

Governance, economic settings and poverty in Bangalore

Solomon Benjamin

Solomon Benjamin is a freelance research consultant based in Bangalore, working on issues of urban poverty, clustering local economies and employment generation. He has advised UNDP, the World Bank and the Swiss Agency for Development and Cooperation and is a visiting faculty member of the National Law School in Bangalore.

Address: 349, 1st. Block 6th. Main Koramangala Bangalore 560034, India; e-mail: solygita@bgl.vsnl.net.in or solomonbenjamin@hotmail.com

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1. See, for instance, World Bank (1991), *Urban Policy and Economic Development: An Agenda for the 1990s*, World Bank policy paper, Washington DC. For a contrasting ideology, but emphasizing the urban situation, see Sassen, S (1994), *Cities in a World Economy: Sociology for a New Century*, Pine Forge Press.

SUMMARY: This paper suggests that an understanding of poverty in cities such as Bangalore (often referred to as India's Silicon Valley) requires more attention to the governance processes in which different groups compete for public investments and support. It describes the differences between the "local" and the "corporate" economies within Bangalore and their links with government. The local economies provide most of the population (including virtually all poor groups) with their livelihoods. They mostly develop outside the "master plan" areas, with diverse and complex economies and land tenure forms within which poor groups find accommodation and work. Their links with government are through local government – the City Corporation and its councillors and lower level bureaucracy. The corporate economies include the information technology industries for which Bangalore is well-known. Most of their links with government are with state and national parastatal agencies that control most of Bangalore's development functions and have access to most government funding. But there is little local representation in these agencies. This profoundly disadvantages poor groups and the local economies in the competition for land, infrastructure and services. Rigid land use controls in the expanding corporate enclave areas exclude most pro-poor economic activity and threaten poorer groups' fragile claims to land. Poor groups suffer demolition, resettlement, increased land prices and a governance system in which their local representative structure has little power. Meanwhile, the publicly sponsored "mega-projects" in Bangalore do little to support the local economies that are so important for the city's prosperity; indeed, as this paper describes, many serve to disrupt them.

I. ECONOMY AND POVERTY IN BANGALORE

UNDERSTANDING POVERTY IN metropolitan cities requires an understanding of how these cities exist as arenas of complicated and conflicting economic processes that are both local and global.⁽¹⁾ Planning and governance are shaped by the congruence of interest groups with conflicting interests which compete over limited resources.⁽²⁾ This paper argues that one key aspect of urban poverty is defined by its relationship with urban governance and this is illustrated with a case study of Bangalore, the capital of the state of Karnataka, in South India.⁽³⁾

Bangalore's current population is estimated at around 6 million. Its metropolitan area is a conurbation of 439 square kilometres and the "green belt" of 839 square kilometres. The entire metropolitan area is covered by

a comprehensive development plan of the Bangalore Development Authority. The Bangalore City Corporation, with recent extensions of urban limits, has about 224 square kilometres under its control.⁽⁴⁾ With its cool temperate climate and concentration of information technology industries, it has been dubbed India's "Silicon Valley". It has also been one of India's fastest growing large cities. Much of its economy is centred on distinctive local economies that cater to poor and middle-income groups. These economies evolved in the late 1970s to mid-1980s, spurred by public investment in industrial and defence establishments in the late 1960s and early 1970s.⁽⁵⁾

An important factor influencing these economies and the nature of poverty is the city's cosmopolitan structure. This relates in part to its location – as state capital of Karnataka but located on the border of two other South Indian states, Tamil Nadu and Andhra Pradesh, and not far from a third, Kerala. Historically, Bangalore has evolved a rich tradition of trading and commerce, fueled by incoming groups bringing with them skills, capital and, perhaps most importantly, access to markets.⁽⁶⁾ The complex ethnic grouping of Bangalore's society affects alliances and demand-making by poor groups.

