Municipal Reforms Programme
Government of Karnataka
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About the Initiative

This publication is a part of the Capacity Building initiative under the National e-Governance Plan (NeGP) by NeGD with an aim to draw out learnings from various projects implemented in various States/UTs and sharing this knowledge, in the form of case studies, with the decision makers and implementers to benefit them, by way of knowledge creation and skill building, from these experiences during planning and implementation of various projects under NeGP.

Conceptualised and overseen by the National e-Governance Division (NeGD) of Media lab Asia/DeitY these case studies are submitted by e-Governance Practitioners from Government and Industry/Research Institutions. The cases submitted by the authors are vetted by experts from outside and within the Government for learning and reference value, relevance to future project implementers, planners and to those involved in e-governance capacity Building programs before they are recommended for publication. National Institute for Smart Government (NISG), working on behalf of this NeGD provided program management support and interacted with the authors and subject matter experts in bringing out these published case studies. It is hoped that these case studies drawn from successful and failed e-Governance projects would help practitioners to understand the real-time issues involved, typical dilemmas faced by e-Governance project implementers, and possible solutions to resolve them.

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1. **Abstract**

This case study documents the Municipal Reforms Programme (MRP), an e-governance intervention, currently being implemented in 213 urban local bodies in Karnataka, India. The programme initiated in 2002-03, aims to further the decentralization agenda by strengthening municipal governments across the state to perform efficiently through improved service delivery mechanisms, enhanced community participation and increased accountability of local bodies. The MRP constitutes an important e-governance case for two reasons. One, it is a precursor to the Government of India’s first major urban development policy - the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), 2005. The reforms implemented through this programme are today embodied in the National Mission Mode Project “Municipality” of the JNNURM. Mandated to be implemented fully by 2014, the MRP provides a valuable learning experience for policy decisions on strengthening local service delivery and governance measures. Two, the programme is conceived, designed and implemented through an institutional and organizational model different from what is understood to be a public-private partnership. Conscious structural changes within governments at the state, district and local level have been affected to enable not just effective implementation of the programme, but also a systemic change in local governments. Corresponding capacity enhancement of the state and the local governments is a core deliverable of this project. This case documentation provides an insight into the major challenges encountered during programme implementation and emerging issues that need to be addressed. This documentation will add to the much required experience for electronic service delivery at the local level.

2. **Keywords**

_Urban Local Bodies, Service Delivery, Municipal Reforms and e-governance_

3. **Note to Practitioners**

The MRP is a much desired intervention in strengthening local governments to advance the decentralisation agenda. For practitioners, an important aspect of this programme is the organisational and institutional model that it adopts. Initially (2003-08), the programme sought support of E-governments foundation (a civil society organisation) to provide application support for the various reforms. Eventually, the Govt. of Karnataka (GoK), to ensure sustainability of the programme and to systemically affect governance, internalised software application support through the establishment of Municipal Reforms Cell (MRC), established in 2005 under the Directorate of Municipal Administration (DMA) GoK. The cell comprises mainly of IT professionals hired by the DMA directly from the market. While it is headed by a senior Karnataka Administrative Services officer and has an administrative wing, it is managed and run like a software company.
The state has over a period of time procured and enhanced its capacity in the IT domain to implement and sustain not just the MRP, but also other e-governance programmes. This approach of the GoK is contrary to the PPP models advocated by the GoI in its urban development policies. While there are claims within the GoK that this institutional model has resulted in increased financial savings as well as a decreased reliance on private sector, there are also those within the government questioning whether this is the best model on the following grounds: One, reforms is a much larger process than just deployment of technology. Two, traditionally the state is not equipped to run a software company. In other words, there is an inherent tension between the state seeking private sector participation for application support in its numerous e-governance programmes and developing this capacity in-house. As practitioners, it is important to comprehend the ramifications of this tension, which though important, are beyond the scope of this documentation.

4. Project Context

The decade starting 1990’s heralded major changes in the Indian economy. This included economic liberalization, financial sector reform and emphasis on decentralization. These policy decisions have impacted urbanization, the economic role of cities and the demand for services. While cities are growing rapidly and offer economic opportunities, the scale and pace of this urbanisation is unprecedented. Infrastructure and service provision have not been able to match this pace of growth, resulting in glaring gaps in the provision of urban services (such as water, sanitation, transport, solid waste). "Indeed, with about 60 percent of the country’s GDP produced in urban areas, India’s cities could contribute more effectively to the country’s economic growth and poverty reduction, if they did not suffer from severe infrastructure bottlenecks, service deficiencies, weak finances, poor local governance and distortions in land and factor markets" (World Bank, 2006, 1).

