



# Urban Governance in Tamil Nadu: Legislations and Reforms

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## I. Introduction

India is the largest and one of the most vibrant democracies of the world, ably running a democratic system for more than seven decades. We should be proud of it because very few developing nations have actually been able to run an effective democratic system. Today more and more countries are attracted towards democracy, because it is a governance of the people, by the people and for the people. Democracy demands greater devolution of powers not necessarily from the state to the local bodies but from the highest power center to the lowest unit of administration and that is why a new slogan called ‘Lok Sabha to Grama Sabha’ has been coined, whereby power has to be returned from the Central Government to Local Government. The enactment of 73<sup>rd</sup> and 74<sup>th</sup> Amendments to the Constitution of India is a milestone in the process of establishing democratic decentralized administration through local bodies and taking administration to the doorsteps of the people to ensure economic and social justice. The process of conducting elections to the local bodies is a constitutional obligation as per the said amendments.

The generic term *reform* has a specific meaning in the context of contemporary urban governance. This meaning has evolved and been established as part of particular historical processes and relationships, so that there is now a fairly strong consensus between governments, funding agencies, private sector stakeholders, and prominent sections of the citizenry on the normative substance as well as the direction of reform. Tamil Nadu has been an important site for the evolution of experiments and institutions that have helped to establish the model of urban reforms that is dominant at a national level. Over the past decades, a series of reform initiatives have been initiated to address three glaring problems very particular to urbanization in India: first, the increasingly rapid pace of urbanization and growth of urban populations across the country; second, the enormous gaps in urban infrastructure provision that are being described as a ‘historical backlog’; and third, the serious challenges of urban governance, arising from the fact that urban bodies have been governed by state departments and various parastatal agencies for the past few decades. All the above problems are inter-related the growth of urban centers and their populations, and the volume of funds needed to bring their infrastructure up to required levels spells out the need to foster functional autonomy and local responsibility in municipalities so that they can plan, design and finance their own development.

## Urban governance

Urban governance is primarily concerned with the processes through which government is organized and delivered in towns and cities and the relationships between state agencies and civil society—a term that is used to include citizens, communities, private-sector actors, and voluntary organizations. Governance has multiple meanings. For some, it represents a concept and an analytical approach that opens up new ways of thinking about processes of government, urban politics, accountability, and democracy. For others, governance is a more descriptive term that focuses attention on concrete institutions and their financing, roles, and responsibilities.

The trajectory of reform in urban governance in Tamil Nadu is older than that of the country as a whole. Reforms in Tamil Nadu can be traced back over three decades, to the entry of the World Bank into funding for the urban sector in the mid-1970s. The series of projects initiated as a result of this relationship (viz. the Madras Urban Development Projects (MUDP) 1 and 2; Tamil Nadu Urban Development Projects (TNUDP)

I and II; and the Tamil Nadu Urban Development Fund (TNUDF)) carried clear agendas of bringing about institutional and policy changes in the sector. Although there were no explicit conditionalities laid down for funding under these projects, the guidelines for funding eligibility included criteria that were aimed at establishing the local body's financial viability and repayment ability. <sup>1</sup> In addition, these projects included components for institutional strengthening that were aimed to ensure the achievement of these criteria as a part of the ongoing implementation of reform in urban governance. This trajectory of reform continued in 1994 with the passing of the state-level legislation in conformity with the 74th Constitutional Amendment in India (1993). It culminated with the launching of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) at the center in 2005. The reforms envisaged by the JNNURM for urban centers across the country combined the institutional and financial measures pioneered in the TNUDF and TNUDF projects with the decentralization and governance measures mandated by the 74<sup>th</sup> Amendment.

#### **74<sup>th</sup> Amendment and its Impact in Tamil Nadu**

The 74<sup>th</sup> Amendment passed by the central government in 1992 attempted to i) bring in an elected political leadership at the municipality level, ii) devolve a set of functions and responsibilities, including planning, to local governments, in theory reducing their dependence on state government parastatals, and, iii) ensure a reliable flow of uncommitted funds to local bodies, to enable them to build up their financial autonomy, including their powers to borrow. Tamil Nadu's conformity legislation in 1994 involved amending the District Municipalities Act of 1920 and its various Municipal Corporation Acts. It also brought Town Panchayats, hitherto governed as rural bodies under the Tamil Nadu Panchayats Act 1958, into the rubric of urban governance and the jurisdiction of the District Municipalities Act. **Six** State Finance Commissions were appointed in Tamil Nadu in accordance with the provisions of the 74<sup>th</sup> Amendments. The Tamil Nadu government should continue to devolve 10 per cent of the State's own tax revenue (SOTR) to the local bodies, according to the recommendations of the Sixth State Finance Commission, headed by retired bureaucrat Mohan Pyare. Of the total devolution amount, 49 per cent should be devolved to rural local bodies (RLBs), and 51 per cent should be devolved to urban local bodies (ULBs). The state has 490 town panchayats, 138 municipalities and 21 municipal corporations, each with elected councils and leaders (president, chairpersons or mayor respectively)<sup>1</sup>. Elections to all ULBs have been held six times ever since 1996. Staffing has been strengthened in ULBs. Several steps have been taken over the years to enhance the powers of ULBs to design, plan, implement and finance their own projects. For example, the administrative and technical sanction powers of councils have been enhanced, their capacity to prepare viable project proposals and procure contracts has been strengthened, and their taxation and revenue-raising powers have been increased.