Bangalore was brought to the country's attention in the late 1980s to middle-1990s when it experienced a significant real estate boom. Developers from India's two wealthiest cities, Mumbai (Bombay) and Delhi, entered Bangalore's real estate market to convert large plots with colonial bungalows into multi-storey apartment blocks. These were specifically aimed at high-income groups from other metropolitan areas investing for the purpose of future resale, although they were sold also to the local elite. Thus, the early 1990s, heralding the liberalization of the Indian economy, distinctly shaped the corporate image of Bangalore.⁽⁷⁾ Its central city areas changed, with new up-market stores, international banks, and renewed attention to its pubs and international fast food chains – although not without reaction.⁽⁸⁾ The state government also promoted several mega-development projects, such as sports stadia and exclusive mass housing, which resulted in the demolition and resettlement of several poor settlements to distant peripheral locations.⁽⁹⁾ These changes had other impacts on poor groups. Rapidly rising land prices pushed poor and middle-income groups to seek housing and work in even more distant locations, many of them unserved.

The late 1990s saw a turn-around in Bangalore's boom. This was linked to the industrial stagnation (if not recession) across all of India, with a regressive multiplier effect on various dependent service sector activities. In particular, the construction industry, with its widespread employment effects, was seriously affected. The mid 1990s had seen the rapid growth of the information technology industry which peaked in 1999-2000. This occurred alongside the increasing visibility of Indian and non-resident Indian information technology professionals both in India and in the USA, in Silicon Valley and along Route 128 on the USA's east coast. The spectacular boom in software share prices attracted funds in otherwise cautious money markets. In contrast, shares from even well-known blue-chip manufacturing companies (which boomed in the early 1990s) face uncertainty, if not falling profits. Employment prospects in almost all other sectors, especially the public sector, have shrunk rapidly or face unstable prospects. Thus, the granite, steel and tinted glass offices in Bangalore, most of them belonging to software companies, pose a stark contrast to ill-maintained factories facing falling orders and tighter credit

For a comprehensive discussion on the urban economy, see Portes, A, M Castells and L Benton (1989), *The Informal Economy: Studies in Advanced and Less Developed Countries*, John Hopkins University Press, Baltimore.

2. See Sarin, M (1982), *Urban Planning in Third World: The Chandigarh Experience*, Mansell Press, London.

3. This paper is based on a longer, more detailed study of Bangalore by Solomon Benjamin and R Bhuvanashari which is one of nine city case studies prepared as part of a research programme on "Urban Governance, Partnerships and Poverty" funded by the UK Department for International Development's ESCOR programme. This involved research teams in each of the nine cities and a coalition of UK based research groups from the University of Birmingham, the International Institute for Environment and Development (IIED), the University of Wales, Cardiff and the London School of Economics. Summaries of other city case studies also feature in this edition of *Environment and Urbanization*. The full version of this study and other city case studies, and also of theme papers, may be obtained from the Publications Office, School of Public Policy, University of Birmingham, Birmingham B15 2TT, UK; tel: (44) 121 414 5020; fax: (44) 121 414 4969; e-mail to: u.grant@bham.ac.uk. City case studies cost UK£10 each (including postage) but are free to NGOs and teaching institutions in non-OECD countries.

4. National Institute of Urban Affairs (1998), *Strategy for Capacity Building of Urban Government Institutions in India*, Research Study Series No. 62, New Delhi.

5. See Holmstrom, M (1998), "Bangalore as an industrial district: flexible specialization in a labour surplus economy" in Cadene, P and M Holmstrom (editors), *Decentralized Production in India: Industrial Districts, Flexible Specialization and Employment*, Sage Publications.

6. For an interesting historical account, see Pani, N, T Anand and V Vyasulu (1985), "Impact of colonialism on the economic structure of Indian cities: Bangalore 1800-1900" in Reddy, A and V Vyasulu (editors), *Essays on Bangalore Vol 1*, Karnataka State Council for Science and Technology, pages 1-35. Ethnic groups still continue to influence the city's local economies – for instance low-income Tamil families dominate the construction industry as workers; Malyalees from Kerala and Marwaries from western India manage small businesses and daily provision stores; Reddys from Andhra Pradesh dominate in lower level real estate; and high caste Tamils dominate the state administration. Manufacturing remains mixed in terms of ethnic character.