Decentralisation under the 74th Constitutional Amendment Act (CAA) provides an opportunity for improved urban governance and management. Post independence, local bodies in India were superseded by state governments.¹ This resulted in the state overriding local decision making, resulting in weak human resource capacity and financial health at this level. Consequently, this impeded service delivery and accountability. The 74th CAA seeks to remedy this situation through fiscal and functional devolution of powers to local governments with the objective of empowering them as units of self-governance. The Government of India’s (GoI) Tenth Plan (2002-2007) emphasizes urban reforms as critical to this empowerment.

The state of Karnataka is a rapidly urbanizing state in India. The demand for quality urban services is increasing with the growth in urban population “that can be sustained only in an "efficient city" environment with reliable infrastructure and logistics” (WB, PID, 2002-2003).

¹ With the Indian republic gaining independence in 1947, Local governments were introduced as state subjects. The introduction of the 74th CAA mandates local governments to function as units of self-governance.
While being an early adopter of both liberalisation and decentralisation policies, the fact that the state capital hosts the “silicon valley” of India has led to a development model that Madon (2009) describes as one resting on two pillars; “technology led growth and decentralized governance” (140). It is this development model coupled with rapid urbanization and related development challenges that constitute the genesis of the MRP. Initiated as early as 2002 – 2003, today Karnataka is known as a pioneer in the introduction of reforms.2

The major role of urban local bodies (ULB’s) in India is to provide basic services, which includes water supply, solid waste management, street lights and provision/maintenance of roads. Administration and other miscellaneous activities include the other functions. To perform these functions, local governments need revenues. While grants from the state is an important revenue stream, more importantly, and consistent with the decentralization agenda, to ensure that local governments are capable of planning for growth and development of their geographical, demographic and economic jurisdictions, ULB’s are expected to raise their own resources. The most important source of revenue for ULB’s is property tax.

The MRP aims to facilitate municipalities to perform these basic functions more efficiently with a corresponding strengthening of capacity and financial base of the municipalities. It was with this vision that the government of Karnataka (GoK) launched the Nirmala Nagara programme (NNP or the “clean city programme) in 2002 – 2003 with ADB funding. The programme aims to make city governments deliver and change the way people look at these institutions, positioning greater accountability and citizens’ participation as the pivot of the programme. The NNP was implemented in 57 urban local bodies (ULB’s)3 (mainly city corporations and city municipal councils4) of the state. In 2006, it was scaled up as

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2 Municipal reforms as a national policy were introduced through the JNNURM in 2005. The reforms aim at efficiency in urban infrastructure, improving service delivery mechanisms, enhancing community participation and building accountability of ULBs. Under this scheme, cities seeking funds for infrastructure provision and enhancement should implement a series of reforms like the introduction of e-governance in government operations, property tax based on self-assessment, double entry accounting systems to streamline budgets and private sector participation, to name a few. The reforms are conceptualised under the National Mission Mode projects, as part of the National e-Governance Plan, NeGP, GoI. This plan of Government of India outlines “27 Mission Mode Projects (MMPs), aiming to transform high priority citizen services from their current manual delivery into e-delivery. Each MMP is owned and spearheaded by the relevant ministry/agency of the national government or by a state government and is called ‘mission mode’ because it has a definite timetable, service levels, implementation teams and process reengineering plans (NeGP, 2006) This includes 7 central MMP’s, 11 State MMP’s and 9 integrated MMP’s. The state MMP “Municipality” lists reforms similar to the ones implemented under the MRP (with a few additions: registration and issue of birth/death certificates; payment of property tax, utility bills and management of utilities that come under the ULBs i.e. water supply and other utilities; grievances and suggestions; building approvals; procurement and monitoring of projects (E-procurement, Project/ward works); health programs (Licenses, Solid Waste Management); accounting system; Personnel Information System

3 While originally launched in 57 local bodies, these 57 were re-organised into 49 local bodies as 8 local bodies in the immediate vicinity of Bangalore local body area were merged with Bangalore to constitute the Greater Bangalore Municipal Corporation.

