

STATE-LOCAL RELATION IN URBAN DEVELOPMENT

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The purpose of this paper is to bring out the actual working relationships between the State Governments and the municipal bodies in a specific operative field *e.g.*, urban development. The functional approach followed here is distinguishable from conventional generalistic or macro-study of State-local relations where the entire gamut of interactions between the two parties—State and local government is sought to be encompassed. Without getting bogged down into such meticulous details of State-local relations in normal and emergency situations, the present inquiry focusses attention on the actual interactions taking place between the State Governments and the municipal bodies in the administration of urban development which, in turn, would throw some light on the more general problems of State-local relations.

The term “urban development” has been used here to signify the provision of basic urban facilities in municipal areas such as (i) town-planning, (ii) land acquisition and development, (iii) construction of roads, (iv) transportation and power, (v) water supply, and drainage and sewerage, and (vi) housing and slum clearance. Not all these facilities are, however, provided by the municipal bodies themselves. For instance, with a few exceptions such as the municipal corporations of Delhi, Bombay and Ahmedabad, most of the municipal bodies do not have the transportation service. The situation is much the same with “power” also. Again, housing is not a municipal function in India, although limited housing construction is undertaken by the major corporations and municipalities mostly for the sweepers and menial staff. Also, land acquisition and development cannot be said to be a function undertaken by a majority of municipal bodies in India. So far as practice goes, slum clearance has perhaps a greater claim to be listed as a municipal responsibility.

Whatever powers and functions the municipal bodies have are statutorily delegated to them by the State Governments, and these are conferred on them from the States’ constitutionally allotted jurisdiction. In delegating powers and functions, the States have chosen different institutions for different responsibilities. Thus, in no State would one find a single institution entrusted with the whole gamut of urban development responsibilities. Besides the elected municipal councils and corporations, there are the improvement trusts, housing boards, water supply and sewer-

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age boards, electricity boards, transport undertakings and even State departments—each of these being charged with one or more urban development functions. Such a multiplicity of competitive institutions in the field of urban development does give rise to important problems of horizontal coordination and inter-relations. This, however, does not fall within the scope of our discussion. Nevertheless, the existence of these diverse types of institutions in the same or closely allied operational field bespeaks of a contractionist rather than expansionist attitude on the part of the State Governments toward the urban local self-governing bodies.

I. URBANIZATION AND MUNICIPAL GOVERNMENT

So far as municipal government is concerned, it is the municipalities and municipal corporations which are bearing the burnt of urbanization. This is especially true of bigger urban centres which are faced with a tremendous population explosion due largely to rural-urban migration. Thus, during the period 1921-61, total urban population increased by 174 per cent but the corresponding increase in class I cities *i.e.*, those with a population of one lakh or more, was 400 per cent. According to census of 1961, there are 107 class I cities which contain 35 million persons or nearly 44 per cent of the total urban population of India.

Our municipal government has never been known for efficiency and good administration. On top of it, continuous pressure of population which in turn badly affected the urban local services and facilities, has thrown the machinery of municipal government almost out of gears. The already inadequate municipal services such as water supply, drainage and sewerage, conservancy and others have deteriorated considerably and created serious problems of public health and sanitation. Illustrative of the crisis in our urban areas are the facts that not more than 35 per cent of the urban areas have adequate or partial water supply, and in only about 5 to 6 per cent of the urban areas there are sewerage systems, full or partial. It is estimated that 30 per cent of the population in cities having more than 5 lakhs of population live in slums. These figures amply point at the dismal state of urban living conditions which are deteriorating further with the steady growth of urban population.

II. ROLE OF STATE GOVERNMENTS

As a recent committee report observes, "The deterioration in the services and amenities is inevitable as the local authorities have neither the necessary perspective nor the administrative machinery nor the resources to keep pace with rapid urban growth."¹ It is against this background of weak municipal government and mounting problems of urbanization

1. Ministry of Health and Family Planning, Govt. of India, *Report of the Rural-Urban Relationship Committee*, 1966, Vol. I, p. 48.

that the relationships between the State Governments and the municipal bodies have to be examined. For the sake of convenience, the relationships can be studied from three standpoints—law, administration and finance respectively.

