

Research Article



# Environmental Governance in Small Cities: Decentralization, Municipal Capacity and Autonomy in Gujarat and West Bengal

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## Abstract

India's 74th Constitutional Amendment obliges state governments to devolve responsibilities related to urban environmental resources and services to the Urban Local Bodies. However, the existing literature points to deficiencies in urban decentralization, including a mismatch between resources and responsibilities, financial constraints, and a lack of capacities at the municipal level. This article, based on comparative fieldwork and analysis of environmental governance in four small cities in Gujarat and West Bengal, two states representing contrasting subnational political regimes, largely confirms the literature on urban decentralization, but it also shows important differences between the two states. Municipal governance reflects state-level regime types to some extent: While an efficient local and parastatal bureaucracy spearheads investments in environmental infrastructure in Gujarat, relatively autonomous elected municipal councillors in West Bengal guide a widely spread creation of small environmental assets. The availability of more untied funds at the local level in Gujarat than in West Bengal leads to more pronounced intra-state variation and opens possibilities for more substantial municipal agency.

## Keywords

Decentralization, urban governance, municipalities, sustainable development, India

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## Introduction

There is a widely shared belief in the potential of decentralization to lead to more efficient, responsive and accountable government, provided that appropriate powers and sufficient funds are devolved and that

resources and responsibilities of local governments are made to match (Rondinelli & Nellis, 1986). Based on this assumption, many developing countries embarked on programs of political, administrative and fiscal decentralization. In India, constitutional amendments in 1992 represented a defining moment towards decentralization. The 74th Constitutional Amendment conferred constitutional status to urban local bodies (ULBs), mandated regular municipal elections, demanded state finance commissions, which were to propose transparent systems of fiscal devolution and revenue-sharing, and requested the delegation of a number of governmental functions to municipalities (Mathur, 2006).

However, the actual implementation of decentralization was left with the state governments, creating substantial inter-state variation, explained by path dependency and decisions by the subnational political and bureaucratic elites (Jacob & Jacob, 2022). The existing literature shows that most states failed to devolve substantive powers and funds to their municipalities. For example, many of the responsibilities specified in the 12th schedule remained with state departments and parastatals (Ren, 2015) leading to institutional overlaps between a multiplicity of agencies and unrelenting state control over municipal activities (Chu, 2018; Maringanti, 2012; Nanda, 2014). Furthermore, the power of ULBs was constrained by inadequate technical capacities of the local personnel (Paul, 2017; Sharma, 2012), domination of elected councillors by bureaucrats (Paul, 2017) and insufficient scope for democratic participation and local planning (Baud & Wit, 2009; Chattopadhyay, 2012). Municipalities also remained underfunded (Ren, 2015); their own revenue generation was very low due to limited taxation rights and ineffective collection (Mathur, 2006; Mohanty et al., 2007) which made them dependent on revenue-sharing transfers and grants-in-aid from the state governments (Gaur, 2015). Even then, their total revenue fell short of the requirements to expand, or even maintain, urban services and infrastructure (Mathur, 2006).

Simply put, there seems to be a mismatch between devolved responsibilities and available funds at the municipal level (Mohanty et al., 2007). As states faced substantial fiscal deficits in the 2000s, decentralization in India has also been interpreted as a ‘process of devolving fiscal deficit to the city scale—in other words, urbanizing fiscal deficit’ (Maringanti, 2012, p. 93). Others pointed to a ‘vicious cycle of low capability, resulting in low collection of revenue leading to poor performance in the delivery of all basic services’, particularly in small towns (Sharma, 2012, p. 64). The net result is that the activities of municipalities are often limited to (inadequate) basic service delivery and upkeep of infrastructure built by state departments (Ren, 2015) and, we would add, through centrally and externally sponsored schemes.

Apart from decentralization policies, recent urban governance in India has been shaped by centrally sponsored programs and neoliberal governance reforms (Nandi & Gamkhar, 2013; Sadoway et al., 2015). For instance, the significant investments in urban infrastructure under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), as well as the related conditionalities to establish local development plans and adopt governance reform, led to a situation where ‘the process of formal decentralization is accompanied by a parallel process of informal centralization’ (Maringanti, 2012, pp. 96–97). The involvement of consultancies in project planning, implementation and reporting undermined rather than strengthened local administrative capacities—well beyond 2014, the official end of JNNURM (Sadoway et al., 2015). JNNURM also exacerbated inequalities through disproportionate investments in large cities concentrated in only a few states (Kamath & Zachariah, 2015; Khan, 2017).

This article, based on in-depth research in Gujarat and West Bengal, largely confirms the conclusions of the existing literature that decentralization was incomplete and largely failed to empower ULBs. However, it also points to important differences between the two states, including in terms of the transformed

institutional infrastructure in response to the 74th Constitutional Amendment and JNNURM, which led to differing degrees of municipal agency and relative autonomy. Both states have formally devolved urban governance functions to municipal councils (Bandyopadhyay et al., 2011), but West Bengal's democratic decentralization going back to the 1980s appears to have gone deeper (establishment of ward committees, standing committees, etc.) and became a basis of local urban development planning even before its prescription by JNNURM. Gujarat, by contrast, continued relying on an efficient bureaucracy and parastatals (Kohli, 2012); it was also a forerunner of business-friendly neoliberal urban governance reform (Jaffrelot, 2019).