4 Presently, Karnataka has four categories of ULBs: 6 City Corporations (CC), 40 City Municipal Councils (CMC), 91 Town Municipal Councils (TMC) and 87 Town Panchayats (TP). These ULBs are spread across 27 districts. Categorization of ULBs is based on population, revenue generation and employment. CCs have populations exceeding 300,000; CMCs have
Karnataka Municipal Reforms Programme (KMRP) to cover the remaining 164 ULB’s (mainly Town Municipal Councils, Town Panchayats and the remaining city municipal councils) of the state. This scale-up is financed through World Bank funding.

Currently, the programme is being implemented across all 213 urban local bodies in the state and is envisioned to be completed by March, 2014. Both the NNP and the KMRP, although conceived as much larger programmes, showcase the reforms as the most publicized component. For the purpose of this case documentation, we do not distinguish between the NNP and the KMRP. This case looks at both these programmes as one and hereon will be referred to as the Municipal Reforms Programme (MRP).

The next section provides an insight into the various reforms as well as the specifics on the rationale and context for these reforms.

5. **Project Overview**

The programme aims to reform municipal functions through state wide deployment of common set of processes and standards. The main objective is to improve the “delivery of urban services by enhancing the quality of urban infrastructure and strengthening the institutional and financial framework for urban services at the urban local body (ULB) and State level” http://www.devex.com/en/projects/41487. The programme has three sub objectives:

1. At the State Government level - foster the decentralization process through improved governance and oversight of local governments. This function falls upon the Directorate of Municipal Administration (DMA), the main driver and owner of these reforms.

2. At the municipal level - enhance the accountability and financial soundness of the Urban Local Bodies (ULBs) of Karnataka, and

3. Improve service delivery to the urban population.

Given the above objectives, the three main beneficiaries of this programme are the state government, represented by DMA, local governments represented by ULB’s and citizens as the ultimate beneficiary.

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populations between 50,000 and 300,000; TMCs have populations between 20,000-50,000 and TPs have populations below 20,000. CCs are governed by the Karnataka Municipal Corporations Act, 1974 (KMCA), while the remaining fall under the Karnataka Municipalities Act, 1964 (KMA).

5 The NNP supported i) urban Stree-Shakti (Poverty alleviation); ii) urban cleanliness, (solid waste management); iii) access to toilets for urban poor; iv) rain water harvesting; v) property tax reforms and property related GIS, computerization and vi) fund based accounting system. The KMRP has four main components i. e. Institutional Development & Technical Assistance, Investment Support (General Urban Investment and Public Health and Investment), Bangalore Development (Capacity Building and Investment Support) and Incremental Operating Costs to KUIDFC. Institutional Development & Technical Assistance which envisages electronic service delivery is what constitutes the reforms.
Overall, the municipal reforms programme is conceived, designed and implemented through multiple partnerships between state and non-state actors. The state actors include the Directorate of Municipal Administration (DMA)\(^6\) as the nodal agency, the Municipal Reforms Cell (MRC)\(^7\) as the technical cell of the DMA, the Survey of India (SoI) as the technical advice support agency in GIS implementation, the Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC) as the funding agency and the Software Technology Parks of India (STPI), Bangalore for operation and management of the data centre.\(^8\) Software application support is rendered by e-Governments Foundation, a nonprofit trust that was founded in Feb 2003 with the objective of creating an e-Governance system to improve the functioning of City Municipalities leading to better delivery of services to their citizens [http://www.egovernments.org/aboutus.htm](https://www.egovernments.org/aboutus.htm).

In addition, the MRC also handholds the ULBs in implementation of computerization reforms. This is through the City Managers Association of Karnataka (CMAK).\(^9\) The MRC as the nodal agency, apart from providing the technical inputs, also co-ordinates project partners, both state and non-state.

One of the premises for the GoK to engage in such a wide ranging partnership was the lack of in-house capacity and skill sets required to bring in some of the reforms. Wherever possible, the government sourced the capacity from within the other state actors e.g. the surveying and the preparation of the GIS. This skill set was available with the SoI. However, with respect to technology skill set, the state has never had this skill set internally. This prompted looking beyond the state in terms of partnerships. Yet, right from the beginning, given the state and central leanings towards e-governance policies, it was envisioned that

