

Making Dhaka Livable

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Sadiq Ahmed offers improved city governance as a solution to the Dhaka City problem



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Dhaka city's traffic congestion has reached nightmare proportions. Unless corrective actions are taken soon, there is a risk that this could sharply reduce the city's productivity. In view of Dhaka's dominance, this could reduce the incentive for domestic and foreign investment and pose a serious threat to the country's growth momentum.

However, an approach to resolving the traffic problem alone may at best bring short-term relief. The traffic mess is simply a reflection of the deeper problem of poor city management. So, a longer-term sustained progress in the traffic situation requires a holistic approach to improving the overall city management that aims at making Dhaka more livable.

The Dhaka City Challenge

With a population of almost 13 million, Dhaka Metropolitan City is the 16th largest city in the world. At the same time, it is consistently ranked as one of the world's least livable cities. Although income growth is higher and the poverty incidence is lower than the rest of Bangladesh, Dhaka still is a low-income city with large numbers of poor when compared with most mega-cities of the world.

Holding the prospects for better income opportunities than most parts of Bangladesh, rapid migration is causing Dhaka's population to grow much faster than the rest of the country. This fast urbanisation is putting pressure on the city's limited land, an already fragile environment, and weak urban services.

Poor city management, low efficiency, and pervasive corruption are exacerbating the problems. Traffic congestion has become unbearable, creating huge delays in covering small distances. There is an increasing risk that the central city may soon get divided into "islands" with little or no connectivity with each other, creating huge loss of productivity and high transaction costs. Water and air pollution from poor waste and traffic management poses serious health risks. The already acute slum population is growing further, contributing to serious human and law and order problems.

It is obvious that actions to ease the traffic congestion, to ensure an adequate supply of basic services, and to tackle corruption and wastage are needed immediately to avoid a choking of the city's well being.

Importantly, the growing disparity in living standards in Dhaka between the surging slum dwellers and the conspicuously consuming well-to-do urban elite may lead to increased social and political instability. Evidence from around the world has shown that cities that are unable to address such large inequalities in living standards are more likely to face violent events than those that are less polarised.

Main Constraints

International experience shows that the performance of a city is strongly correlated with the underlying city governance. This is hardly surprising. A city's governance essentially involves a sound legal framework assigning rules of business, responsibilities and accountability; a

well-defined management structure; clear assignment of responsibility and accountability, and adequate coordination among concerned agencies; financial autonomy; and voice and participation by beneficiaries.

Legal framework: Dhaka is governed by a city government known as the Dhaka City Corporation (DCC). The legal framework for Dhaka city has evolved in an ad-hoc manner rather than through a systematic approach based on a careful assessment of the effectiveness of the city government in providing required services. This lack of a vision and a road map are major weaknesses of the legal framework. Consequently, the functions of the DCC are not clearly defined; the enabling environment for implementing these functions is weak; and a multiplicity of service agencies often with overlapping mandates have emerged.

Management structure: The DCC suffers from the same centralised management structure as the national government. All authority is vested with the mayor, who in turn is heavily dependent on the government for rules of engagement, and most importantly for finances. The remainder of DCC members, especially the ward commissioners, have little authority and consequently have limited effectiveness. Inevitably, this has led to heavy politicisation of the mayor position, which basically tends to function as an agent of the government in power.

This confused legal framework, which allows for elected mayors and ward members while providing for heavy government intervention and allowing centralised management, has resulted in poor accountability for services even in a seemingly democratic environment purporting to provide voice and participation to beneficiaries through the voting system.

Assignment of responsibilities and agency coordination: Several agencies are in charge of providing basic services. These include: the Dhaka City Corporation (DCC), the Capital City Development Authority (RAJUK); Dhaka Electric Supply Authority (DESA); Dhaka Metropolitan Police (DMP); Titas Gas; Various Line Ministries (e.g. Land Administration, Public Works, Education and Health); the Bangladesh Telephone and Telegraph Board (BTTB); Bangladesh Road Transport Corporation (BRTC); and the Dhaka Water and Sewerage Authority (D-WASA).