The objective of this article is to describe the changing institutional environment of decentralization in Gujarat and West Bengal and to assess and qualitatively compare municipal power or agency, as a function of municipal capacity and autonomy, in these two states. We seek to understand how this power and agency is influenced, constrained or enabled by the respective state government (yet without aiming to provide a full explanation of the reasons why the two states follow different decentralization policies). We put an emphasis on the analysis of municipal-state relations because state governments (and to a lesser degree the central government) play crucial roles in influencing municipal power through the delegation of authority and responsibility, the creation of positions at the municipal level, the allocation and training of key municipal officers, the devolution of funds, the setting up of project approval mechanisms, the allocation of state schemes, the channelling of centrally and externally sponsored schemes, the establishment and empowering of implementing agencies, etc.—or through what Venkatakrisnan (2007) called 'the four Fs of decentralization', that is, functions, functionaries, funds, freedoms. This is of course not to suggest that the local economic base or a city's civil society do not have influence on municipal power, but an appraisal of this influence is beyond the scope of this article. Neither do we intend to assess the developmental, environmental or political outcomes of (incomplete) devolution.

Municipal agency is examined in this article through the case of small cities (i.e., municipal councils with populations of 1–5 lakh) outside metropolitan areas that have received relatively little attention in the literature despite their demographic importance.<sup>1</sup> Most studies on decentralization treated the subject at the macro level, including through international and inter-state comparisons (Ren, 2015), or they examined individual metropolitan cases (Maringanti, 2012; Sadoway et al., 2015), through which underlying state-specific structures are difficult to understand (Baud & Wit, 2009). Municipal-state relations may be different in small cities than in the better-studied metropolises.

As JNNURM focused on 65 large and nationally important cities, for instance, it can be hypothesized that the central mission may have had lesser institutional impact—in form of centralization and technocratization (Maringanti, 2012; Sadoway et al., 2015)—on smaller municipalities. Furthermore, the 74th Constitutional Amendment prescribed ward committees only for municipalities with a population of more than 3 lakh and not for smaller municipalities (although West Bengal legislated these committees for all types of municipalities). Finally, limited technical capacity of municipal staff is likely to be more pronounced in smaller cities (de Bercegol, 2017; Sharma, 2012) and state governments may therefore have been more hesitant to devolve powers to municipal councils than to the larger municipal corporations. Through in-depth research on small cities, therefore, our aim is to contribute to a more nuanced picture of actually existing urban decentralization in India.

Urban decentralization is studied in this article through the lens of environmental governance, which represents a multifaceted challenge for small cities (Véron, 2010). The urban environment is understood here

in a large sense to include urban environmental services and amenities, such as water supply, drainage and sanitation, solid waste removal and treatment, urban green space, forests and parks. Indeed, the management and planning of these services were to be decentralized under the 74th Amendment; the added 12th Schedule suggests these functions, along with environmental protection, land-use regulation and urban planning, as responsibilities of municipalities. At the same time, water supply, sanitation and solid waste management were also covered under the national mission JNNURM. The focus of this study on environmental governance therefore relates to an important task of ULBs and it allows for a concrete, grounded analysis of decentralization that intersects with attempts at recentralization through JNNURM.

## Methodology

This study of decentralization and municipal agency is part of a larger research project on environmental governance in small Indian cities. Gujarat and West Bengal were selected to represent different political-economic structures and trajectories. Various comparative studies of subnational regimes in India have included these two states as illustrative cases. For example, Sinha (2005) found that the two states respond differently to central policy frameworks. In line with preexisting institutions and regional political incentives, Gujarat has pursued bargaining strategies within a general alignment to central policy while West Bengal's politics toward the central government have been confrontational (Sinha, 2005). Furthermore, Gujarat has been examined as one of (Western) India's developmental states and depicted as elite-driven, productivist and business-oriented while West Bengal has been studied as an example of a social democratic Indian state, where strong labour and peasant movements have generally led to democratic politics and redistributive policies (Kohli, 2012). In line with this depiction of regimes, key informants during exploratory visits pointed to a history of West Bengal's democratic decentralization going back to the 1980s and the existence of committees at the ward and municipal levels while such structures were deemed absent in Gujarat. Only later, we became to realize that Gujarat had preexisting institutions favouring fiscal devolution (see below) and unbureaucratic procedures at the municipal level (Jacob & Jacob, 2022). In any case, both states have formally implemented most provisions under the 74th Constitutional Amendment; they cannot be regarded as outliers, idiosyncratic or unique cases, but they represent states at the opposite ends of a spectrum and point to the common importance of preexisting structures.

Apart from inter-state differences, we also attempted to examine possible intra-state variations in municipal power and in the realization of decentralization. For this purpose, we selected two municipal councils in each state for the in-depth study. One of these cities was to reflect the presumed state-level characteristics strongly; the other one less so, yet without being an outlier. To facilitate comparison, all the selected small cities are district headquarters, have the status of municipal councils and are located outside metropolitan areas.

Within Gujarat, we first sought to select a municipal council with an efficient and dynamic local administration to reflect the characteristics of the business-oriented developmental state. After a scoping tour through several district headquarters in prosperous and industrialized eastern Gujarat, our choice fell on the city of Navsari (pop. 282,753) where municipal officers were also particularly welcoming. As a contrasting, second field site we later selected the municipal council of Amreli (pop. 105,573) in the less prosperous Saurashtra region in order to study a city that we expected to receive less attention by the state government focusing on growth-oriented development.