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\(^6\) The Directorate has the responsibility to supervise the function of the municipalities, work out suitable human resource policies, exercise disciplinary control over the staff of municipalities, monitor the tax collection of ULBs, lay down policies for transparency in expenditures, hear appeals against the decisions of municipalities, release the Government transfers to the ULBs, as well as implement schemes like SJSRY (for urban poverty alleviation), IDSMT, Nirmala Nagar. The Directorate also collects statistics from ULBs and helps in the preparation of municipal statistics. The Directorate also inspects municipalities, interacts with both elected representatives and the employees to find out both genuine and specific problems of urban administration and urban municipal services and work out the solutions for those problems. ([http://municipaladmn.gov.in/aboutus.htm](http://municipaladmn.gov.in/aboutus.htm))

\(^7\) Municipal Reforms Cell (MRC) was created in 2005 under the Directorate of Municipal Administration, GoK, for implementation of computerization and other reforms in all the ULBs of Karnataka. These applications are rolled out to the ULBs by the IT professionals employed by the Cell and duly appointed by the Directorate directly from the market. The Cell is headed by a Joint Director who is of Senior Scale KAS Cadre [http://www.mrc.gov.in/](http://www.mrc.gov.in/)

\(^8\) A state level Municipal Data Center is established within the Municipal Reforms Cell and a centralized database of all the ULBs is being maintained by this centre.

\(^9\) CMAK was registered in December 2002 under the Karnataka Societies Registration Act 1960. The Executive body of CMAK consists of 39 members from all categories of ULBs, UDAs and state level statutory bodies across Karnataka with adequate geographic and category representation of urban bodies and includes officers from all three cadres IAS, KAS and KMAS and officers from the technical services such as Engineering, Water Supply, Town Planning and Health. CMAK is a membership based professional body of City Managers’ and Urban Planners, which works to strengthen and enhance the capacities of ULBs, UDAs and Association members in Urban Planning, Management and Development [http://www.cmakarnataka.com/aboutus.htm](http://www.cmakarnataka.com/aboutus.htm)
over a period of time the state should acquire this capacity. It was with this view that the MRC was envisioned and established.\textsuperscript{10}

To facilitate implementation, the GoK has introduced two major structural changes at the district and the local level. First, the DMA has established a network of District Urban Development Cells (DUDC) at the state level. The DUDCs, staffed with programmers and data entry operators are charged with the responsibility of overseeing reform implementation in all the ULB’s within the district. It liaises between the MRC and the ULB and depending on the application, at times facilitates capacity enhancement of the local body staff. Second, at the local body level, the government has introduced an “Information Technology (IT) Cell” and a Public Grievance (PGR) Cell. While the former is headed by a senior programmer, a permanent employee of the local body, the latter is managed by an NGO appointed by the local body. The IT cell is responsible for the implementation of municipal reforms while the PGR cell manages the “Helpline”. In addition, the government has also directed local bodies to set-up citizen service centres (CSCs) to facilitate state-citizen interaction. However, these have not been implemented in most local bodies.

In sum, the municipal reforms programme aims to achieve its objectives through partnerships between the state and the non-state actors (NGO’s, citizens and the private sector), both at the state and the local level, who have collaborated to achieve a common set of goals i.e. efficient service provision through the strengthening of and building capacities of local governments.

The reforms include the following:

1. **Creation of a website for all the 213 ULBs in the state** - As per the Right to Information Act 2005, all information regarding municipal functions should be in the public domain. This is inclusive of, though not restricted to services delivered, tenders, financial information, Council and municipal staff details and various application forms. As there was no system to make this information readily available to the public, the Government of Karnataka, as part of its urban reforms initiatives, has introduced the Urban Local Body websites. The website acts as a portal for government – citizen interface and for sharing of information. It is expected that information sharing will promote transparency and accountability in administration and ensure progressive and meaningful participation. Currently all local bodies in the state have their own website.

2. **Fund based double entry accrual accounting system (FBDEAAS) including computerization of accounts** - Urban local bodies have been plagued by “the poor quality of reporting of public finance data and this remains an impediment to analysis.” It also impacts the state’s ability to raise external funds for development. For most local