Legislation

The Municipal Acts in India were framed long ago when there were hardly any problems of growing urbanization. Even now the old Municipal Acts are in force in such States as West Bengal (Act of 1932), Bihar (Act of 1922) and the Punjab (Act of 1911). After Independence many of the States *e.g.* Assam, Orissa, Andhra, Kerala, Gujarat, Maharashtra, Rajasthan, Mysore and Uttar Pradesh (in respect of corporations only) have framed new legislations. But not all these legislations were enacted keeping in view the need for endowing the municipal bodies with adequate powers and resources necessary for a planned and regulated urban growth. So far, it is the Maharashtra Municipalities Act, 1965, which seems to be the only new Act which has tried to breathe into municipal government some new ideas and concepts. Also, in proper contexts reference will be made to commendable efforts made by the State Governments of Madhya Pradesh, Gujarat and Kerala to codify and systematise rules and regulations pertaining to grants-in-aid to municipal bodies.

It may be mentioned in this connection that in most of the States town development functions were not statutorily entrusted to the municipal bodies. For this purpose, the improvement trusts were created under special statutes. But, what the trusts actually did was piecemeal development and re-development which is a far-cry from comprehensive town planning. Thus, laws were enacted to create competitive institutions without solving the real problems of overall planning and development of the urban areas. In recent years, a notable measure is the Uttar Pradesh Nagar Mahapalika Adhiniyam, 1959, which makes the Municipal Corporations responsible for city planning and development and vests in them the powers and functions of the erstwhile Improvement Trusts that were abolished after the creation of the corporations. The other States, that have endowed the municipal bodies with planning functions under the State Town Planning Acts are Madras, Maharashtra, and Mysore.

Even where urban local bodies are statutorily empowered to undertake planning functions, such powers are exercisable within their limited legal jurisdictions only. Consequently, in many of the growing cities and towns, actual urban growth has left their frozen legal limits somewhere behind. This situation has created an unbridged gulf between the planning areas and the plannable limits. In Uttar Pradesh, the Municipal Corporations are empowered to extend their planning areas upto two-miles beyond their legal jurisdictions. Even then, wherever bigger urban complexes such as the Calcutta Metropolitan District or Greater Bombay

and some others are functionally and practically inter-related with wide hinterlands, there is need for suitable legislation for creating agencies that will undertake planning and coordinate development for the entire city region. Only a few States like Maharashtra, and Mysore have already passed necessary legislations for this purpose.

Administration

For administering their urban development programmes in the fields of water supply, drainage and sewerage, planning and so on, the municipal bodies have to depend very much on the State Governments. For, apart from normal State powers of making rules, issuing orders, approving bye-laws, according sanctions etc., the schemes of urban development are in most cases framed and implemented by the State Governments. In general the municipal bodies do not have well equipped departments consisting of properly qualified technical staff such as engineers, town planners and architects. Dearth of technical staff coupled with lack of financial resources leaves them with no other alternative than to look to State Governments for assistance—both technical and financial. It is heartening that in Andhra Pradesh, Madras and some other States, technical posts in municipal bodies are being filled in from organised State municipal services or by officers on deputation from State services.

The procedure that a municipality is presently to follow to communicate with the State Government is exceedingly cumbrous and time-consuming which stands in the way of adoption of expeditious measures to meet the urban challenge. Barring the Municipal Corporations, all other Municipalities are tied to the apron-string of the Divisional Commissioner and the Collector. To cite one instance of the long drawnout procedure, in West Bengal a Municipality that desires to undertake a project for water supply or sewerage has to submit detailed plan and estimate of the project to a specially constituted Public Health Engineering Committee through the District Magistrate concerned. The Committee, after considering the project, forwards it to the Health Department with its comments. The Health Department next consults the Finance Department and ultimately issues administrative approval. Where a Municipality is unable to prepare its own scheme, this task is undertaken by the Public Health Engineering section for which the Municipality has to pay separate charges to the Government. The procedure is much the same throughout India and it has been found that in general it takes 2-3 years to implement a municipal water supply or sewerage scheme. Apart from increasing costs involved in such delays, the tortuous and long-drawnout process of negotiation and communication with the State Governments before and after the implementation of a project affects the spirit of most municipal bodies who, therefore, think twice before desiring to launch an urban development scheme.