7. See Kuttaiah, K and G Sommers (1999), "East meets West in Bangalore: the impact of economic change on the built environment" in Chapman G P et al (editors), *Urban Growth and Development in Asia*, Vol 1 of *Making the Cities* series, Ashgate, Aldershot.

8. The most explicit was the 1997 attack on the Kentucky Fried Chicken fast food chain by activists protesting against liberalization, led by Professor Najudaswamy.

9. See, for instance, the national games complex, a very large housing project with 2,500 flats in a prime residential neighbourhood, promoted at the highest

conditions.⁽¹⁰⁾ Not surprisingly, Bangalore's high-class residential neighbourhoods, rather than catering to an elderly elite from the senior bureaucracy and manufacturing industry, today house much younger information technology couples. The societal impact of this is very significant in its relationship to popular demand-making. Despite no clear evidence concerning accessibility or stability in the information technology sector, youth from middle- and high-income families, encouraged by their worried parents, see the software sector as the only place with good prospects in an otherwise dismal situation. Social circuits abound with stories of high starting salaries and children who have been very successful abroad.

II. GOVERNANCE FOR THE TWENTY-FIRST CENTURY

1991 WAS A key turning point, as a result of the liberalization of the Indian economy and, with this, the opening up of new political processes. This situation has had a direct impact on urban management, especially in regard to the demands for large-scale infrastructure development and promotion of a corporate-led economy. A significant development here was the emergence of large financing institutions to support this that drew on national funds and funds from international bilateral and multilateral agencies. At the national level, financing institutions moved away from their traditional role of funding projects to funding large scale infrastructure programmes as financial intermediaries. Responding to these changes the Karnataka Government set up the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) in August 1993 under the Companies Act. This has a high powered board under the chair of the chief minister and was created to channel institutional finance for large infrastructure projects.

Access to relatively cheap and state government-secured funds has in turn generated new demand. The concept of the information technology sector as a basis for modernization has captured the imagination of Bangalore's political and bureaucratic elite. The state of Karnataka's recently elected chief minister, who also holds the portfolio for Bangalore's development, has publicly declared that public policy and investments will work towards this vision. Slogans claim that Bangalore will be India's Singapore and will compete not with Hyderabad (the state capital of Andhra Pradesh) but with the real Silicon Valley in California. These are not just slogans, for they relate to very large public investments and to fiscal policy, as discussed later in the paper. The main justification is to make Bangalore "globally competitive".⁽¹¹⁾ Corporate information technology groups are quick to point out the deficiencies in infrastructure in Bangalore and to demand ever more dedicated investment by the state to promote growth. Their views are amplified, both nationally and internationally, by the corporate media. State government response has focused on instituting dedicated investment for mega-projects,⁽¹²⁾ most significantly, perhaps, in infrastructure which forms the basis for these types of projects as, for example, the Rs. 1.35 billion "mega-city project" jointly financed by the government of India, the state government and financial institutions. These funds, channelled through the Housing and Urban Development Corporation (HUDCO) at the national level and the Karnataka Urban Infrastructure Development and Finance Corporation

(KUIDFC) at the state level, focus on modernizing Bangalore by urban renewal and urban design. These funds, allocated to the Bangalore Development Authority or the Bangalore City Corporation, focus on shifting the iron and steel market to decongest central areas, and on the construction of ring roads, fly-over bridges and truck terminals. There is also a Rs. 3.1 billion Asian Development Bank funded project to decongest Bangalore by promoting four "satellite cities". The funds do not necessarily go towards improving conditions within the towns but, rather, towards acquiring land to promote large corporate residential and work environments and related infrastructure such as multi-lane highways and dedicated water supply and electrical power systems. Another mega-project is the development of the Bangalore-Mysore expressway which involves large-scale land acquisition for four exclusive satellite cities by the Karnataka Industrial Area Development Board to make the project financially viable.