\textsuperscript{10} Presently, the MRC is handling much more that the initially mandated 5 municipal reforms (outlined later). It is providing application support on 25 e-governance interventions. This has given rise to arguments within government that the MRC is more of a software company rather than a reforms cell. Reforms is a process that is more than technology deployment. The MRC seems to have diverted from this.
bodies, revenue and budget figures were available only after a year, implication being that any sort of analysis can only be based on revised estimates of revenue and expenditure. This was primarily because of the single entry cash based accounting systems followed by the ULB’s in the state. According to this system, revenues are recognized only when cash is received and deposited and expenses are recorded when bills are paid. This is an incomplete accounting system wherein ULB’s are not aware of what they own and what they owe. There were no financial reports generated by the accounting system for fund management, resource mobilization and budgetary control. With the introduction of the FBDEAAS, ULB’s are required to capture revenue and expenditure entries in real time i.e. income as realized in the accounting period in which it is earned, regardless of when the cash is received and expenses recorded as they are owed, instead of when they are paid. This allows for the timely preparation of balance sheet of income and expenditure accounts. The FBDEAAS while allowing for income and expenditure to be captured in real time allows for reports to be generated as and when the entries are made in the online tool.

The online tool generates reports providing annual revenue and expenditure details of all the local bodies, both as a general fund and under sectorial heads. These can be viewed at http://www.mrc.gov.in/sites/mrc.gov.in/modules/pdf/FBAS%20status%20report%20for %202012-13.pdf

3. Birth and death registration and certification – maintaining birth and death records and issuing birth and death certificates is an important function of local bodies. ULBs in Karnataka were maintaining the birth and death information in manual registers. The issuance of birth and death certificates was a time consuming process as entries had to be searched in the manual registers and certificates had to be prepared manually. The DMA argues that in most ULB’s, this process would take a minimum of 15 days and required several visits on the part of the applicant. Moreover, the national and state registrar offices who utilize this data for demographic analysis did not have easy access to this database. The Government of Karnataka, as part of its urban reforms process, introduced the system of computerizing birth and death records, online registration of births/ deaths and issuing of computerized certificates in the ULBs with the objective of streamlining the registration and certification of this database and to improve quality of service delivery to the citizens. To begin with local bodies were required to computerize records of the last 10 years.11 The reform also required coordination with those government hospitals and nursing homes which were permitted to issue these certificates. Currently, all local bodies are required to issue the certificates within 72

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11 This reform was introduced in most ULB’s in 2005 and records were computerized since 1995 onwards. Some local bodies like the Hassam CMC have computerized records since 1970’s.
hours and efforts are ongoing to reduce this time to 5-10 minutes. The online tool generates reports providing information on the total records that have been computerized, the total number of certificates issued and the revenue to the local bodies from these certificates. These reports can be viewed at:


4. Property taxation information system (PTIS) or Aasthi - It is the computerization of the functions of the revenue departments of ULBs, objective being, to enhance revenue of ULBs through effective taxation of properties, both buildings and land. Prior to 2002-03, local bodies were calculating property taxes as per annual rental value (ARV) of a property.\textsuperscript{12} This was facilitated through “assessing officers” appointed by the government responsible for revising the assessment, once in five years. The property records were maintained in registers, wherein the assessing officers exercised considerable discretion in the revision of assessment (Mengers, 1997). Also, as the property tax details were maintained in a manual format, ULBs found it difficult to track tax defaulters, unauthorized and under taxed properties. This resulted in poor coverage of properties, low revenue and an inefficient tax management system. Since taxes raised through property constitutes the single largest source of own revenue for the local bodies,\textsuperscript{13} improving and streamlining this system emerged as priority. Through Aasthi, Go introduced Self Assessment Scheme (SAS) for filing of taxes. The SAS scheme requires the assesse to self-declare the worth of his property as per Capital Value Based System,\textsuperscript{14} based on which the tax is calculated using a formula.

Introduction of Aasthi required a schematic GIS and MIS of all properties of urban areas. This in turn required a field survey of all properties in ULBs, preparation of digitized maps with individual properties being assigned a unique Property Identification Number (PID) and a corresponding MIS system for each and every property. This database is then required to be reconciled with the manual records and the final database is digitized. Following this back end integration, the online tool is deployed. This tool covers the

\textsuperscript{12} Annual Rental Value is the rental value which a building is likely to fetch. It was calculated on the annual gross rent, which varied across the local bodies.

\textsuperscript{13} Other own sources include - water rate, fees for issuing Khata certificate, fees for transfer of immovable properties, advertisement tax etc as per the Bye-laws made by each municipality (Annual Administration Report 2010-11, http://municipaladmn.gov.in/sites/municipaladmn.gov.in/files/pdf/Admin_Annual_Reports/Annual_Administration_Report_2010-11_Eng.pdf). Other large sources include state grants and devolution of funds based on the recommendation of the State Finance Commission.

