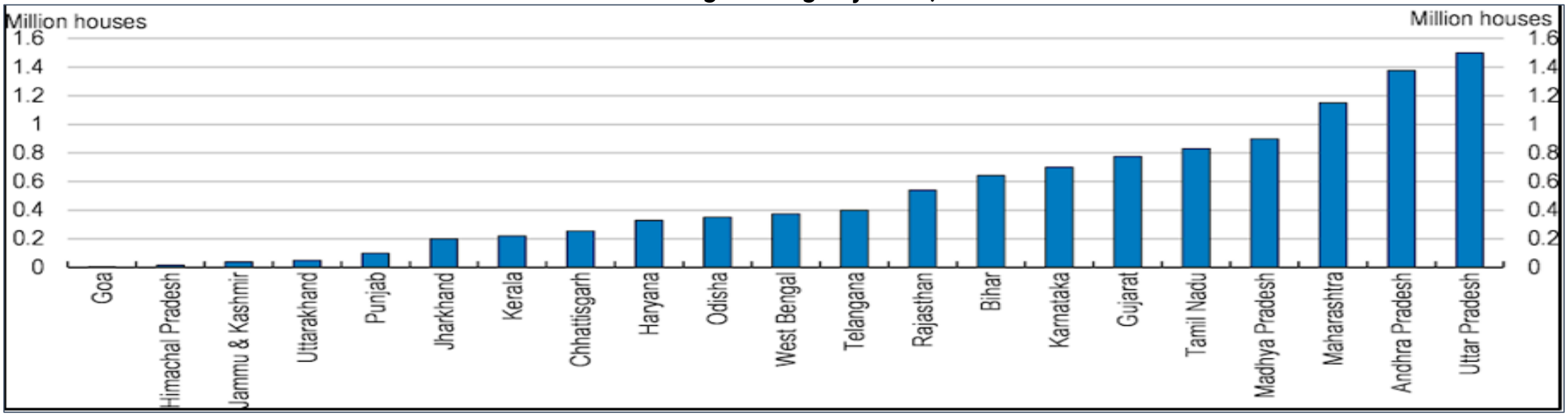
10 major cities in India account for **57%** of the total national cases;

More than **50%** of the cases are traced to slums in **12** major cities

Rapid Urbanisation

- Cities with a population of over 1 mn - **35** cities (**2001**), **53** cities (**2011**) & projected at **71** cities (**2030**).
- **25%** of the urban population lives in slums & a large disparity can be observed between states – **6%** (Kerala) **35%** (Andhra Pradesh, Haryana, Maharashtra).
- **42%** of the households in Mumbai reside in slums; **10.6%** population of Delhi lives in informal settlements
- India's urban housing shortage is estimated at nearly **18.78 million** (2012).

Urban Housing Shortage by state, 2015



Cities as Economic Powerhouse

- **54** cities alone contribute around **40%** of the nation's GDP & projected at **70%** by 2030.
- **Top 10** fastest growing cities in the world by GDP growth (2019-2035) are all in India.
- **70%** of the new employment opportunities will be generated by cities (2030).
- An estimate of **1.2 Trillion USD** investment required to meet the projected demands in cities.

NEED OF THE HOUR

- **Empowering** cities to govern themselves with appropriate safeguards in place.
- Promotion of people's participation, improving delivery and enforcing accountability through **local** governments.

Common Thread Amongst Empowered Cities

Cities like **New York, London, Seoul** & **Bangkok** are known for the best practises in urban governance