The present weaknesses of Municipal Government highlight the necessity for a well-equipped organisation for urban development administration in each State which would keep in close touch with the municipal bodies and offer them timely assistance and advice. As one eminent administrator remarks, "The state administration must look upon the local authorities of the urban centers (as indeed of the country side as well) as partners in the programme of planned development".² However, very few States have properly staffed organisations, both at the secretariat and field levels, which could assist and guide the municipal bodies. Moreover, the urban development functions such as housing and slum clearance, water supply, drainage and sewerage, road constructions etc., are entrusted to different functional departments at the State level, and in most cases no administrative device has been evolved to ensure coordination among the functional departments. Excepting Maharashtra which has created an integrated Department of Urban Development, Public Health and Housing, all other States suffer from fragmentation of responsibilities at the departmental level. For instance, in West Bengal which is currently engaged in urban and regional planning, there are at least four Departments *viz.*, Local Self-Government, Health, Housing, and Town and Country Planning which are competing with one another in exercising authority over their respective operational fields. In such a situation each department tends to think in terms of specific functions only without bothering about the provision of other complementary facilities which are looked after by sister departments. Instances are, therefore, not rare when in an urban area, rows of newly built houses remain unoccupied, because water supply and electricity are yet to be provided.³

Urban development is a composite and coherent theme which is achieved through a harmonious blending of cognate services and facilities. Hence, it is imperative to have an integrated department of urban development at the State level which will have its field staff as well to keep in close touch with the municipal bodies and offer them timely guidance and assistance. In this connection, the Maharashtra model of departmental organisation deserves attention. Where integration is not favoured, permanent inter-departmental committees can go a long way in securing a coordinated approach to urban development. Another unique organization in Maharashtra which may well be emulated by other States, is the Board of Urban Development constituted in 1964 with the Minister for Urban Development as Chairman and with 42 other members,

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2. S. G. Barve, "Urbanisation in Maharashtra State: Problems and a Plan of Action," in Roy Turner (ed.), *India's Urban Future* (1962).
 3. Such a situation is quite common in many of our growing urban areas which is due to fragmentation of functional responsibilities among a number of local authorities such as municipality, improvement trust, housing board and even State departments.

official and non-official including members of the various municipal and other local bodies, which "advises government on the problems of water supply, drainage and sanitation schemes, public health, housing, traffic and communications, education, commercial and industrial development, town planning, municipal finances, municipal staff (including the establishment of common staffing patterns) and social and economic measures for welfare of urban population".⁴

Finance

Urban development through the agency of municipal bodies involves undertaking of municipal capital development works. But, as is well known, our municipal bodies are financially too weak to make both ends meet. They fail even to run the normal administration properly. Their financial resources are limited by statutory conditions, and these are usually supplemented by tax-sharing with State Governments and grants-in-aid. Although State control over the municipal bodies is considerable, State grants-in-aid, however, account for less than 20 per cent of municipal income.⁵ The financial condition of the municipal bodies is further worsened by weak and inefficient administration. Consequently, whatever limited resources are left at their disposal are not properly tapped.

At the other end, the State Governments stand as overlords, keen to keep the municipal bodies within the confines of laws, rules and regulations rather than to stimulate, guide and assist them. There are elaborate financial rules and regulations handed down from the British days, an audit system which is based more on finding fault than on rendering advice and assistance, and an insistence on State sanctions and approval almost at every step. A typical restrictive regulation can be illustrated by the fact that in Rajasthan even when a budgetary provision exists, every municipal expenditure proposal exceeding Rs. 5,000 requires sanction of the State Government. The restrictions are far more rigorous in the case of indebted municipal bodies