\textsuperscript{14} Taxation is based on the market value of the property which in turn is guided by - location and usage (residential/ commercial/industrial/public); occupancy (self-occupied/ tenanted); construction type; depreciation factor (age of the building). For the purpose of taxation the valuation is based on market value guidelines published under section 45B of the Stamp Act (taxable capital value of property).
following aspects of property tax system: i) computerization of tax calculation for a given property as per the SAS;\textsuperscript{15} ii) issuing "Form III" or the tax paid receipt once the tax payment is made at the bank; iii) Compulsory Assessment by Local Body (CAL), when the property owner fails to file taxes as per the SAS scheme; iv) generating an Auto demand-collection and balance (DCB) for any given property at any point in time; v) issuing auto demand notice generation after the CAL notice is issued and; vi) recording property mutation in cases of new registrations, transfers, bifurcations and amalgamations also known as "Khata transactions". Further, it is required that the online tool be fully integrated with the double entry accounting system to enable a fully automated up to date reporting of tax collections. In addition, the online tool generates reports on the number of SAS filed, the amount collected and Form III generated (http://www.mrc.gov.in/sites/mrc.gov.in/modules/pdf/PTIS_online_Usage_Report_20-Apr-2010.pdf). What needs mention here is that the tool has not been rolled out in its entirety for any local body, except Maddur TMC which is the model town for this programme. Of the 213 local bodies, as of June 2012, 40 ULBs are using the tool with only “Form III” being digitized. All other aspects are still manual. Consequently, the local bodies are forced to continue in parallel with the manual system.

While it was successfully deployed and tested in Maddur TMC (the model town of MRP), efforts are on to deploy the tool in its entirety in all ULB’s. The online tool generates a “PTIS Online Usage Report” which can be viewed at http://mrc.gov.in/sites/mrc.gov.in/modules/pdf/PTIS_online_Usage_Report_20-Apr-2010.pdf. This report provides information on the status of the online tool deployment, total properties within the jurisdiction of the ULB, the number of property tax filings, total amount collected from the property tax and the number of tax paid receipts or Form III generated by the ULB.

5. **Public grievance and redressal module (PGRM) or the “Helpline** - Efficient and effective service delivery is one of the main functions of the ULB and citizen participation is a means to achieve improvement in service delivery. Prior to the introduction of the MRP, complaints were received by ULB’s either in a written format or through a telephone call. Not only did the local body find it difficult to register the complaints and thereby ensure timely redressal, the citizens were not in a position to trace the status of their complaints and enforce accountability. Consequently, most complaints were routed through elected representatives i.e. the councilor representing the area. Not only was this considered a shorter route to complaint registration, it also constituted a faster redressal mechanism. The GoK introduced the helpline to enable citizens to an easy process of registration and tracking of complaints/suggestions on the provision of basic

\textsuperscript{15} Properties which are not already registered in the online tool and do not have an ID number, need to be first created as and when the tax is filed, and then the SAS is calculated.
services through multiple access channels i.e. the internet, phone, e-mail and paper. Application support for SMS integration i.e. facilitating complaint registration through SMS is currently finalized for deployment.

A PGR cell has been set up in all local bodies to facilitate registration and tracking of complaints. Non-governmental organizations (NGO's) are involved in maintaining this cell round the clock. Once registered, the complaint gets automatically escalated to the concerned section in the local body for redressal. The complaint redressal is tracked by the cell and the status is regularly updated in the online tool. Registration of complaints and a systematic redressal allows for generation of reports on the types of complaints and the trends and pattern regarding the location of problems across the city. The online tool generates a biweekly “PGR Online Application usage Status Report.” This report provides information on the total number of complaints registered, number of complaints that have been attended, are being attended and not attended. These reports can be viewed at http://mrc.gov.in/sites/mrc.gov.in/modules/pdf/PGRStatusReport_from_01-Apr-12_to_18-Aug-12.pdf. Reports generated by the online tools are accessible to all officials at the local body level as well as the MRC, the DMA and the UDD.

While the programme was conceived in the year 2002–03, implementation started in 2005-06 with website work and digitization of the Death/Birth records, the latter being made fully operational by 2009. Work on financial reforms was initiated in 2006-07 and completed recently. The PGR helpline was established in most local bodies in 2005. The PTIS or Aasthi is the only reform that is yet to be implemented in its entirety. The delay is mainly due to the vast process re-engineering that is required as background work to enable the deployment of the online tool.