Officials of the TNUDF and the TNUDF perceive the 74<sup>th</sup> Amendment as an important threshold in the progress of market-oriented reforms. According to them, key features of the legislation have enabled ULBs to function as autonomous and viable economic units that are "bankable" from a financial perspective. A former head of the TNUDF outlined these features. First, the existence of a political body and a political leader in every ULB allows for the articulation of demand-driven projects, as elected representatives can be taken as the proxy for local demand. Interestingly, while the World Bank-funded projects (MUDP and TNUDF) made strong efforts to insulate state services such as housing and transport from political influence, the 74<sup>th</sup> Amendment sought to relocate these services within a framework of local government headed by elected political heads. Second, based on the recommendations of State Finance Committees, municipalities have access to uncommitted flows of regular cash, which they can use to take loans for building infrastructure. In other words, the relatively stable revenue stream enabled by financial devolutions and own revenue sources enables municipalities to use debt finance for developing infrastructure. Third, there is at least a push toward reducing problems arising from 'functional fragmentation', so that basic services like water and sanitation are being gradually moved from the jurisdiction of parastatals like the Tamil Nadu Water and Drainage Board (TWAD) to ULBs. Spurred by these three achievements, several small and medium towns have, since 1996, begun to use opportunities opened up by projects like TNUDF. The most prominent example in Tamil Nadu is that of Alandur Municipality, which pioneered the now widely used model of constructing underground sewerage schemes in small/medium municipalities through raising a portion of the capital costs from residents, borrowing from the market, and repaying through user charges.

#### **Reforms in Urban Governance in Tamil Nadu**

The reforms that have been set in motion across the landscape of urban governance in Tamil Nadu can be argued to have created opportunities for improvements in urban amenities and for some voice in the governance of the town or city, leading perhaps to a better quality of life for all residents. The central and state governments looking at towns as potential engines of economic growth, and of donors, lenders and investors,

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<sup>1</sup> Tamil Nadu State Election Commission

looking for markets for financial and other products. Interestingly, while both approaches employ the language of local autonomy, empowerment of local bodies, responsiveness of municipal government to citizens' needs, and citizen participation, the perspectives of citizens are rarely voiced in the debates and discussions on reform. The core elements of reform that have carried through from the series of institutional innovations pioneered in Tamil Nadu, mediated through the 74<sup>th</sup> Amendment, into the national reform are the following:

- 1) A focus on institutional strengthening as the primary ingredient of improved service delivery;
- 2) A focus on financial viability and sustainability as the principle component of institutional strengthening. This includes reformed accounting practices as well as revenue structures in state agencies and ULBs;
- 3) A concerted thrust toward market-oriented modes of service delivery and financing. This orientation determines the meanings and goals of institutional strengthening and financial sustainability.
- 4) Encouragement of private sector participation in as many aspects of urban governance as possible;
- 5) Conferring functional autonomy on all units of urban governance so that they can operate as independent economic and financial entities with well-developed capacities;
- 6) Establishing mechanisms within this market-oriented framework to accommodate and provide for the urban poor. The underlying principles of these mechanisms have shifted from cross-subsidy to earmarking.

To achieve a more balanced development of ULBs across the state, the government proposed a governance improvement incentive system through the program, applicable to all 135 urban local bodies in Tamil Nadu. The proposed Governance Improvement Component (GIC) of the program will support the government in providing performance-based grants to achieve priority governance reforms of the State. The reforms requirements are categorized as follows: (i) constitutional framework for ULBs, (ii) state actions to strengthen ULBs, (iii) legal and institutional actions at state level, (iv) e-Governance at ULB level, (v) financial management at ULB level and (vi) process simplification, by-laws and other continuous improvements at ULB level. The state and the ULBs achieved all other reform milestones scheduled for the year in the areas of (i) e-Governance; (ii) professionalization of municipal cadre; (iii) augmenting double entry accounting; (iv) urban planning and city level plans; (v) devolution of funds and functions; (vi) review of building by-laws; (vii) municipal taxes, fees and user charges improvement; and (viii) energy and water audit. While Tamil Nadu scored high in reform implementation under JNNURM, Smart City Mission and AMRUT, there are reforms not completed including urban planning not in the domain of ULBs, parastatals still manage water supply and sewage in many ULBs, and low revenue generation including property tax collection.

## **II. Conclusion**

Even after three decades of the 74<sup>th</sup> Constitutional Amendment the several functions envisioned under the law are still not passed on to the urban local bodies (ULBs) such as Planning for economic and social development, water supply, slum improvement and upgradation, urban poverty alleviation, health, and safeguarding the interests of weaker sections of society. However, the devolution of power to ULBs has not transpired because of the prevailing model of urban governance that has vested the functional domain of the ULBs to the different parastatal agencies.

In Tamil Nadu, providing services through parastatal agencies is a preferred approach for urban development. Similarly, urban planning and finance are handled by parastatal agencies like the Tamil Nadu Urban Infrastructure Trustee Company Limited and Tamil Nadu Urban Finance and Infrastructure Development Corporation. The shift from a market-centric approach to people-centric approach is a challenge as the special purpose vehicles (SPVs) set up by the state are already created to plan, approve, release funds, implement and monitor projects such as the Smart City Missions. With the government of Tamil Nadu exploring possibilities of setting up area sabhas and ward committees, there is a need to include representation of the vulnerable sections including residents' welfare association of low-income settlements, street vendors' associations, people with disability and trans people. To break the inertia in the urban planning process a new paradigm of development must be built on the basis of empowering people. It's nearly three decades since the enforcement of the 74<sup>th</sup> Constitutional Amendment Act, however, the reforms have not reached all citizens.

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