Thus, Municipal Government is almost deemed to stagnation because of its inherent weaknesses and the negative role of State Governments. Successful participation of the municipal bodies in urban development administration would, therefore, necessitate an urgent change in both the directions. In this connection, it is relevant to quote a few lines from the Third Five Year Plan : "At the local level, municipal administrations

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4. Urban Development, Public Health and Housing Department, Government of Maharashtra, Bombay, *Urban Development in Maharashtra : Progress and Prospect* (1967), p. 102.
 5. Central Council of Local Self-Government, Govt. of India, Report of the Committee of Ministers, *Augmentation of Financial Resources of Urban Local Bodies*, November, 1963, p. 140.

alone can undertake satisfactorily the task of providing the services needed for development in urban areas, expansion of housing and improvement of living conditions. Most municipal administrations are not strong enough to carry out these functions. They should be sufficiently strengthened by increasing their resources and personnel and by enlarging their jurisdiction and function".⁶ Undoubtedly these lines contain a noble sentiment, but not many states have taken the follow up measures to translate them into practice.

It may be mentioned that although municipal development schemes are generally left out of our five year plans, some plan funds do filter down to the municipal bodies through a handful of urban development schemes of water supply and sewerage, preparation of city master plans, land acquisition and development, slum clearance and improvement, and urban community development.⁷ Obviously, such plan funds are quite meagre from the stand point of the needs of our municipal bodies, and under existing circumstances no spectacular increase in plan allocation is expected on these social overheads which are accorded a low priority in the plans.

Specific Purpose Grants

Realising the need for the stimulation of specific municipal services, specific purpose grants for municipal capital works are offered to the municipal bodies by most of the State Governments. But the quantum of such grants is extremely meagre, and there is no regularity and certainty about these grants which are discretionary in nature and dependent on the condition of States' finances. In fact, grants-in-aid to municipal bodies have never been systematised and codified in India. It is only recently that three States *viz.*, Madhya Pradesh, Gujarat and Kerala have tried to introduce a measure of system and certainty in this sphere. Even then, the State Governments in general express their inability to release specific purpose grants for municipal capital development projects. The Kerala Municipal Grants Enquiry Committee expressed the mood of the State Governments succinctly, as it remarked, "It will not be easy to conceive of a recurring grant-in-aid system for our municipal administration which would cover the capital cost of improvement works. The commitment will be too very large".⁸

Nevertheless, many of the State Governments are giving some capital grants to their municipal bodies. Thus, in West Bengal, for instance,

6. Planning Commission, Government of India, *Third Five Year Plan*, p. 693.

7. For further details, see Abhijit Datta and Mohit Bhattacharya, "A Functional Approach to Indian Federalism—Case Study of Urban Development," 1967, *Indian Journal of Public Administration*, Vol. XIII, No. 2, pp. 283-298.

8. Government of Kerala, Ernakulam, *Report of the Municipal Grants Enquiry Committee*, 1964, p. 32.

the municipalities are offered two-third of the initial capital cost of a water-supply or sewerage project as grant; the corresponding figure for Kerala and Mysore is fifty per cent. The Madhya Pradesh Government is offering grant to the municipal bodies to the tune of thirty per cent of the capital cost of a water supply and sewerage project. Gujarat and Maharashtra have a variable percentage grant system on the basis of classification of municipalities. So far as other municipal capital works are concerned *e.g.*, road constructions, housing etc., it is not possible to make any generalisation that would fit in with the situation in all the States.

It is noteworthy that of the three States *viz*, Madhya Pradesh, Gujarat and Kerala that have introduced some sort of a grant-in-aid system, only Madhya Pradesh has laid down certain percentage grants for specific municipal development works. The other two States have laid down some grants formula for specific services; but apart from water supply and sewerage, the grants are for the purpose of maintenance rather than development.⁹ These could as well be fitted into the general purpose grant system.