In West Bengal, we selected the municipality of Bardhaman (pop. 347,016) that was known for active

ward-level committees, thus representing some perceived characteristics of the state. Bardhaman was also implementing a wide range of smaller and larger environmental projects that facilitated our study on environmental governance. Furthermore, we chose the municipality of Medinipur (pop. 169,127) as a field site where ward-level committees were said to be dormant. Logistic considerations prevented us from selecting a city in North Bengal that might have shown a bigger contrast to Bardhaman.

For the in-depth study, we conducted 133 semi-structured interviews, including with 34 state-level government officers in Gandhinagar and Kolkata, 45 municipal-level officers and employees, 27 elected municipal councillors and mayors, and 27 representatives of civil and political society in the four selected cities. These interviews addressed issues of municipal funding, responsibilities and project approval mechanisms, and technical and human capacity. Many of the municipal-level interviews provided brief factual information related to concrete projects and initiatives from which we were able, assisted by qualitative analysis software, to infer the larger picture. Interviews in the state capitals provided us with information on general processes and trends regarding municipal agency in the respective state. They also allowed us to situate the selected cities within the state. Additional secondary data (policy statements, project reports, development plans, etc.) were also included in the analysis.

The qualitative data sets were complemented with quantitative data on state- and municipal-level fund allocations, revenues, budgets and expenditures, particularly those related to environmental governance. This information was difficult to obtain, mostly from the respective offices directly, and not always reliable. Moreover, the comparison of municipal-level data was in some cases problematic because the studied municipalities used different accounting systems. This article represents these quantitative data only in summary form in order to provide an indication of the (financial) autonomy of municipalities; more detailed tables can be found in *[the supplemental material]*.

## Parastatal Agencies

We found that the variations and changes in state-level urban policy visions related to small cities had little impact on actual state funding and municipal agency; more important was the role of parastatal agencies as part of the state-level institutional framework. In Gujarat, state-level special purpose agencies, such as the Gujarat Water Supply and Sewerage Board or the Gujarat Urban Development Company, continue to play a key role vis-à-vis the municipalities in urban environmental service provision and planning. Water and sanitation projects are mostly implemented by these agencies, and the created infrastructure is then transferred to the municipality for operation and maintenance. Through these parastatal agencies, the state government in Gujarat keeps major control over environmental governance in small cities.

In West Bengal, the key parastatal agency was a different one: Urban Development Authorities (UDAs) have since the 2000s become increasingly influential for urban environmental governance in small cities despite the official delegation of important urban environmental functions—including solid waste management, water supply and sanitation—to ULBs. Both Bardhaman and Medinipur are covered by a larger UDA established in the early 2000s under the Urban Development Department; the one in Bardhaman having stronger involvement in environmental governance. Theoretically, the domains of UDAs and ULBs are distinct. UDAs function at a larger scale and are mostly concerned with land-use and town planning, although they also create infrastructure and carry out water supply projects. State-level officers maintained that UDAs would not interfere in the domain of municipalities, as they limit themselves to larger inter-municipal projects for which ULBs would lack the financial resources as well as the planning and

engineering skills. A municipal planning officer, however, clarified: ‘We’re often covering the same fields, but their [the UDA’s] scope is a bit larger. They make their own plans [which this officer had not seen]. It would be better if we worked together’.

Only in a few cases did the UDA implement projects from the municipal City Development Plan (CDP). Insufficient coordination between the UDA and the ULB was confirmed by a UDA town planner who did not even know who his counterpart in the municipality was. Still, a state-level interviewee justified the existence of UDAs: ‘The municipalities ... are much involved in the day-to-day running of the services so that perspective planning ..., the making of new vistas ... at horizons of decades, is something that they don’t have the competence to do’.

However, the production of the stipulated five-year zonal Development Plan and the longer-term Perspective Plan, for which UDAs are responsible, was delayed and opaque in both Bardhaman and Medinipur. On the other hand, UDAs are effective tools to create urban environmental infrastructure. They can be created quickly, their staffing is flexible (often through deputation and the employment of retired civil servants as consultants) and they can respond to immediate needs. At the same time, they can bypass ULBs, as the definition at which scale infrastructure should be created is often arbitrary. While mayors are normally represented in UDAs, the municipal chairman in one of our studied cases was excluded, supposedly as he came from a different political party than that in power at the state level.

While UDAs have some executive powers, they are institutions through which the state government in West Bengal can control local environmental governance, as it nominates the members of the UDA board of directors. As a state-level officer told us:

The ruling party can appoint people according to their preference. In the case of ULBs, things are less predictable for the state government. Even in councils dominated by the ruling party, chairmen have to be nominated at the local level. So, the state government’s influence on ULBs is weaker than on UDAs. All the government can do is to starve particular ULBs of funds.

## Human Resources and Capacities

Through their power to sanction municipal staff positions, state governments further influence local environmental governance. In Gujarat, the Department of Urban Development sanctions posts based on the size class of the city; in West Bengal, the Municipal Service Commission uses population and needs criteria, but in Bardhaman and Medinipur, 15%–20% of posts were left vacant for many years.

For municipal technical expertise in environmental governance, the positions of municipal engineers and urban planners are most crucial. In West Bengal, municipalities typically have one or two engineers, a town planner and an urban planner; the position of the latter was created under a DfID-funded project and the related salaries are paid directly by the Department of Municipal Affairs. The UDAs are often better staffed. In Navsari, four engineers were employed, for water works, drainage, public works, etc. Technical staff was sometimes hired on a contractual basis.