This is yet another major problem owing to the multiplicity of service providers with unclear and often overlapping mandates. The attempt to provide this coordination by requiring participation of major heads of competing agencies in DCC meetings has not yielded much

success. More recently, an effort was made to provide this coordination by asking the minister of local government to chair an inter-agency coordinating committee, but with limited success.

Experience from better-managed cities suggests that in an environment of weak capacities limiting the multiplicity of agencies is a better arrangement than trying to coordinate a large number of agencies with overlapping functions.

Financial autonomy: Under the legal framework, DCC can obtain resources from: (a) property tax; (b) rents from markets owned by DCC; (c) fees from licenses issued to traders and non-motor vehicles; (d) fees from advertisements, cinema and entertainment; (e) sale of property/assets; and (f) grants and loans from the government.

Available data suggests that the DCC's direct resources are less than half a percent of GDP and only 2 percent of total public spending. While other service authorities also spend money on Dhaka (such as the electricity authority, D-WASA, RAJUK and DPHE), this limited direct resource base of DCC illustrates the severe nature of financing constraint for a city government dealing with more than 12 million people.

Some 59 per cent of total resources are obtained from the government as current and capital transfers and grants, exposing the substantial reliance of the city on the government for funding and therefore a loss of autonomy. Of the 41 per cent revenues generated from own resources, property taxes account for about 37 per cent, which is only 15 per cent of total DCC resources. In terms of GDP, this is less than 0.1 per cent. Given the city's wealth, this is a ridiculously low yield.

Arguably the lack of financial autonomy is perhaps the biggest constraint on the effective functioning of DCC. But this is largely due to the weak property tax collection effort of the DCC. While government transfers may be an impediment for poorer cities, for Dhaka an effective city government can easily function on the basis of a strong property tax collection effort. The inability to do so is a reflection of the bigger governance problem at the national level where tax collection is amongst the lowest in the world.

Government Strategy for Reforming Dhaka

The poor performance of city governments including DCC has been a source of concern to the national government. Several attempts were made to redefine and improve the enabling environment for city governments. Unfortunately, little progress has been made.

At the heart of the lack of reform is the fundamental problem of governance. Public administration in Bangladesh is heavily centralised. Within the civil administration, almost all authority is exercised by the head of the government and the cabinet. Local governments are very weak, with little administrative and financial authority. There have been a number of attempts to establish a stronger system of local governments. These have had very limited success due to the lack of strong political commitment at the top.

Consequently, the setting of expenditure priorities, allocation of resources, procurement of goods and services, and the implementation of projects are largely centralised at the ministry level in the capital city of Dhaka. Even for the limited authority given to the mayors, the control of the government in terms of policy setting and finances is overwhelming.

The progress on decentralisation has suffered in Bangladesh from a lack of effective political support, even though the rhetoric has been different. At the heart is the contentious issue of division of power between the national legislators and the local governments. While similar conflicts arise in other countries as well, in Bangladesh this has become particularly complicated because of the small physical size of the country, the homogenous nature of the people and the relative ease of physical mobility.

Consequently, national legislators have tended to argue that they can take care of their constituencies without the need for an intermediary political agent (elected and empowered local governments). Civil servants have also found this convenient since this has given them more authority without accountability, especially at the local level.

A Strategy for City Reforms

What are the reform options that will lay the basis for the emergence of a well-planned and sound city administration that is responsive to the needs of the residents? The city's experience and a review of international good practice suggest that the management problems of Dhaka cannot be addressed in a piece meal fashion.

While massive investment will be needed given the large backlog of unmet demand, deployment of additional resources alone will not work. Past experience shows that corruption and mismanagement are serious constraints and unless these are tackled, the effectiveness of additional spending will be limited.

As well, given weak fiscal capacity at the national level, much of the new resources will need to come from user fees and greater tax compliance by residents, neither of which will be forthcoming without improved service. So, there is a need to fundamentally and systemically rethink the governance of Dhaka.