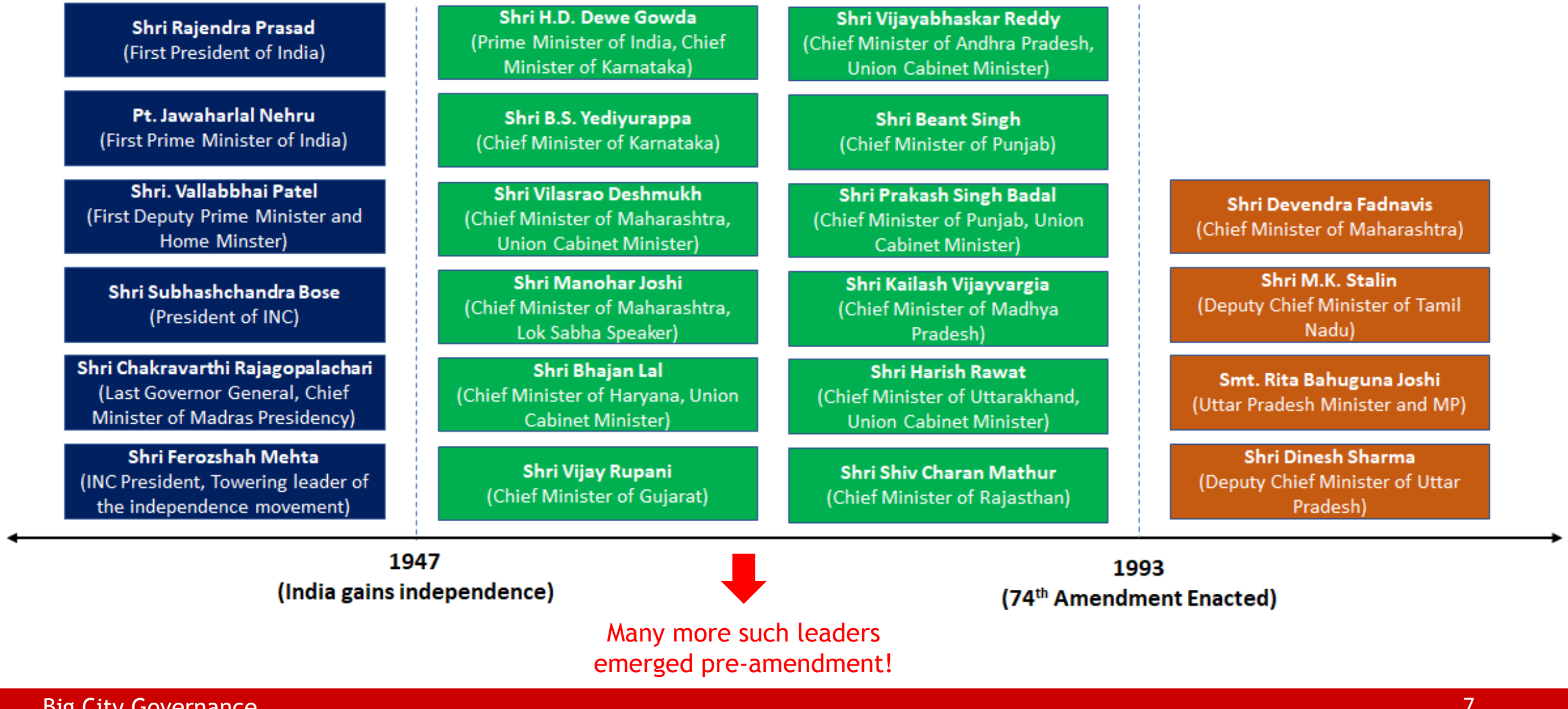
- All these cities posses strong, empowered local governments that **function autonomously**
- **Mayors** in these cities are **directly elected** and are vested with executive powers & functions
- **Funding** to these governments is **regular** & sustainable through grants and tax collection at local level
- These governments are **efficient in service delivery**, allow people to participate in governance with enhanced accountability

Ceremonial Office of Mayor

- **Absence** of a constitutional mandate for responsibilities and functions of the city government.
- The 74th Amendment also **does not specify** the tenure; **rotation of reservation of the office of Chairpersons** (Article 243T(4)) has not allowed leadership development.
  - Eight categories of quotas in real practice, making the field of choice very **narrow**.
  - On an average, it takes **four election cycles** for the same category of **eligibility** for the contest to be repeated again.
- Executive power is vested in the hand of municipal commissioners, mayor is merely ceremonial head.
- The **uncertainty** of the tenure and direct **control** by the state make the nature of the commissioner's performance, barring few exceptions, routine, rather than visionary.

Weak Leadership Development Post 1993

Eminent leaders who rose from the grassroots



Many more such leaders emerged pre-amendment!

Weak Leadership Development Post 1993

1947
(India gains independence)

1993
(74th Amendment Enacted)

Leaders who emerged pre-1947

- **In 1991**, Lord Rippon instituted **representation of Indians** in municipalities and local governments.
- **In 1919,** through **The Government of India Act**, some of the executive powers that were vested with British Officers were **transferred to local governments.**
- Most of the stalwarts and tall leaders of the Independence movement emerged from their local bodies tenure.

