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## **DECENTRALIZATION AND URBAN DEVELOPMENT IN INDIA**

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As we approach 21<sup>st</sup> century Indian polity has been striving for establishing democratic goals through modernizing its political administrative institutions. With a change in development paradigms, the focus of development planning has shifted to participation in decision making and giving priorities to their local needs.

“Decentralization has, not only an administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it make them get accustomed to using freedom. And from the accumulation of these local, active, persnickety freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal, collective will” (UNDP, 1999)

Decentralization can enhance political stability more responsive to people at lower levels, it generates opportunities for political activities at those levels who aspire to a role in government. The imperatives of decentralized planning in India have been repeatedly emphasized in the five year plan documents in our country. However, the progress in this direction remained slow and faltering despite frequent changes in the policy prescriptions.

With the rapid urbanization that is now expected in ensuing decades in India, it would be better to decentralize the instrument of infrastructure provision so that the agencies providing such infrastructure services are able to finance themselves and can respond flexibly to the changing demand of growing city. Urbanization is both a driver and a consequence of economic growth .Expansion of economic activities and industrialization lead to evolution of cities as growth centers. This urban center facilitate sustained economic growth in three major ways-through the real sector, by raising the productivity of output and employment,-through the financial sector, by mobilizing and channeling saving and allowing accumulation of wealth in the form of urban real estate,- and through fiscal flows, providing major share of governments tax revenue(world bank, 2000). It would be better if private agencies are given more opportunities to perform the function of financing, planning and management of urban infrastructure services, which is a daunting task given in the expected huge growth in urban population and improvement in the quality of urban



infrastructure services especially in large cities, making the demand for urban infrastructure more heterogeneous than what has been witnessed in the past. Smaller cities have found it particularly difficult to cope with the increasing demands on services because of inadequate financial resources.

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**Advantages of Decentralization:**

Decentralization has some potential advantages. According to the report of the World Bank group 2001, the advantages of decentralizations are like of the followings:

- Decentralization helps to improve the quality of decisions/decision-making at the top level management.
- Decentralization facilities diversification of activities.
- Decentralization encourages development of managerial personnel
- Decentralization improves motivation.
- Decentralization makes decision-making quicker and better.
- Decentralization provides a positive climate where there is freedom to make decisions, freedom to use judgment and freedom to act.

**Problems of decentralization:**

Though decentralization has numerous advantages, sometimes it may bring some problems. According to the report of the World Bank group 2001, the problems are like of the following:

- It can result in the loss of economies of scale and control over scarce financial resource by the central government.
- Weak administrative or technical capacity at local levels may result in services being delivered less efficiently and effectively in some areas of the country.
- Administrative responsibilities may be transferred to local levels without adequate financial resource and make equitable distribution or provision of services being delivered less efficiently and effective in some areas of the country.
- Administrative responsibilities may be transferred to local levels without adequate financial resources and make equitable distribution or provision of services more difficult.



- Decentralization can sometimes make coordination of national policies more complex and may allow functions to be captured by local elites.
- Also, distrust between public and private sectors may undermine cooperation at the local level.
- Decentralization creates special problems particularly when enterprise faces number of uncertainties or emergency situations. The decision-making process gets delayed and even correct decision as per the changing situation may not be possible.

### **Thrust areas in Development planning**

India's urban population has increased six fold since 1951. Compared to the global average of 50%, the country's urbanization rate-31.2% of its 1.2 billion inhabitants (2011) – is still low. However, in absolute terms, India's total urban population is already larger than the total population of any other country in the world, except China, and represents more than 10% of global urban dwellers. This rapid growth has resulted in a severe strain on the existing urban infrastructures, which have become grossly inadequate to serve current and future demand. Across the country, issues of urbanization have played out in the form of overcrowding, congestion, inadequate service provision and environment degradation. All these factors highlight the critical need to address the challenge of delivering urban services in India. Empowering local governance seems to be the key to achieving this goal, but India's institutional framework remains highly complex the responsible for funding and creating public infrastructures and managing local services is scattered among state authorities, parastatal agencies and urban local bodies. Moreover the institutional set –up varies from state to due to India's federal institutional system.

The assessment of the nature of attention accorded to urban development sector since the first five year plan fulfill two significant purposes of the study of urban development policy in India. First, it reveals the growth and continuity of urban policy framework in its historical perspective. Such assessment focuses on the gradually changing scenario in the urban sector and the need of a dynamic approach of the government thereon. Second, the understanding of the role of five year plan in urban development reveals the necessary inter–linkages between the country "s development process and the urban development particularly from the point of view of economic programs and policies. It can be easily perceived that in the ultimate analysis in a developing society urban development process



has a direct bearing on the process of social change and economic development. The fifth plan (1974-79) enlarged the objectives of urban development activities.

The steps include several urban development plans such as launching of integrated urban development programme for large cities, augmentation of civic services in urban centers, to improve the condition of urban infrastructure development of small towns to lessen the growing pressure of migration to bigger towns etc. urban Land ceiling and Regulation Act, 1976 was enacted during the plan period.

The sixth plan (1980-85) identified important component of urban development plan in a comprehensive perspective: (a) the planned and integrated development of small and medium towns along with showing down of growth of big metropolis;(b) Revitalization of civic bodies;(c) Reforms of municipal tax systems and municipal administration in general ;(d) Improvement of slums;(e) Regular devolution of funds from state governments for municipal services. The seventh plan period (1985-90) was remarkable for appointment of national commission on Urbanization (1988) which articulated urban policy perspectives at the national level. The Seventh plan reasserted the policy concerns expressed in the sixth plan.