Technical capacity constraints were more marked in West Bengal than in Gujarat. A district-level officer stated that: ‘The problem in the urban bodies in West Bengal is a severe shortage of skilled manpower’. A state-level officer elaborated: ‘There are one to two technical persons per municipality. Each person manages 10 to 15 projects. That’s just not possible.... This leads to lack of motivation amongst them’.

An interviewed urban planner confirmed to be overworked, the more so as capacity building (training of colleagues at the municipality) was recently added to their responsibilities; another urban planner was drawn

in to serve the mayor as his part-time assistant. On the other hand, engineers and planners were well educated with bachelor's degrees in engineering, economics, sociology, etc. and postgraduate training in urban management, planning, etc. The technical capacity constraint seems therefore a function of the limited number of posts sanctioned at the municipal level, often aggravated through vacancies, rather than because of lacking competencies of the officers. Similarly, technical municipal staff in Gujarat were often highly skilled. In Navsari, for example, one of the municipal engineers had experience of working in the locality for more than 20 years; apart from technical skills, he had extensive knowledge of the locality and its people.

The managerial capacity of municipalities is strongly influenced by the chief executive officer (part of the state civil service) and further on chief accountants, head clerks, etc. In Gujarat, the Chief Officer was appointed to municipalities for three to five years on a rotational basis. They generally were young career civil servants motivated to make a mark during their tenure. Some were known for specific expertise, for example, to bring in e-governance or tax reform. In West Bengal, by contrast, Executive Officers were mostly retired government officers appointed by the state government on a contractual basis. They seemed less eager to innovate because of the dominant role of elected councillors. For example, an interviewed Executive Officer described his own role as: 'To maintain government norms..., to watch the activities of the Chairman [mayor] and the ULB to see if they are performing within the law, and to perform duties as directed by the Chairman'.

This quote points to the relationship between municipal officers and elected councillors. The same officer remarked: 'In West Bengal, the Executive Officer is controlled by the Chairman and just observes. All about this is state policy'. This state policy prescribes the formation of a Board of Councillors in each municipality, a type of municipal cabinet with three to five elected councillors (i.e., Member Chairs in Council, MCICs) selected by the Chairperson. The usual mandate of the Board follows the five-year electoral cycle. In our study areas, the MCICs were moreover well connected to the dominant political party of the area, making the Board of Councillors a powerful actor of municipal governance in relation to the departmental officers at the municipal level. For example, an MCIC referred to the Executive Officer in a patronizing manner as 'very good and always eager to help'.

The situation was different in Gujarat. The Chief Officer's role went well beyond observing whether government rules are followed to proactively generate ideas, advise and guide municipal councils together with the technical staff. Technical knowledge gave them power, which they often used constructively. Government officers referred to teamwork with 'a good council' and councillors who 'are progressive, open-minded, educated and [who] understand the situation' but also lamented that they are 'sometimes unable to understand the importance of things'. The weaker role of municipal councils in Gujarat may be influenced by the relatively short mandates of mayors (2.5 years) and of municipal executive committees (one year).

Apart from human resources, municipal offices in Gujarat also seemed to be equipped better with computers and digital software.

## Decentralized Planning

JNNURM required cities to draft comprehensive five-year CDPs as a condition for receiving funding under the scheme. In Gujarat, the state government entrusted the Gujarat Urban Development Mission (GUDM) with the production of the CDPs rather than charging the municipalities with local planning. GUDM employed consultants for this task without including municipal town planners, as one of the latter commented: 'The CDP would show what the city wants to do. This is under process, but done by the

Government of Gujarat, not the municipality'. Indeed, we were unable to locate CDPs in either Navsari or Amreli. Planning at the municipal level in Gujarat appears ad hoc and in interaction between state departments, parastatal agencies and proactive key municipal officers (such as engineers or executive officers), bypassing the local councils.

This contrasts with West Bengal, where decentralized planning and CDPs (earlier known as Draft Development Plans) have been instituted in the wake of the 74th Amendment and further supported by a project sponsored by the UK-Department for International Development (DfID) in the 2000s. CDPs are comprehensive documents; the template provided by the state government includes 13 sections organized in three categories, including one on 'infrastructure, land use and environmental management' that addresses key issues of environmental governance, such as water supply, drainage and sewerage, solid waste management, parks and pollution. Apart from an assessment of the current situation, the five-year CDPs detail specific projects, including estimated costs, probable sources of funding, priority rank and planned period of realization. For example, Bardhaman's plan for 2008-09 to 2012-13 listed more than 100 specific, mostly very small, projects under the above-mentioned category. Typical examples of listed projects would be the extension of a water pipe, the sinking of a tube well or the construction of a community latrine in a particular neighbourhood.

CDPs in West Bengal are the product of a quinquennial nine-month planning process coordinated by the municipal planner. Ward committees were largely dormant in the studied cities: in Bardhaman, the list of ward-level priorities for the CDP of 2013–2014 to 2018–2019 was submitted by the elected councillors; in Medinipur, local workshops with invited stakeholders (councillor, self-help groups, businesspersons, etc.) were conducted to generate project proposals. In both cases, projects were then evaluated by municipal officers for technical and financial feasibility and prioritized by the municipal council and the MLA. Draft plans were presented to the public in consultation meetings, passed by the Board of Councillors and approved by the District Planning Committee. No approval at higher levels is required.