The key issue here is that the funding is focused on metropolitan cities for infrastructure projects that do not conventionally fall within municipal authorities' actions. There is also the development of "private enclaves", funded in part by private capital, but also sponsored by state government at the highest level. Again, public sponsorship is not through direct development but, rather, through the acquisition of land under "eminent domain", off-site infrastructure development, dedicated civic amenities, as well as larger infrastructure works such as the promotion of an international airport; all of these would be unaffordable by the private sector they are aimed at. This emphasis on mega-investments, bordering on a fetish, to promote a hi-tech vision seems perverse when we consider the scale and depth of poverty in the city.

III. BANGALORE – A DIVIDED CITY

ISSUES OF POVERTY remain submerged by the euphoria over the expansion of the information technology industry and Bangalore is, in many senses, a "divided" city. The glass walled computer-ready office complexes, exclusive shopping malls and entertainment facilities that rival the best in the country contrast with the dense squatter settlements and their very poor services in central areas of the city. Bangalore's urban periphery has also been transformed. In the 1980s, the city's peripheral areas evolved as "revenue layouts" with minimal infrastructure and civic amenities. They catered mostly to low- and middle-income groups and small-scale enterprises. In the early 1990s, however, the southern periphery of Bangalore came to be known as the "non-resident Indian layouts". These are exclusive "farmhouse" clusters and apartment blocks with their own swimming pools and health clubs, walled-in private security, 24-hour electrical power backup and exclusive club facilities.⁽¹³⁾

Unfortunately, poverty issues are seen as separate from the city by the elite. Most documents relating to the poor centre on the number of "slums" and estimates of their population. These estimates range from the official 401 slums (housing 1.35 million people or 25 per cent of the population) about a year ago, to 770 according to recent health and education surveys.⁽¹⁴⁾ Some activist groups working in slums and other low-income areas suggest that there are between 800 and 1,000 of them. They also estimate that, if the non-slum poor were included, more than 40 per cent of the city's population would be defined as poor. Data on the nature

level of state government. The project was located in an ecologically sensitive area and also displaced several hundred poor squatters. See Perry, Amanda (1998), "Law and Urban Change in an Indian City", Chapter 5 in Edesio Fernandes and Ann Varley (editors), *Illegal Cities: Law and Urban Change in Developing Countries*, Zed Books, London and New York

10. A study of the Bangalore machine tool cluster, in which the author was involved, highlighted the contrasting moods across the industry and the types of firms, between the early 1990s and the last three years.

11. Other cities compete with Bangalore in this – especially Hyderabad, the capital of Andhra Pradesh. The chief ministers of each state compete to attract information technology investments through inducements and, more significantly, through dedicated infrastructure in the form of technology parks. The national government has recently provided a ten-year tax break for corporate groups locating in information technology parks. See for instance the website: www.bangaloreit.com.

12. One highly visible and much publicized example is the technology park, a US\$ 200 million collaboration between a Singapore consortium and the Karnataka government, in the form of a glass, granite and stainless steel multi-storey complex with high quality infrastructure. This despite the fact that much of the software industry is centred around medium-sized firms serviced by clustering smaller firms involved in maintenance and fabricating activities.

13. Non-resident Indians are people born in India but settled and taking up citizenship in other

countries. India, as yet, does not allow dual citizenship. The high class country houses are known as "farmhouses". Being on the periphery, they usually have a large garden, swimming pool and private security, all set in a rural unpolluted environment. These first became evident in the federal capital, Delhi. There, as elsewhere, the term "farmhouse" is significant because on the local authority building sanction plan, the swimming pool might be shown as a cattle pond, while the twin car garage is shown as a tractor shed.

14. Janashayog (1999), *Report on the Literacy Mission*. (In Kannada), Bangalore.

15. Like all income data, this is known to be very unreliable.

16. Ravindra, A (1995), *Metropolitan Bangalore – A Management Perspective*, Times Research Foundation, Calcutta.

17. For a population of 4.5 million, there were 183,000 house connections and 4,320 street taps. See Subramaniam, D K (1985), "Consumption analysis of Bangalore water supply" in V Vyasulu and A Reddy (editors), *Essays on Bangalore*, Karnataka State Council for Science and Technology, Indian Institute of Science. A study of five slums suggested the water consumption rate was only 25 per cent of the city average which, in turn, was less than half the water norm fixed by public health engineers. See Achar, K T V et al. (1996), "Organization and management of water needs in slums – case studies" in Shenk, H (editor), *Living in Bangalore's Slums*, forthcoming.