Leaders who emerged pre-1993

- Nurturing leadership at local and grassroot levels continued in Independent India.
- Several local government leaders went on to hold higher offices of leadership such as Chief Ministers of State and Ministers in the Union government.

Leaders who emerged post-1993

- The **74th amendment has to led to very few leaders** who could be nurtured by the local governance.
- The **rotational system** has **substantially reduced opportunities for emergence** and sustenance of leaders.
- Among the short list of leaders, MK Stalin and Rita Bahuguna Joshi - **owe their rise** more **to their family connections** than to local government experience.

Proposed Solution (1)

Reform Needed

- **Reservation** will not apply to the office of Mayor
- Reservations at council level **will stay**
- **Mayor** through popular vote or by election of Councillors - fixed **5-year position** as the chief executive of the city government & real empowerment
- **Municipal Commissioner** to be appointed, in consultation with the Mayor, for a fixed **3-year term**

Reform Impact

- There will be a **development and nurturing of leadership**
- Will provide **incentive** to perform better to stand for re-election
- Would allow planning and execution of projects over a **longer term**
- Mayor will have **greater ownership and responsibility** towards his/her citizens

Lack of Functional Devolution

- The Twelfth Schedule of the Constitution is merely **recommendatory.**

- Provisions do not have the force of the Seventh Schedule, which clearly **demarcates** the functional **jurisdiction** of the Union and States.
- Many of the designated functions of municipalities are **performed** by state controlled **parastatal** organisations.
  - In Bengaluru, for example, water supply and sewerage, ordinarily a **municipal** function, is the responsibility of a parastatal - *Bengaluru Water Supply* and *Sewerage Board*
- Local Governments are **blamed** for non-delivery of services, despite having absolutely no control over these areas of services.

Proposed Solution (2)

Reform Needed	Reform Impact
➢ Items under **Schedule 12** to be entrusted with city governments, under specialised personnel. (*Includes services like town planning, water supply, public health, sanitation etc.)* ➢ These personnel to be accountable to the Mayor's office.	➢ Elected mayor and officials will have **authority and autonomy** necessary to deliver services. ➢ Would create a direct and **proportional link between the authority and responsibility** entrusted with city governments
➢ A **citizen's charter** covering all deliverable services should be institutionalised in city governments ➢ An independent **ombudsman** should be constituted ➢ State governments should create formal mechanism of **review and monitoring**	➢ The charter would provide a **clear goal and accountability mechanism** ➢ Ombudsman to **enforce and ensure efficient service-delivery** and keep a **check on power** ➢ Would provide **better coordination** between city governments and higher tiers

Inconsistent and Paltry Fund Devolution

Devolution from Telangana State to Local Government

Components	RE 18-19 (in Crore)	BE 2019-20 (in Crore)
Total Telangana Budget	174454	146492
Telangana's Tax Revenue	73752	69329
Telangana's Revenue (Tax + Own Non-Tax)	82726	85204
State Finance Commission (FC) transfers	621.47	521.73
14th Finance Commission (FC) transfers	772.73	1036.98
State FC transfer as % of Telangana Tax Revenue	**0.84%**	**0.75%**
Per capita State FC transfer (in Rs.)	**457**	**384**
Per Capita Union FC transfer (in Rs.)	**568**	**763**

Source: Telangana State Finance portal

The devolution from Telangana state government to local governments is meagre. In this context, there is a need to empower local governments in all regions of the State with systems of accountability.

- Indian city governments are amongst the **weakest** in the world in terms of fiscal autonomy and their capacity to deliver civic infrastructure and services.
- Aggregate **fund** transfer to the local governments is ad-hoc and inconsistent.
- The share of **revenue** transferred by the State government to local governments is also very **low**.

Low Share of Overall Public Spending

Share of US Public Expenditure in 2019

Item	Amount (in Trillion $)	% of total Expenditure
Federal Government Expenditure (Less state and local government transfers)	3.6	49.32
State Government Expenditure (Less local government transfers)	1.8	24.65
Local Government Expenditure	1.9	26.02
Total Expenditure	**7.3**	**100**

The **Federal** government bears most of the burden of social security and healthcare, apart from incurring a substantial share of expenditure on rule of law and school education.