The most important outcome of reform implementation is standardization of processes across the state inclusive of: i) double entry accounting procedures across local bodies as per the Karnataka Municipal Budget and Accounting Manual, 2004; ii) street naming and numbering and property numbering essential for PTIS. Towards this end the GoK prepared a “Guide to Street Naming and Property Numbering” to systematize naming of roadways and the numbering of property across local bodies; iii) rationalization of “Cadre and Recruitment rules” which analyzed skill-sets required at local body level. As part of the process, the government removed 33 posts found to be redundant for modern day governance procedures and introduced 9 new posts required to govern local bodies in the current context of globalization and technology. Amongst these 9 posts, specific to the MRP is the creation of “Information Technology” cadre to be housed in the Information Technology
Cells to drive the reforms,\(^\text{16}\) iv) introduction of service level benchmarks (SLBs) to ensure an improved basic service delivery for the citizen.

More tangible outcomes are visible in terms of reduced time in service delivery especially for birth and death certificates from a minimum of 15 days to 72 hours. Many Local bodies are issuing the certificates within a day’s time. While the certificates can be printed immediately, the health inspector of the local body has to sign these certificates before the applicant can take it and it is this which is time consuming. Currently, efforts are on to reduce the 72 hours’ time to 10 minutes. Towards this end the DMA is likely to introduce a digital signature facility for the health officer. Most local bodies are now using the FBDEAAS with the tool being used by most local bodies to produce the annual performance reports of the local body. All local bodies in the state have a dedicated Helpline, managed through a 24X7 PGR cell. While the PTIS online tool has not been deployed in most local bodies, the backend work needed to deploy this tool is almost complete in all local bodies. Many local bodies have shown an increase in property assets (the mapping exercise enabled unassessed properties to be brought within the tax net) and a corresponding increase in revenue. All local bodies have GIS maps for their jurisdictions with a corresponding MIS database for all properties and all urban properties in the state have a unique property identification number (PID).

6. **Issues and Challenges Faced During Implementation**

   a. One of the most important challenges faced in the implementation of the MRP is the constantly changing programme heads both at the MRC and the DMA at the state level. Since the conception of the programme in 2002 - 03, the administrative head of the DMA has changed five times, while that of MRC has changed eight times. Frequent changes have occurred post 2008. Transfer of programme heads poses the challenge of change management, eventually slowing down and at times resulting in a change of direction of programme implementation. A similar challenge is faced with the frequent change in the bureaucracy at the local level, especially at the Commissioner or the Chief Executive Officer level heading the local body.

   b. Creation of an institutional and organisational support structure and an adequate human resource pool necessary to implement the reforms constitutes another challenge. While this is streamlined through the establishment of the DUDC at the district level and the IT cells at the urban local body level, instituting and retaining a capable human resource pool at these levels in small and medium towns is another challenge. IT skills are a new skill-set that the government, both

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\(^{16}\) At the same time, environmental engineers and community development specialists were recruited across all urban local bodies.
at the state and the local level has acquired as part of this programme. While essential to the implementation of the programme, retaining this resource pool poses a challenge and is essential to sustain this programme.

c. Training, building capacities and ensuring integration and cooperation of the existing bureaucratic staff in the programme are another challenge. While the DMA has made capacity enhancement through training sessions organised for various target groups at the district and the local level mandatory, the impact of these training sessions has been limited. Motivating local body staff to use the online tools is an issue that both the DMA and the local body heads continue to face. It is noticed that the tools are not used by those stakeholders for whom these were initially designed for. On the contrary, the IT staff of the local body is the only ones engaging with these tools. Institutionalising and sustaining the capacity building efforts has proved to be a herculean task. Discussions with the MRC revealed that, very often the excuse put forward by the staff for not engaging with the online tools is that they are not familiar with the computerised systems.

d. The helplines, although fully implemented, are not being used as anticipated. It was gathered through interviews with the Councillors in some of the local bodies as well as citizens at the local body level that, a major part of the complaints are being routed and redressed through councillors i.e. the councillors are being used as an alternative route to register and redress complaints. Consequently, the database being generated is partial to the extent that it is not capturing the entire gamut of the nature and location of complaints. Further, the PGRC cell a space meant to enhance the state–citizen interaction, rather than being used by the citizen, is used by the local body as a data entry facility.