18. TARU Leading Edge (1998), *Bangalore Water Supply and Sewerage Master Plan: A Situation Analysis*, prepared for AUS AID, New Delhi, December.

of the disparities between rich and poor are less easily available and the subject is rarely discussed in public fora, although income data from the 1991 census give some idea of its magnitude.⁽¹⁵⁾ At the lower level, 24 per cent of households shared 8 per cent of total income, at the higher level, 4 per cent of the households shared 19 per cent.⁽¹⁶⁾ Half the city's households shared less than one-quarter of total income.

A sharper picture of inequality emerges from the data on access to services. Access to water is a useful indicator. While the data is uneven and dated, average figures for per capita consumption is low and poor groups have to make do with very limited supplies.⁽¹⁷⁾ Most slums are concentrated in the middle and peripheral zones of the city – areas experiencing very high growth rates. At present, almost one-third of the population has only partial or no access to piped water. If current growth trends continue, up to half of the population could end up with partial or no access to piped water. Poor groups in the central part of Bangalore, who are usually missed out in slum surveys, face particularly serious problems. One recent study estimated that *more than half* of Bangalore's population depends upon public fountains, many of which supply contaminated water because of poor maintenance and broken pipes.⁽¹⁸⁾ This is exacerbated by serious land conflicts that make the extension of infrastructure very difficult. The very limited data available on slums suggest particularly serious problems. A 1996 study of five slums showed that two had no water supply, one had a well supplied via bore wells, and two had to depend on public fountains. One to two bore wells and one tap served a population of between 800-900. Slum residents had to walk between 20-1,000 metres to fetch water – and women and children were particularly affected by the poor environmental conditions.⁽¹⁹⁾

Access to other services such as toilets is just as bad if not worse. An official report for 1994 stated there were some 113,000 houses without any latrines, while 17,500 had dry latrines.⁽²⁰⁾ In a study of 22 slums,⁽²¹⁾ nine (with a total population of some 35,400) had no latrine facilities at all. In another ten, there were 19 public latrines for 16,850 households or 102,000 inhabitants. The fee charged for the use of public latrines was a serious constraint on the poor families, and a further serious problem in some of the public latrines was poor maintenance. Women would have preferred to save the fee money and build a private toilet but the lack of sewer connections made this difficult. Most women were forced to use open fields to defecate – but this often led to harassment. In 12 slums, women reported facing harassment, particularly from drunken men. In nine slums, women felt that it took too long for them to reach an open space.⁽²²⁾

Not surprisingly, most of the diseases faced by the women and children related to contaminated water or inadequate supplies for personal hygiene – scabies, diarrhoea, cholera, typhoid and eye infections.⁽²³⁾ Women, who do not have access to toilets, often suffered from intra-uterine diseases and many were anaemic. Life expectancy for men and women ranged between 55 and 60. Children suffered heavily from diarrhoea and worm infestations,⁽²⁴⁾ a high proportion were malnourished⁽²⁵⁾ and infant mortality rates in the slums were much higher than the state average.⁽²⁶⁾

The above manifestations of Bangalore's poverty highlight the perverse focus of public policy on the hi-tech growth sector. One important aspect of this poverty relates specifically to the form and mechanisms of governance. Here, the characteristics of the economic settings are a key issue and, related to this, so too are institutional processes and structures. We

argue that poor groups evolve complex alliances, including some with richer groups in relation to local economies, forming “proactive” processes to shape the nature of institutions. The economic setting has to be considered: poor groups operate in an arena where richer groups also attempt to shape economic settings to benefit themselves, as do institutions. Thus, governance and poverty relate closely to these conflicts. This perspective is in contrast to approaches that view governance from a largely managerial or administrative perspective where “good” legislation complemented by benign administration benefits poor groups who are seen mostly as passive recipients. The next section highlights the more commonplace but often ignored local economies in Bangalore. The paper then looks at the political and institutional aspects to sketch out the larger arena where conflicting interests attempt to shape the mechanisms of governance.