While the urban planning process in West Bengal is decentralized, though not deeply participatory, many planned projects remain uncompleted due to scarcity of funds, which are largely controlled by the state government and thus exposed to political interference. For instance, an officer in Bardhaman suggested that many projects were not completed due to 'administrative problems' linked to the situation from 2011 to 2014, when the mayor was from CPI-M while the state government was ruled by TMC. Furthermore, most of the larger-scale projects are outside the purview of the CDPs as they are taken up by the UDAs.

## Urban Development Schemes

At the time of our fieldwork, between 2012 and 2014, JNNURM (2005-2014) was the most important centrally sponsored scheme affecting the urban environment in small cities although these received only about 24% of the total mission funds, through the Urban Infrastructure Development Scheme of Small and Medium Towns (UIDSSMT) and the Integrated Housing and Slum Development Programme (IHSDP). Both West Bengal and Gujarat made efforts to meet the conditionalities for this central funding scheme; the former particularly through the drafting of CDPs and the latter through governance reform.

However, none of our studied municipalities in West Bengal and Gujarat, nor their corresponding UDA, had received any significant UIDSSMT grant recently. In both states, the selection of projects and beneficiary cities was made by the relevant department of the state government, yet without an unequivocal formula for the allocation of funds, thus reinforcing state power over municipalities. Funding under IHSDP



for smaller constructions in slum (relocation) areas was dispersed to a larger number of small cities. In West Bengal, where the scheme uptake was substantial, IHSDP projects were integrated in the CDPs and implemented in both Bardhaman and Medinipur. Elected councillors and party workers played important roles in selecting the small projects and individual beneficiaries. But here too, the state government retained some control. In Medinipur, for example, IHSDP was used to provide waste containers. In order to get the municipality's compliance in implementing central rules regarding waste segregation at source, state officers threatened with non-disbursal of funds from central schemes (Cornea et al., 2016). In our selected cities in Gujarat, IHSDP was not prominent; slum upgrading and relocations were financed through state schemes and own funds.

The central government grants (80%) under JNNURM were to be matched by 10% from the state government and 10% from the respective municipality. While the municipalities in Gujarat seemed able to forward the required matching funds (sometimes with the help of government soft loans), the state government in West Bengal supported local governments by increasing its own share to 15% of the cost of sanctioned projects. Often, the actual share of the state government was even higher—one officer in Kolkata estimated it around 35% in the case of UIDSSMT—because of the escalation of project costs that have to be covered by the state government. A state finance commissioner argued that centrally sponsored schemes have negative impacts on fiscal decentralization too:

There was an increase of centrally-sponsored-scheme allocations to ULBs by about 8%. As a consequence, the state government had to allocate a more significant amount to pay for the state share of these centrally sponsored schemes. Less was available for untied funds [to ULBs] as a consequence.

JNNURM also had an institutional impact on small cities although these were not the focus of the intervention. The scheme drew in consultants for project planning and implementation, enhanced government control over small municipalities and slowed down fiscal devolution (particularly in West Bengal). However, this finding needs to be qualified. Our studied municipalities were also able to use IHSDP funds strategically to fill gaps in their budgets. Furthermore, the employed consultants were mostly former civil servants and experts from local universities. Their involvement hardly implied the privatization of environmental governance.

Apart from the centrally sponsored JNNURM, a large number of state schemes affected urban environmental governance in small cities. Our calculations based on municipal budgets (see Table 1) indicate that small cities in West Bengal relied much more heavily on revenue from central and state schemes than their counterparts in Gujarat (*see complementary material for more detail*). There were qualitative differences, too. West Bengal favoured employment-oriented programs; for example, state-level urban employment schemes were used in Bardhaman and Medinipur for small-scale water works, urban forestry and beautification but also for maintenance work (street sweeping and drainage), thus filling gaps in the municipal operation and maintenance budget for the upkeep of the urban environment. By contrast, the Government of Gujarat embarked on larger infrastructure projects. In Amreli, for example, a ₹50-crore water supply project had been recently completed and an underground drainage system had been sanctioned. For local officials, this was a sign that 'Modi does not neglect Saurashtra'.

**Table 1.** Sources of Estimated Municipal Incomes with Links to Environmental Governance in Selected Cities, 2011–2012 (in ₹).

	Bardhaman	Medinipur	Navsari	Amreli
Centrally sponsored schemes per capita	6,00,00,000 (173)	9,95,00,000 (589)	N/A	3,00,000 (< 3)
State government schemes per capita	5,76,00,000 (166)	9,65,00,000 (571)	N/A	2,45,00,000 (208)
Finance commission per capita	2,90,00,000 (84)	1,52,00,000 (90)	N/A	1,29,00,000 (109)
Octroi compensation per capita	–	–	N/A	5,45,00,000 (462)
Own revenue per capita	11,56,00,000 (333)	6,22,00,000 (368)	16,55,00,000 (585)	8,81,00,000 (747)

**Source:** Municipal annual accounts, 2011–2012; Municipal budget estimates 2013–2014.

As in the case of centrally sponsored schemes, however, the allocation of state government projects did not follow a fixed formula. Our interviewees at the municipal level pointed to the importance of establishing direct contacts with state-level officers. A councillor in Bardhaman claimed:

In the last year I have managed to double the funds received from the state and central government for various schemes. This is the result of good connections with the Municipal Affairs Department... Being from a political family, combined with my business experience, has given me good connections and good knowledge of accounts.