A similar issue is noticed with the PTIS where the transfer from a manual system to a computerised system is not complete, the manual system continues to exist in parallel. Not only is the local body expending human resources and time to maintain these two parallel systems, in this case too, the data base that the online tool generates is not complete. Completely abolishing the manual system, though a much desired change, poses a challenge given that the online tool is not deployed in its entirety in any local body.
7. **Key Lessons**

There are two major lessons that this programme offers. One, while the programme design positions the DMA as the main driver of these reforms, eventually, over a period of time, it was envisaged that local bodies, would, through enhancement of capacities and skills assume ownership of these reforms. Discussions with both the DMA and observations at local body level showed that even after ten years, the DMA continues to be the “main driver and owner” of these reforms. The reforms while driven by the DMA in a centralised manner are implemented at the local level by the IT cell of the local body, rather than the local body through its various sections. Communication regarding reforms is between the IT cell and the MRC, with the DUDC as the interface, very often bypassing the Commissioner and his administrative machinery.\(^\text{17}\)

Two, the reforms do not factor in the elected representatives at the local body level. Municipal governments are headed by an administrative head or the bureaucrat represented by the Commissioner (for the larger cities) or the Chief Executive Officer (CEO, for the smaller towns) and by an elected body represented by the President. Both the elected representatives as well as the bureaucrats are essential to the smooth functioning of the local body. Some of the reforms that the programme has initiated are political reforms. This is especially true for the PGR Helpline which aims to reform service provision. Service provision is a political reform. Efficient service delivery is the basis for re-election and the councillor constitutes an important link between the state and the citizen. It is therefore important that the link be accounted for within the reform process. Failure to do so has resulted in the reform working partially as has been demonstrated above.

8. **Case Development Methodology Adopted For Case Writing**

The case study documentation is based on field work carried out initially in 2010 and subsequently as a more focused activity from February, 2012 to May, 2012. Field visits while concentrated in the various state government offices in Bangalore also included site visits to some of the local bodies in the state. These include, Hassan, Bidar, Mysore, Chanraypatna and Gulbarga. Using a combination of methods such as semi structured qualitative interviews, participant observation and secondary data review, efforts were made to understand the reforms and their implementation. Field work was concentrated largely in Bangalore, covering key personnel in the DMA, MRC, the KUIDFC, SoI, CMAK and the E-governments Foundation.\(^\text{18}\) Interviews were done mainly in Kannada and at times in

\(^{17}\) While this was observed in the few local bodies that we visited, the finding was corroborated by a senior level IAS officer in the Urban Development Department of the GoK. Further discussions and interviews with the other staff at the MRC showed a similar finding from the various review evaluation meetings that the MRC was conducting in the local bodies in March, April, 2012.

\(^{18}\) Within the government, interviews were conducted with senior level IAS and KAS cadre who are currently serving or have served with the DMA and the urban development department of the Government of Karnataka. Attempts have been made to interview those personnel who were part of the conception and design team of this programme, both within the government and outside. Some of these interviews had to be conducted in locations outside Bangalore, mainly in Delhi and
English. Most interviews were recorded, though at times there were requests for the recorder to be switched off. Finally, in-depth interviews were also conducted with the elected representatives at the local body level. Care was taken to interview councilors from all the political parties represented within the council.

9. References

1. World Bank (2006) Project Appraisal Document on a Proposed Loan for the Karnataka Municipal Reform Project, Infrastructure and Energy Sector Unit India Country Management Unit South Asia Region


Mysore. In addition, both the technical staff as well as the business analysts in the MRC were interviewed and engaged in focus group discussions. Lastly, the funding agency perspective was sought through interviews and discussions with the WB representatives.
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Project Case Fact Sheet
1. **Project name**: Municipal Reforms Programme
2. **Funding**: Initially by the ADB covering 49 local bodies. Currently being funded by the WB covering 164 local bodies.
4. **Completion Date**: March 31st 2014
5. **Lending Instrument**: Specific Investment Loan
6. **Implementing Agencies**: Directorate of Municipal Administration (DMA) and the Karnataka Urban Infrastructure Development Finance Corporation through Urban Local Bodies.
7. No of ULBs with websites - 213
8. The number of ULBs with complete Birth and Death registration and certification: 213
9. Number of ULBs with new budgeting and accounting systems as part of financial management- 208
10. Number of ULBs with PGR cells supporting an operational Helpline – 213
11. Number of ULBs with PTIS - 40