IV. BANGALORE – A CITY OF LOCALIZED ECONOMIES

WHAT REALLY DRIVES Bangalore’s economy? How do the poor and middle-income groups who form the bulk of the city’s 6 million inhabitants survive, get jobs and possibly progress in life? There is little official data on this vital issue. In 1995, trade and commerce dominated employment in the city (60 per cent) and manufacturing contributed another 37 per cent.⁽²⁷⁾ In 1985, there were 20,000 registered small-scale units which provided employment for about 189,000 people – but there were far more working in non-registered units. There were 375 large and medium-scale industries and 3,000 companies employing 100,000 people in the electronics industry – of which the corporate information technology sector was a fairly small component.⁽²⁸⁾ Heitzman argues that the largest impact on employment has come from the mills spurring silk-weaving industries in different pockets of the city. Recently, the garment industry and the service sector have also boomed.⁽²⁹⁾ Local economies form the employment base of most urban areas in India. Drawing on studies of similar local economies, one could argue that the bulk of employment generation happens from a much more diffused set of services and small-scale manufacturing-centred local economies. Detailed research on these reveal a startling scale and diversity of employment generation – see Box 1.

In the case of Bangalore, we see three significant aspects of its local economic structure and these are outlined below.

- The economies are constituted by small and tiny enterprises. Many of these economies are distinctive in the range of products manufactured or traded. Enterprises cluster to share functional links.
- Most local economies are located in two main areas: the two city centres (housing the wholesale and retail markets); and Bangalore’s mid- and peripheral zones. These mid- and peripheral zones concentrate 70 per cent of the industries, almost all in smaller privately created industrial estates or in mixed use residential areas.⁽³⁰⁾ The peripheral areas, with basic levels of infrastructure and services, also serve as bedroom communities with residents travelling to the main city for employment.
- All these areas, serving as the city’s employment nodes, are almost always non-master planned. Among other things, this allows them to be of mixed use. Figure 1 locates these economies on a map of Bangalore. In contrast to the local economies, most higher end corporate economies

19. Sanbergen, Loes-Schenk (1996), “Women, water and sanitation in the slums of Bangalore: a case study of action research” in Schenk, H (editor), *Living in Bangalore’s Slums*, forthcoming.

20. Ravindra (in 1997) – a senior government official and commissioner of both the Bangalore City Corporation and the Bangalore Development Authority.

21. See reference 19.

22. See reference 19.

23. See reference 20.

24. Conversation with field staff of Paraspara, an NGO working in slums of north-west Bangalore. Since the immunity of women and children is compromised by malnutrition, they are particularly susceptible.

25. See reference 19.

26. There are high levels of malnutrition among children under the age of six living in slums, ranging from 55 per cent in the moderate to severely malnourished category in the slums not covered by the Integrated Child Development Services Programme (which provides basic nutrition) to 33.5 per cent in those slums that are covered by this programme; see Kalliath, M (1992), *Factors Affecting the Health Situation of Slum Dwellers of Bangalore*, Community Health Cell, Bangalore, February.

27. Kalliath (see reference 26) reports that while exact data are not available, the infant mortality rate (IMR) in Bangalore slums is thought to be 120 per 1,000 live births; the IMR for the state as a whole is 46. The IMR among higher-income groups is likely to be much lower than the state average – highlighting the severe disparity between living conditions and

Box 1: Local Economies as Generators of Employment

Viswas Nager, a "slum" in east Delhi, is India's largest cluster, manufacturing domestic grade cables and conductors. The 2,000, mostly home-based, enterprises created 25,000 direct jobs in 1991 and supported a further 35,000 indirect ones; all this when the neighbourhood's voting population was only 21,000. This employment comes from the main production system and also from other spin-offs, including: firms putting together the capital machinery required for the purpose; cycle rickshaws transporting small batches from one factory to another, operating on a "just in time" basis; small retail outlets selling small batches of chemicals and raw stock; an extensive plastics recycling industry; an intensive real estate and construction industry where plot owners build rooms to rent out to entrepreneurs to enable them to start production, and also for worker housing.

