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## The Way Forward: Institutional and Governance Reforms

### 9.1 Introduction

This City Development Plan for Lucknow provides a perspective as well as a broad roadmap for the development of the city. The vision articulated in the plan aims to show the way to planners, administrators and city managers to keep their city development efforts on track and a basis for citizens and consumers to hold agencies accountable.

While the JNNURM will provide funds in the short term, it begins to map out an approach to balance the pursuit of infrastructure priorities agenda with a reform agenda. The immediate incentive for such reforms is the JNNURM, which outlines a set of 'mandatory' and 'optional' reforms at the state and local level, revolving around implementation of the 74<sup>th</sup> Constitutional Amendment in letter and spirit. This requires more than mere compliance with the list of reforms outlined in JNNURM guidelines – the letter and spirit of the 74<sup>th</sup> Amendment and the ultimate outcome of JNNURMs reforms implies that the formal transfer of powers be followed by a systematic process of empowerment through, for example, transfers of fiscal resources, staff and management autonomy as well as appropriate capacity building.

The State Government of UP has already passed legislation towards implementation of the 74<sup>th</sup> Constitutional Amendment. The challenge now is to consolidate these steps by supporting Lucknow to attain greater functional autonomy and fiscal independence.

### 9.2 Data Improvement and Analysis

The need for better data is evident across all functions and sectors – from physical planning to budgeting and revenue improvement. The use of GIS based technology is essential, and will have to be supplemented by consumer surveys and other ways of obtaining better data. This will require engagement with residents. Refinements will then be possible as a systematic effort continues to identify and assess taxable property. Aspects of data improvement like introduction of e-governance, sector and functional reviews and accounting reforms are discussed below. A number of studies should be prioritised.

- Feasibility studies for various improvements in urban infrastructure in the city including MRTS, SWM, traffic management, and flyovers.
- Miscellaneous surveys to collect the required information to improve tax administration, tax coverage, development of MIS systems, and e-governance systems etc.
- Development of multi-purpose GIS that will include all the line features like roads, water supply, sewerage, and communication networks and related attribute information, polygon features like land plots and properties, institutions, land use, point features like streetlights, manholes which will be useful for city planning, tax administration, service delivery, O&M of service networks, traffic management etc.
- Reviews of organisational arrangements and exploration of institutional and governance systems to ensure accountability, cost recovery and formulation of clear policies, responsiveness to customers and citizens. Restructuring of institutions, like reforms in accounting systems, HR policies, municipal acts, building policies, municipal acts, building byelaws, corporatisation, constitution of SPVs, regulatory bodies etc.

- Awareness generation and IEC campaigns to obtain information from communities.

### 9.3 Revenue Enhancement

The lack of fiscal viability at the local level, and the continued reliance on transfers remain major problems. It is difficult to manage proactively if an institution is so dependent, and it also weakens its accountability to its constituents and consumers. Guided by the JNNURM, a package of reform needs to be phased over the next few years, starting immediately:

- **A Revenue Roadmap:** With Revenue Enhancement at the top of the agenda to move the LNN and other bodies from their current financial vulnerability to a new fiscal independence, a clear planned roadmap for revenue reform is needed. In follow up to the CDP, it is necessary for the LNN (and other relevant institutions) to develop a systematic approach, involving data improvement and more robust application of available sources. A plan of this nature can be updated regularly, linked to the budget process. One aspect that requires specific attention is to facilitate consultation with citizens and stakeholders in outlining such roadmaps. The state government has emphasized reform of property taxes as fundamental to reform. These are significant challenges, given the weak state of these aspects of financial management at present.
- **Property tax reform:** As far as property tax is concerned, the need is first for more accurate property inventories and record management (among others through computerizing property tax records and physical surveys); adopting new approaches such as self-assessments to simplify property tax assessments and make it more transparent; improve taxpayers' understanding of the assessment process; and improve collection methods, for example through e-governance.
- **Improved service charge payments:** Service agencies have not been charging effectively. They are unable to address revenue issues credibly, as they lack information about consumers, levels of usage etc. The issue of metering has to be addressed, as it is the most effective way of making revenue assessments more credible and makes it possible to monitor consumption, leakages and other aspects of service delivery and shortcomings of services. The JNNURM's investment funding will be used in part to assist the local bodies to address these constraints at a technical level and – apart from its own contribution – the GoUP will continue efforts to help LNN and these other bodies to address these fundamental concerns.