The seventh plan initiated programmes for urban poverty alleviation and accordingly launched two major centrally sponsored schemes know as urban basic services (1986) and the Nehru Rozgar Yojana (1989). The plan document reveals that external assistance was a major source of finance during the seventh plan period. Thrust areas in the eighth five year plan (1992-97) consist mainly of more effective implementation of the strategies adopted during the seventh plan and partly in formulation of new strategies. In the light of articulation of urban policy concerns by National Commission on Urbanization, the Eighth plan emphasized resource mobilization through change in funding pattern by allowing providing urban infrastructure. It stressed on legal, financial and organizational measures for effective urban development.

During the ninth five year plan (1997-2002), main focus was on attaining objectives like speedy industrialization, poverty reduction, and full-scale employment, human development, self reliance on was provided for the “Urban Development” sector in the Ninth Five Year Plan, for implementing various programmes. The expenditure during the Ninth Five Year Plan for the sector, “Urban Development” was estimated to be



Rs.2,215Crores, which is nearly double the Ninth Plan outlay. To improve the economic and physical infrastructure and also to provide essential facilities and services in the urban areas, the Ministry of Urban Development and Poverty Alleviation has taken a number of Central and Centrally Sponsored Schemes. These Schemes have made some progress in the quality of life in the urban areas though the magnitude of urbanization demands faster and large interventions in the urban areas. The 10<sup>th</sup> five year plan (2002-2007), recognized the role of urbanization as key determinant of economic growth. It focused on several issues related to urban growth and its impact in the country. However, the most striking problem recognized by tenth plan was strengthening of urban local bodies through building of sound financial system. In short, the major thrust areas were:

- Upgradation of infrastructure.
- Raising institutional capabilities.
- Public-Private partnership in service delivery.
- Increased housing activities particularly for the economically weaker sections and the low income category.

The Eleventh Five year plan (2007-2012), mainly focused on the economic growth as it can be considered to be the key indicator of urbanization which may lead to the overall development.

The strategy adopted for urban development during this plan period involved the following:

- Strengthening urban local bodies through capacity building and better financial management.
- Increasing the efficiency and productivity of cities by deregulation and development of land.
- Dismantling public sector monopoly over urban infrastructure and creating conducive atmosphere for the private sector to invest.
- Establishment autonomous regulatory framework to oversee the functioning of the public and private sector:
- Using technology and innovation in a big way.

### **Insufficient urban service performance**

Indian cities showcase the lowest service delivery performance among BRICS peers (Brazil, Russia, India, China and South Africa) for urban Services. For example, duration of water



supply range only from 1 to 6 hours, and 94% of cities and towns do not even have a partial sewage network.

### **The intricacies of urban governance**

In line with the Constitution of India, the urban sector is considered to be a responsibility of the federated state. Responsibility for urban governance is split into three levels. The Union Government has a facilitative, supervisory, support and policy-main role. The state governments play a pivotal role in urban governance and often bear the responsibility of providing basic amenities and services through state departments, state-level boards, statutory and non-statutory bodies at the city level, and financial support in planning and implementing infrastructure projects. Urban local bodies (ULB – denomination for local governments) play an important role, but remain heavily dependent on powers and funds devolved by state government. Generally, ULB's responsibility is restricted to the operation and maintenance of basic services; capital works and implemented through state parastatals or state departments.

### **Pivotal Role of Urban Local Bodies**

The decentralization to empower urban local bodies was laid down in 1994 by the 74<sup>th</sup> Constitutional Amendment Act, enacting eighteen key local functions to be carried out by the ULBs. However, these functions have been unevenly devolved across Indian state, which explain the varying levels of decentralization. Moreover, the decentralization process is mostly focused on administrative functions, without the financial avenues. There is a constitutional imbalance between the functions and finances of Urban Local Bodies (ULBs) in India and most of these are grossly dependent on transfer of funds from the upper tiers of the Government. It is true that revenue generating sources assigned to the ULBs are inadequate in comparison to expenditure functions assigned to them but it is also true that sources so assigned to the ULBs do not put their best efforts to mobilize revenue efficiently and effectively from the sources so assigned and therefore the ULBs are not in a position to provide services satisfactorily because of inadequate resources. The Government of India (GOI) has developed a Model Municipal Law (MML) in 2003 to guide States to enact municipal legislations. The basic objectives of the MML in 2003 to guide States to enact municipal legislations. The basic objectives of the MML are to implement the provisions of the 74<sup>th</sup> CAA in totality for empowerment of the ULBs, and provide the legislative



framework for implementation of the Ministry's urban sector reform agenda. This initiative is expected not only to enhance the capacities of ULBs to leverage public funds for development of urban sector but will also help in creating an environment in which ULBs can play their role more effectively and ensure better service delivery.

### **Conclusion**

With the urban population galloping, the issue of urban decentralization is now taking the spotlight. It is widely perceived that urban living conditions are deteriorating. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched in 2005, has allocated more than \$9 billion grants for urban infrastructure development. Even though funding has been made available under JNNURM and externally aided projects, most of the ULBs have not demonstrated a capacity to manage the operations and maintenance of the large infrastructure project financed. The revenue related reforms did not progress adequately. This has eroded the financial base of even the best performing ULBs. As highlighted by the India Municipal Finance Report 2011, this finding calls for further revenue mobilizing reforms: ULBs' revenue base should be broadened with the allocation of exclusive taxes and greater resort to user charges, grants should be further linked to service delivery performance, and major capacity building programs should be undertaken. ULBs need to regain the developmental terrain that has been encroached by higher level institutions. Efforts by Central Governments and International Aid agencies need to be sensitive to these emerging institutions and ensure that programmers and interventions do not undercut them.

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