In Navsari, furthermore, an officer laughingly remarked when we inquired about a planned town planning project: ‘That is why [a particular government officer] has gone to Gandhinagar – to get this money’. Together with the absence of clear allocation criteria, these anecdotes are indications that urban development schemes are a way through which state governments hold sway over ULBs.

## Fiscal Decentralization and Municipal Finance

Municipal finance is a key factor for a city’s environmental governance. The total amount of funds available evidently sets limits to the environmental services and amenities that a municipality can provide to its population. However, it is also the source and type of funds that influence the autonomy of ULBs and their chance to embark on initiatives of their own choosing. In this connection, untied funds and own revenue are particularly important for municipalities.

The 74th Constitutional Amendment directed state governments to establish their own State Finance Commissions (SFC) responsible for fairly distributing a given share of the state tax income (from both central tax transfers and own taxes) to ULBs and panchayats according to a predetermined formula. The SFCs in Gujarat and West Bengal tried to balance between need-based allotments and incentive-based ones rewarding ‘good performance’. Also, the formulas were becoming more sophisticated as more disaggregated data was becoming available. A state-level interviewee in Gujarat was very enthusiastic about the new, more scientific system: ‘It [the financial transfer] is not at mercy anymore, it is their [the municipalities]’ right...

Financially the local bodies will become very strong...’.

However, the proportion of devolved funds remained relatively small in both states (see Table 1). In West Bengal, the 3rd SFC (2008-09 to 2012-13) proposed the devolution of 5% of the state’s own net tax revenue to local bodies with an increase to about 9% over five years. Due to obligations to match funds from central schemes, this policy goal was not achieved and the level of devolved funds remained at about 5%. Moreover, a state officer explained that a significant amount of the SFC allocations would never reach the municipalities as the state government deducts in many cases an amount from the transfer to cover the municipality’s outstanding bills, particularly electricity bills, owed to state-government-owned utility companies.

In Gujarat, a previous SFC recommended that 20% of the state income should be devolved. However, this recommendation was rejected by the state government, which argued that it already spent around 15% or 20% of its income on local bodies via grants (schemes). However, municipalities in Gujarat received a much larger amount of untied funds through ‘octroi compensation’ (see Table 1). Octroi, the raising of a municipal tax for the entry of goods to the city, was an important traditional local revenue stream in Gujarat exemplifying a system of decentralized urban governance rooted in the former princely states. It was abolished in the 2000s only, with the state government’s promise to compensate the municipalities for revenue losses. The system of octroi was absent in West Bengal, where only the state could raise an ‘entry tax’. Octroi exemplifies the importance of preexisting institutions influencing the regional implementation of central policies, including that of decentralization (Jacob & Jacob, 2022; Sinha, 2005).

Furthermore, neoliberal urban governance reform of the 2000s aimed to improve tax collection and increase own revenue of ULBs. In Gujarat, local tax reforms were relatively wide-reaching: the tax system was computerized in most municipalities, tax collection was improved through a system of incentives and penalties to reach rates of 90% in some cities, area-based property taxation was introduced, and municipalities had the authority to set property tax rates. In West Bengal, tax reform was lagging in comparison: municipalities had limited taxation powers, an area-based property tax system was only in a pilot stage covering a few areas of the Kolkata metropolitan area, and computerization faced resistance from municipal staff. Raising own revenue also proved to be politically difficult, except for taxes on mobile-phone towers, bus stands and rents. These differences, together with a stronger economic tax base in Gujarat, created a situation in which municipalities in Gujarat were able to raise significantly more own revenue than their counterparts in West Bengal (see Table 1).

In general, interviewees in Gujarat were more likely to report that the municipalities had enough funds, at least for paying salaries, staff training and maintaining urban infrastructure, although own funds were often too limited to take up larger projects on their own, for example, for large-scale urban drainage, lake restoration or solid waste treatment and disposal. References to weak municipal financial capacity were more common in West Bengal. For example, an officer in Medinipur stated that salary costs and maintenance/operation of municipal buildings outpace their own revenue by a factor of almost two so that there would be ‘no scope for other work’. The municipality even struggled to provide simple buckets to households to implement a waste segregation-at-source scheme. Similarly, an elected official in Bardhaman commented: ‘All we can do is implement the central and state schemes’; as indicated above, even the municipality’s untied funds had to be partially used for the required matching funds of central schemes.

This unequal situation was confirmed by data on expenditure from the municipal accounts. While total expenditure (around ₹1,500 per capita) was not very different in the selected cities, the Bengali

municipalities had much higher revenue expenditures (e.g., recurring expenses for operation and maintenance, particularly for the employment of ‘unskilled’ labour such as waste workers) and lower capital expenditures (e.g., asset-creating investments) than their Gujarati counterparts. According to municipal accounts, the ratio between capital and revenue expenditure was 31:69, 34:66, 54:46 and 54:46 in Bardhaman, Medinipur, Navsari and Amreli, respectively.

## Municipal Agency

From the analysis above, it is clear that structural constraints posed by state and centrally sponsored schemes and by the presence of parastatal agencies impede small, non-metropolitan municipalities from playing a proactive role in environmental governance. Table 2 indicates that the financing and implementation of large environmental infrastructures (e.g., water supply, sanitation, waste management) remain in the realm of the state government. Municipalities are often relegated to implementing small projects linked to government schemes for the improvement of their environment (e.g., installation of tube wells, construction of drains) and to upkeeping urban environmental services (e.g., cleaning drains, street sweeping, maintenance of parks), a responsibility they sometimes struggled to fulfil. The functions of environmental protection and ecological restoration were not taken up by the studied municipalities. These remained the realm of the State Pollution Boards.