### 9.4 Accounting Reform

The introduction of an accrual based accounting system has to be achieved in terms of JNNURM requirements. The time is ripe to push forward this reform now in Lucknow, which has been slow in coming, but on the agenda for sometime. On its own such a system will not produce miracles, but it is a way of helping to improve the quality of data that will make the LNN a more open and transparent institution and improve financial planning and monitoring. The process should be managed such that LNN becomes ready to open itself to effective internal and external auditing, complying with uniform norms and standards for financial reporting, for which the leadership has to come from the centre and state level.

### 9.5 Budget Reform

Improved budget practice is crucial. The infrastructure and service planning required under the JNNURM demands multi-year budgeting and concerted effort will have to be planned even before the start of the next fiscal year to align staff and systems for multi-year budgets and to develop

the capacity to track and analyze inter-governmental transfers and effectively integrate planning and budgeting, including O&M budgets. It is understood that such budget reform requires a change of culture and systems, and significant capacity enhancement, and that it has taken years in many countries to be implemented. The need is evident though and the GoUP will be in a pivotal role initially to create incentives and help mobilize support for such reform.

## 9.6 E- Governance

Implementation of e-governance in ULBs has been identified as an important aspect of Lucknow's path forward. Efforts have already started, but in the follow up to the CDP more detail will be added to plans and resource mobilization to enable LNN and other local bodies to move forward with computerization of records, tax data, collection process and the interface between the public and their local governments. A baseline assessment of existing capacity, needs and options is required as the basis for building staff capacity and developing appropriate systems.

## 9.7 Enabling Environment for Development

At least four – albeit not the only – enabling interventions are critical for Lucknow's long term interventions.

- **Policy Reform:** While the JNNURM provides a broad framework for urban reform and infrastructure development, the GoUP now has a critical role to provide the necessary leadership and direction to Lucknow and other cities. Aspects to be prioritised include clear policies on universal access to services, cost recovery and transparent governance (including accounting and financial management reforms).
- **Institutional restructuring** is identified as an optional JNNURM reform, and is an area that needs to be considered. The current institutions have mostly been established in terms of old legislation, and at a time when the growth of Lucknow was not as prevalent as it has become. The key issue is to clarify roles and reduce overlap, and in that manner position the city institutions for clear policy direction, unambiguous assignment of roles for implementation, effective coordination, and fair but robust regulation. Further discussion on options in the different sectors and across city institutions will be needed, and should be integral to the follow-ups to the CDP.
- **Capacity Building** goes beyond training. While training through formal courses and at the work place are integral parts of a capacity building approach, many of the long-term challenges relate to the introduction of sustainable systems. The development of such systems has to be based on the sector and functional reviews and data improvements mentioned above. Key focus areas are financial management; the development of appropriate budgeting, planning and monitoring systems; project planning, management and implementation; equipping officials to engage with citizens; and empowering members of the elected local government as well as citizens to engage with service agencies.
- **Land Reforms:** The state has repealed the Urban Land Ceiling Act. However the discussions with Government were inconclusive on whether this had a positive fall out for the poor. The Government is trying to limit adverse impacts that may have happened through the fixing of circles rates for property. This is an area that needs further analysis since land and its rights will be crucial to interventions under Sub Mission 2.

## **9.8 A Partnership for the Future**

Achieving all the above will require legislative and policy changes and concerted effort to introduce new systems within realistic time frames.

Underpinning technical reforms there needs to be a vision of a city that thinks of itself as city, and that is governed and serviced in ways that become a modern city, transcending sector and institutional fragmentation. Its rich heritage is a source of inspiration for many, and should be nurtured – within the framework of vision for the future though, supported by modern approaches that make it a liveable city.

Building momentum around such a vision requires partnership between the LNN, the State Government, other local service agencies, private sector and non-governmental organizations, and the wider community. During the preparation of the CDP some very initial steps in such direction were taken, but the challenge cannot be met in such a short space of time. Much more has to be done to institutionalize such a partnership. The CDP itself can make a small contribution if it is viewed as a living document – not merely as a map of infrastructure projects, but as a platform from which Lucknow can approach its future on the basis of a partnership between government and society towards what the CDP vision statement articulated as the aim of becoming ‘one of the five most liveable cities in India’.