Problem of Loans

The problem of procuring loans for municipal capital works is equally great. Although the municipal bodies are not legally debarred from open market borrowing, their credit-worthiness stands in the way of such borrowing. Also, the Reserve Bank of India, and the Union Ministry of Finance exercise strict control over municipal borrowing in order to avoid competition with the loans raised by the Union and State Governments. Owing to increased commitments under the plans the borrowings of the Union and State Governments are given priority and the needs of municipal bodies are almost neglected. Often, the State Governments also do not favour municipal borrowing from the market which requires State's sanction and guarantee. Since an indebted municipal body has to submit itself to various financial control by the State Government, the municipal bodies too do not feel encouraged to go for loan funds for their development works. In this connection the present Maharashtra practice needs special mention. Realising the difficulties of municipal borrowings, the Maharashtra Government has been contracting bulk loans from the Life Insurance Corporation of India and passing these over to the municipal bodies.

Practically, it is the State Government which is the only source where from the municipal bodies can get loan funds. Owing to increasing commitments under the plans and extremely tight financial condition, the

9. Government of Gujarat, Panchayats and Health Department, *Resolution*, No. GIA—4064—2710—P, dated 26th April, 1965; and *Report of the Municipal Grants Enquiry Committee*, 1964, *op. cit.*, pp. 32-34.

State Governments, however, are not in a position to transfer adequate funds to the municipal bodies.

In view of these difficulties involved in municipal borrowing, suggestions have been made for setting up separate institutions for the purpose. One suggestion is to set up State Urban Development Board with initial capital drawn from total plan provision for urban development. The Board also raise funds from "private investors, trusts, commercial banks and so on by issuing long-term tax-exempt bonds backed by the full-faith and credit of government".¹⁰ It appears, however, that there is a certain confusion about the Boards' functions which include, apart from fund raising and loan distribution, a long range of municipal and State functions such as undertaking of town development schemes, production and distribution of water, technical advice and guidance to the municipal bodies and so on.

A recent committee report contains a suggestion about the setting up of a Municipal Finance Corporation in order to meet the capital requirements of municipal enterprises.¹¹ The capital of the Corporation would "be subscribed by the Government of India, the Life Insurance Corporation, Commercial banks and other financial institutions as also the local bodies". The Corporation is rather narrowly conceived, as it will be concerned with offering of loans for municipal enterprises only and not for other capital works where loan funds are most needed. Again, municipal bodies being within the constitutional jurisdiction of the States, municipal credit institutions have got to be set up at the State level. An enabling Central legislation would, of course be necessary under Article 246(1) read with Entry 43 of the Union List under the Seventh Schedule of the Constitution of India.

The need for medium and long-term loanable funds for financing municipal development works can hardly be exaggerated. Since some sort of a specialised banking institution in each State might serve this purpose well, it would be better to set up statutory municipal credit institutions independent of State Departments.¹²

III. CONCLUSION

Urban development will not be able to make much headway, if the municipal bodies continue to suffer from lack of financial resources and

10. *Augmentation of Financial Resources of Urban Local Bodies*, *op. cit.*, pp. 28-30.

11. *Report of the Rural-Urban Relationship Committee*, *op. cit.*, pp. 107-8.

12. A well-argued case for independent municipal finance corporations at the State level has been made out by A. Datta in "Municipal Finance Corporations in India," (unpublished paper submitted at the Osmania University's Orientation Course in Urban Administration, June 1967).

if the need for proper strengthening of municipal administration remains neglected. Our Five Year Plans have so far consistently kept municipal development out of their scope. The approach has been towards functional stimulation rather than coordinated urban areal development. It is high time that the latter approach is adopted and municipal development schemes are integrated into the Five Year Plans *via* the State Plan Schemes. Centre-State relations which are governed by the provision of the Constitution have undergone considerable changes in recent times due to the operation of the Five Year Plans. There is a danger that integration of municipal development plans into the State plans would lead to the blurring of the already indistinct line that separates State Government from Municipal Government in India. Certain Institutional devices such as the independent statutory municipal credit agencies, and municipal finance commissions¹³ for regularising transfer of funds from the State Governments to the municipal bodies can go a long way in promoting and preserving municipal "self-government." Even then, some sacrifice of municipal autonomy seems inevitable in this integration process which Municipal Government in India will have to make as a price for urban development.

13. *Report of the Rural-Urban Relationship Committee, op. cit., p. 88.*