A sound strategy for reforming city management calls for a two-pronged approach: (a) redefining public-private roles with a view to strengthening this partnership for better services and (b) establishing an accountable city government.

Public-private roles and partnerships: Capacity constraint to service provision in mega cities is not uncommon. Many cities have found it helpful to redefine its role to provide only those basic services which are in the nature of public good and let the private sector handle commercial activities.

Thus, services such as electricity, telephone and gas are assigned to private providers with regulatory environment provided by the public sector. In some case, both public and private supply have prevailed allowing consumers choices, thereby improving service quality, while also meeting equity and “merit good” objectives.

Examples include: health, education, water supply and sanitation. More and more experiments with this public-private partnership are now underway in South Asian countries. Thus, in Kolkata, toilet blocks have been handed over to the private sector for operation who charges a nominal fee for the use. Partial privatisation of street lights and flyovers has also been implemented there. In Ahmadabad, the slum networking initiative has brought in the private sector to provide all basic physical and social infrastructure services to the 200 slums in the city. The World Bank’s slum improvement project in Mumbai has also been very successful by bringing in participation of local slum dwellers to partially pay for their sanitation facilities.

In Bangladesh, a vibrant private sector has emerged in the delivery of telecommunications, education and health services. There is also a strong partnership between the government and NGOs in the delivery of basic education services, which has contributed to important gains in reducing gender disparity and improved overall access to education. But for other commercial services such as electricity and gas, they remain public monopolies with weak performance, poor finances and limited investment.

For core urban services in Dhaka city, such as housing, transport, water supply and sewerage, the picture is also very mixed. The private housing market is constrained by the lack of housing finance and other regulatory problems. More recently, as a result of progress with banking reforms, the private housing market has emerged as a major activity. The private sector is bypassing the regulatory constraints on registration, permits etc through alleged private payments to concerned public agencies. The problem though is affordability, primarily due to land scarcity, but also due to inappropriate tax and financial sector policies and the high cost of doing business.

Regarding transport, while infrastructure is provided by the public sector, transport service is largely provided by the private sector. The lack of a proper mass transit is a major problem for Dhaka. For private buses, inadequate road network, poor traffic management, and weak regulations related to service and safety standards have contributed to low service quality.

For piped water the D-WASA has a public monopoly. Private hand tube wells and groundwater extraction through motorised pumps are common sources of water supply for areas not served by D-WASA or where this supply is unreliable. Private water provision as a commercial activity is absent, although illegal private water markets through control over use of public stand pipes by mastaans are known to exist in the slum areas.

Sewerage and garbage disposal is also primarily provided by the public sector (D-WASA and municipality). An organised private service delivery does not exist, although small-scale and informal private services of human waste (pits) and garbage disposal prevail in areas not served by public service providers or as an added community initiative to keep the neighborhood clean.

The lack of private supply of electricity, water and sewerage is a major constraint to the

adequate provision and quality of urban services in Dhaka. This tends to exacerbate the problems resulting from poor service supply from the public providers. A strategy for encouraging more private investment in these areas through proper regulations, pricing and infrastructure financing facilities will be a major way to improve these services.

Towards an accountable city government: The second leg of the reform strategy is improved city governance. The reform strategy must seek to address the key constraints to the effective functioning of the city government: unclear mandate and service responsibilities; lack of accountability; weak finances and financial autonomy; proliferation of service agencies with poor coordination and control; and weak management. These problems cannot be resolved by tinkering at the margin; they clearly call for a major rethinking and wholesale change in city management and its enabling environment.

Fundamentally, key functions will need to be devolved to city governments and, in turn, city governments should be organised to best manage these functions — a two step process that will need to be sequenced and managed jointly between national and city governments in a strategic way.

Embedded in this approach is the assumption that strengthening voice — the ability of citizens to reveal their preferences and hold their government to account — will be essential in sustaining the reform of Dhaka city.