**Table 2.** Institutional Division of Tasks Related to Urban Environmental Governance in Gujarat and West Bengal.

	Gujarat	West Bengal
Water supply	Gujarat Water and Sewerage Board (planning, implementation) Gujarat Urban Development Mission (planning) Municipality (operation & maintenance, planning)	Urban Development Authority (planning and implementation of large projects) Municipality (planning, implementation and operation/maintenance of small infrastructures; operation & maintenance of large infrastructures)
Drainage and sewage	Gujarat Water and Sewerage Board (planning, implementation) Gujarat Urban Development Mission (planning) Municipality (operation & maintenance, planning)	Urban Development Authority (planning and implementation of large projects) Municipality (planning, implementation and operation/maintenance of small infrastructures; operation & maintenance of large infrastructures)
Solid waste management	Municipality (collection and removal) Gujarat Urban Development	Municipality (collection, removal, treatment and disposal)

Urban green spaces, forests and parks	Company (treatment and disposal) Municipality Forest Department	Urban Development Authority (treatment and disposal) Municipality Forest Department
Environmental protection	State Pollution Board	State Pollution Board
Land-use regulation and urban planning	Town Planning Dept	Town Planning Dept

**Source:** Fieldwork.

The 74th Constitutional Amendment and JNNURM gave state governments scope for reshaping urban governance. While in both Gujarat and West Bengal the state government retained strong control over municipalities, it appears that they remodelled local urban environmental governance with a degree of path dependency and in line with their overall political regime type—given the predominant coalitions of class interests and identity politics. In Gujarat, a bureaucracy-oriented, developmental model (Kohli, 2012) was replicated at the municipal level: In the wake of decentralization, municipalities were relatively well-staffed with government officers; JNNURM conditionalities were used as an impetus to render local governance more professional and efficient; and existing, traditionally effective service-based parastatals were complemented with new ones in charge local coordination and planning. In West Bengal, state-level redistributive policies regulated by a strong party organization (Kohli, 2012) were largely reproduced in party-politicized municipal councils. Urban decentralization mirrored rural democratic institutions implemented in the late 1970s through the establishment of ward committees and the relative autonomy given to elected municipal councillors who, under the general oversight of their party (which has arguably become weaker for TMC councillors in recent times than it was for CPI-M councillors in the past), had some decisional power to distribute benefits in their area. JNNURM conditionalities were met by reinforcing existing decentralized city planning, but the larger infrastructure schemes, as well as the control over individual municipalities by the party ruling at the state level, necessitated the establishment of area-based parastatals following the model of the Kolkata Metropolitan Development Authority. Table 3 summarizes the state-level differences in urban governance and politics.

**Table 3.** Elements of Gujarat’s Bureaucracy-driven and West Bengal’s Politicized Urban Environmental Governance.

	Gujarat	West Bengal
Power of local bureaucracy	Relative autonomy of municipal officers Presence of dynamic, young career bureaucrats as chief executive officers Presence of skilled and	Limited autonomy of municipal officers Presence of retired bureaucrats as executive officers (on contracts)

Power of elected officials	experienced municipal officers (e.g., engineers) Limited role of the mayor Limited influence of elected councillor	Authority of the mayor and Board of Councillors Presence of influential municipal standing committees Earmarked funds for ward-level councillor
Urban planning	Ad hoc planning by parastatals Important role of external consultants	Municipal planning (City Development Plans) Ad hoc planning by area-based parastatals and state government departments
People's participation	Sporadic NIMBY-type opposition	Ward committees (largely dormant) Consultation of interest groups for City Development Plans

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**Source:** Fieldwork.

Apart from differences in local political economy, municipal agency was influenced by the availability of untied funds. This was not only dependent on state-level and local differences in economic prosperity, state capacity and the ensuing ability to raise local taxes, but also by historical factors and path dependency. In Gujarat, for example, it was politically impossible to abolish the long-established practice of octroi without compensating the municipalities. In many parts of the state, therefore, strong municipal (fiscal) autonomy seems to have its roots in pre-independence princely states. By contrast, the smaller municipalities in the Bengal Presidency were under direct administrative control of the Presidency and the system of local octroi did not exist.

State capacity and untied funds at the local level seem to have resulted in better possibilities for municipal agency in Gujarat than in West Bengal. Among the four studied cities, it was only in Navsari where larger projects of environmental infrastructure were initiated locally by the municipality (i.e., by entrepreneurial officers) and not only by the state government. For example, the municipality implemented a ₹600 lakh water supply project in 2002. The project included the transformation of an urban lake into a reservoir, fed by canal water from the Ukai dam, and connected to a water treatment plant (Zimmer et al., 2020). Planning and implementation were spearheaded by a municipal engineer, who had previously worked at the Gujarat Water Supply and Sewerage Board. Municipal officers coordinated with multiple state agencies, including the Gujarat Irrigation Department to secure canal water, the Gujarat Water Supply and Sewerage Board to technically assist the project, the Gujarat Slum Clearance Board to organize the compensation and relocation of nearby informal settlements, the Forest Department to provide seedlings for tree planting on the embankment, and the Narmada Water Resources and Supply Board for the final project approval. Furthermore, the municipality worked with the National Service Scheme and NGOs to plant trees

on the embankment. While not using untied funds directly, the municipality showed an ability to access financial resources; it secured a ₹150 lakh grant from the Gujarat Water Supply and Sewerage Board, a ₹280 lakh loan from the Life Insurance Corporation of India and a ₹175 lakh loan from the Gujarat Municipal Finance Board (Urban Management Centre, n.d.).