The local government expenditure exceeds State expenditure in the US.

Share of India Public Expenditure in 2018-19

Item	Amount (in trillion Rs)	% of total Expenditure
Union Government Expenditure (Less state and local government transfers)	18.37	34.23
Total States Expenditure (Less local government transfers)	32.29	60.17
Total Local Governments (Rural and Urban) Expenditure	3.0	5.6
Total Expenditure	**53.66**	**100**

In India, most of these responsibilities are entrusted to **states**.

The combined public expenditure of all states far exceeds that of the Union, and the local government expenditure is paltry in comparison.

Limited Revenue Generating Capacity

- Local governments have **limited** capacity to generate revenue on their own.
- India's municipal revenue as percent of GDP declined from 1.05% in 2012-13 to **1% in 2017-18.**
- There has been a decline in municipal expenditure of six of the largest Municipal Corporations (Mumbai, Bengaluru, Chennai, Hyderabad, Kolkata and Ahmedabad) as percent of GDP from **0.293% in 2012-13** to **0.234% in 2017-18**
- The 74th Amendment defined the range of possible **expenditure** that can be assigned to the local governments, leaving it to the states to notify devolution from the range identified.
- In the case of **revenue** sources of urban local governments, the amendment left it entirely to state governments to decide.

Proposed Solution (3)

Reform Needed

- **Predictable funds devolution** to city governments from union and state level
- A certain share, say 30%, of union's fund devolution to states to be earmarked to be transferred to city and other local governments, on a **population basis**
- Employees of 12th schedule functions to be accountable to city governments and under their employ. States must **transfer grants equivalent to remunerations** to these employees to city governments
- **National consensus** with appropriate guidelines regarding states sharing their tax revenues with local governments

Reform Impact

- **Citizens will know** how much **money the local government is entitled to** on an annual basis
- Would ensure **predictability and transparency** in devolution of funds
- Would allow **greater flexibility** and **financial autonomy** to meet local needs

Ward Committees and Citizen Participation

- Article 243-S of the Constitution provides for Wards Committees in all municipalities having a population of **three lakhs or more**.
- Constituted perfunctorily in many cities, defeating the purpose.
  - Each Wards Committee of Mumbai has a population of **10-15 lakhs**.
- Even when constituted, it has little role in making decisions prioritising local expenditure or holding the local municipal employees to account.
- Cities grow bigger, local government becomes remote, citizens lose voice.

Proposed Solution (4)

Reform Needed

- Ward Committees should be constituted for a **population of 25,000-50,000**
- Certain **share of municipal expenditure** should flow to ward committees
- **Personnel** in-charge of performing functions, assigned at the local level, should be accountable to the ward committees

Reform Impact

- Citizen participation in governance at community level will help **fuse authority with responsibility** and make delivery transparent and effective.

Common Cadre & Housing

Common Cadre for Cities:

- **Management** of cities requires enormous expertise and experience & each city may find it difficult to recruit, train and benefit from the expertise of the officials.
- A common cadre may be **constituted** of officials who have domain expertise in city management.
- Cities should have the **freedom** and opportunity to enlist the services of experts from outside the government.

Housing:

- Growth of slums and unauthorized occupation of public spaces for temporary housing will inevitably lead to **ghettoisation**.
- A massive national programme should be taken up to complete **20 million** dwelling units in cities.
- **Low income** families should have a stake in housing projects by contributing, say 10% of the cost, and should acquire ownership through payment of easy monthly instalments over 20 years.

Conclusion

- The COVID-19 crisis exposed the **fault lines** in our big city governance.
- Better **management** of cities, genuine **empowerment**, local leadership **development**, **community participation** in managing city governments, competent **delivery of services** and effective systems of **accountability** are critical for the future of our society.
- **Conscious** promotion of small towns will encourage in situ migration. However, migration to big cities is **unstoppable**.
- Rapid **urbanisation** offers a great opportunity for accelerated growth, elimination of poverty and creation of jobs.
- City empowerment is **no zero sum game**. States will play a key role.
- **Accountability** of city government and **coordination** with state agencies demand continuous engagement of the state government in the management of a city.