The other critical assumption is the devolution of financial autonomy. City government's finances must be well defined based on assigned responsibilities and a proper balance of assigned taxes (principally the property tax), block grants from the national budget, user charges and city government bonds.

Devolving authority to the city level raises the important question of how to organise a city government to manage those responsibilities. Based on international experience, the options range from some form of non-metropolitan governments to various forms of metropolitan governments with either economic or political decentralisation as the guiding principles.

In a non-metropolitan model, Dhaka can be arranged as a series of contiguous municipalities, each with its own set of devolved responsibilities, services, tax bases and management

system. For example, Gulshan, Dhanmondi, Dhaka central, and Uttara can be self-contained municipalities, each with its own mayor and council.

Washington DC and its surrounding suburbs that are municipalities in their own rights is an example of how a contiguous set of municipalities can loosely form a broader metropolitan area.

An alternative model is to formally and legally merge all municipalities into one jurisdiction — a metropolitan government where the residents of the urban area would directly elect a mayor and a council of city members. All urban functions would be managed by this one city government. The cities of Toronto in Canada and Johannesburg in South Africa have adopted a version of this model.

In a metropolitan model based on economic decentralisation, the city government is structured as a metropolitan government, but it does not organise its systems of service delivery in the form of traditional line departments. Instead, the city establishes service delivery under formal corporations owned by the city.

Water distribution in Johannesburg, for example, was transformed into a water corporation along the principles of the Companies Act, owned by the city, but managed by an independent board and CEO on behalf of the city. Solid waste was also formed into a corporation, owned by the city but contracting the management to a private firm.

While water and solid waste represent services with user charges — more akin to private goods — which enabled a corporation structure to be formed, Johannesburg also innovated in services that are dependent on local taxes.

For example, road construction, traditionally more suited to a line department organization was also structured to mimic a corporate system. Formal contracts were given to teams within the department with delegated budgets and their outcomes were measured against indicators based on performance of private contractors.



In sum, the city became a policy maker and a regulator with service management delegated to corporations or line departments set up as corporate entities or structures that were proxies of corporations.

Under a decentralised system, metropolitan governments are structured in two tiers: a metropolitan tier overseeing a series of separate municipalities. The metro tier and the municipalities jointly form the metropolitan government.

Functions can be separated between the two tiers depending on principles of public finance with services that require economies of scale — e.g. network systems — placed at the metropolitan level.

Services that do not exhibit scale economies, such as solid waste collection could then be placed efficiently at the level of municipalities. Landfills, which have scale economies, on the other hand, could be placed at the metro level.

Similarly, tax instruments can be allocated between the two tiers on the basis of spatial incidence. For example, personal property taxes could be delegated to municipalities while commercial property taxes whose incidence is beyond narrow municipal boundaries are better placed at a broader, metropolitan level.

Pakistan's city districts are modeled as a two tier metropolitan system. Minneapolis-St. Paul, the twin cities in Minneapolis, is also structured as a two tier system with the metro tier playing the function of a pure redistributive tier.

My own view is that the Dhaka city should pursue the metropolitan model based on the principles of economic decentralisation. This avoids the emergence of too many competing city governments that could create enormous capacity and coordination constraints. In this model, the metropolitan government will be responsible for overall planning, budgeting and regulations and for managing law and order and urban traffic.

Other city services such as electricity, water, housing and sanitation will be provided by some combination of private providers and corporate public entities that are city-owned but run by private managers. The bulk of city finances for day-to-day operations will come from property taxes and user charges. Capital spending will require government

block grants and city government bonds.



To conclude, the long-term resolution of Dhaka's traffic management problem must be inter-linked with a strategy for reforming the city governance. A clear vision about the transformation of the city, say in the next 10 years or less, backed by a well thought-out strategy, a time-bound action plan and a credible implementation mechanism are all essential.

At the heart of the strategy should be the establishment of an elected city government that has well defined responsibilities, financial autonomy and is fully accountable to its residents. Achieving this will require strong political will and leadership from the top.

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and Adeeb Mahmud. The book was published by UPL, Dhaka in 2007.