This remarkable project, which received a 'best practice' award from Gujarat's City Managers Association but also implied some problematic socio-ecological consequences, shows that in some cases in Gujarat, small municipalities have the technical and managerial capacities necessary for planning and implementing complex, large-scale urban infrastructure projects. Yet, the project still points to the importance of collaborating with, and the continued dependence on, state government agencies. This can be illustrated through another, less successful case. Navsari and adjacent Vijalpore faced a garbage crisis at the time of our fieldwork: Navsari's landfill (near a river) reached capacity; Vijalpore lacked a landfill, some of its waste was transported each day to Surat at high cost, some was simply dumped in a pond at the urban periphery. To solve the crisis, each municipality worked on ideas for improved waste treatment-and-disposal and was involved in discussions with private companies and different state government agencies. Apart from the search for a new landfill site, project ideas of the individual municipalities included an incinerator, a recycling facility and a composting-and-fertilizer plant to be built and operated in public-private partnerships. However, the proposals did not go forward from the district collector who requested a joint proposal from the two municipalities, which in turn waited for a decision from the state government on their amalgamation. While this example confirms the agency of municipalities, it also underlines that the state government holds the ultimate power through project approval mechanisms.

Moreover, the possibility for municipal agency is not acted upon everywhere in Gujarat. In Amreli, for instance, there were no clear signs of municipal agency in terms of initiating and shaping projects related to the urban environment, despite the availability of untied funds. Their large water-supply project bringing in canal water from the Khodiyar dam and the planned underground drainage system were implemented by the state government without significant inputs from the municipality. This difference to Navsari is surprising and may be explained by the peripheral position of Amreli within Gujarat and conjunctural circumstances. Gujarat's partly developmental state has also created winners and losers; unlike in the case of companies, however, 'weaker' municipalities continue to be supported by the state in order to sustain political legitimacy.

In West Bengal, the scope for municipal agency appears more constrained and intra-state variation lower (at least in the case of small cities outside the Kolkata metropolitan area). Municipality-initiated projects were apparent but far more modest than the ones observed in Navsari. For example, the municipality of Bardhaman beautified the sides of its main road with landscaped greenery and it introduced a ban on plastic bags. In Medinipur, the Board of Councillors introduced a pilot project on waste segregation-at-source, largely because of informal pressure from state-level officers. We were also not able to identify substantial environmental (infrastructural) schemes initiated by municipalities beyond our research sites in West Bengal. Nevertheless, limited power and agency related to environmental governance were found locally, mostly at the level of individual councillors rather than the municipalities as a whole. The relatively autonomous municipal councillors had a strong influence over a large number of very small projects financed through government schemes as these were usually integrated into the CDP.

In sum, the four cases show variable degrees of municipal agency between the two states and, in the case of Gujarat, also within the same state. However, the agency of small cities is nested within state structures

and networks; it is largely emerging through interaction with state agencies or through state schemes.

## Concluding Remarks

Urban decentralization in India's non-metropolitan areas remains incomplete. It is clear that policymakers face a dilemma between addressing immediate needs of small cities through quick external interventions, on the one hand, and giving them scope for gradually developing capacity through trial-and-error, on the other hand. Already more than 15 years ago, Om Mathur pointed out that: 'It is a matter of speculation whether decentralization requires a longer gestation period or has encountered indifference in its implementation' (Mathur, 2006, p. 201). We would speculate that it has encountered indifference: the degree of fiscal devolution stagnates, and state-level institutional frameworks are not designed to gradually enhance municipal capacities. Furthermore, the role of centrally sponsored schemes for improving the environment in small cities has recently increased through programs such as the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) or the Swachh Bharat Mission. Although they work through ULBs as executive agencies and include capacity-building components, the short time horizon and very ambitious physical targets of these missions are likely to repeat some pitfalls of JNNURM and lead to enhanced state power through the selection of projects and to a strain on municipal resources through the fund-matching requirements.

On a more theoretical level, this research on decentralization echoes some elements of the literature on state capacity (Berwick & Christia, 2018). Like state capacity at the national level, municipal agency is influenced by the capacity to extract resources, the ability to coordinate collective action and the power to seek compliance, which is themselves influenced by the devolution of functions, functionaries, funds and freedoms (Venkatakrishnan, 2007). At the municipal level, however, extractive power not only includes the ability to raise and collect taxes but also the capability to draw in (untied) funds from higher levels of government and from private investors. Similarly, coordination capacity is not only related to state-society interactions (Migdal, 1988) and horizontal relationships between municipal departments but requires primarily coordination with higher-level state authorities and parastatal organizations. Finally, apart from compliance within local governments (e.g., municipal officers delivering services to citizens efficiently and acting on decisions by elected members), municipalities are predominantly nested in state hierarchies, including the monitoring of municipalities by higher-level officers, members of parliament or political parties that influence municipal agency. Through these adjustments, the state-capacity framework may provide a useful guide for future research on decentralization.

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## Note

1. A nascent literature on subaltern urbanization looks at governance issues in smaller towns, including Nagar



Panchayats and Census Towns (e.g., de Bercegol, 2017; Denis et al., 2015; Denis & Zérah 2017; Samanta, 2014).

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