Ramanagaram, a small town of 60,000 outside Bangalore, is one of India's silk-reeling centres and houses Asia's largest cocoon market. Here, the silk industry directly supports 25,000 people and another 30,000 via indirect linkages, including those which extend to neighbouring villages. Here too, employment comes from the wide variety of enterprises which provide support services. These include small transporters, porters and commission agents in both the silk cocoon trade and in silk waste processing. For instance, some workers in the low season (when cocoon supply is reduced) take to being traders in waste silk while others operate as commission agents.

Kancheepuram in Tamil Nadu is famous for its weaving of silk saris. With a population of 200,000, some 90 per cent of all employment is directly or indirectly related to the sari industry. This includes manufacturers of presentation boxes, designers, specialist carpenters manufacturing and refurbishing looms, and dyers. There are also employment and economic spin-offs in villages within a 30-kilometre radius.

SOURCES: Benjamin, S J (1996), *Neighbourhood as Factory: The Influence of Land Development and Civic Politics on an Industrial Cluster in Delhi, India*, unpublished PhD dissertation submitted to the Massachusetts Institute of Technology Department of Urban Studies; also DELPHI (1997), *Study of the Silk Reeling Cluster at Ramanagaram, Karnataka* for the Swiss Agency for Development and Cooperation (SDC) Bangalore; and DELPHI (2000), *Study of the Silk Weaving Cluster at Kanchipuram, Tamil Nadu* for the Swiss Agency for Development and Cooperation (SDC), Bangalore.

opportunities between rich and poor.

28. Heitzman, J (1999), "Corporate strategy and planning in the science city: Bangalore as Silicon Valley", *Economic and Political Weekly*, January 30th.

29. Unfortunately, there is no data on this. As discussed later, this is probably because most areas where these enterprises operate are categorized as semi-legal. While this is a problem of collection, it also allows policy makers to gloss over the reality of employment generation.

30. Schenk, Hans and Michael Dewit (1996) "Habitat in the Fringe of Bangalore" in Shenk, H (editor), *Living in Bangalore's Slums*, forthcoming.

31. Group savings and investment schemes form a key survival mechanism for poor groups (and others). This movement of capital

locate in and around MG Road (Bangalore's corporate downtown) or within master planned neighbourhoods located mostly in the south and, more recently, in east Bangalore.

V. LOCALIZED ECONOMIES SHAPE THE POLITICS OF POVERTY

THE THREE ASPECTS mentioned above have a direct bearing on issues of poverty and governance in the following ways:

- interconnections between enterprises help build up political alliances, apart from serving techno-functional and financial roles;⁽³¹⁾
- access to land, infrastructure and civic amenities are key issues. In the central city areas, the main issues are access to drinking water and locations with secure tenure due to the competition from richer groups. In the peripheral areas, the main issues are obtaining public investment in basic infrastructure and civic amenities in competition with investments in master planned areas;
- since almost all of the local economies are in non-master planned areas, much of local politics is shaped by land and infrastructure issues. Exclusion from the formal planning system politicizes this process.

Box 2 illustrates the complexity of these local economies at micro-level. It describes the economy in a settlement from Mysore Road in west Bangalore. This area houses an intensive mix of industrial, fabricating and service activities centred around small enterprises: Small-scale textile looms, mechanical fabrication units, the repair industry, food-processing units, plastics recycling, rubber, and plastic parts manufacturing. The

BOX 2: Valmiki Nager - A Cluster of Weaving and Plastic Waste Recycling

The local economy of *Valmiki Nager* is made up of weaving and waste recycling activities. The neighbourhood has three types of settlements. The first type is *gramthana* (or village land) with *vattarams* (old, tiled row houses, also meaning a big compound sub-divided into many small houses). The second type consists of squatter settlements on both public and private land and the third is "revenue layouts" or private sub-divisions of land on plotted development. Together, these settlement types encompass various interconnected economic activities which share linkages within Valmiki Nager, with adjacent neighbourhoods or with the wholesale trade and retail activities in the city market. There are also a few residential units built on sites developed by the government for scavengers.

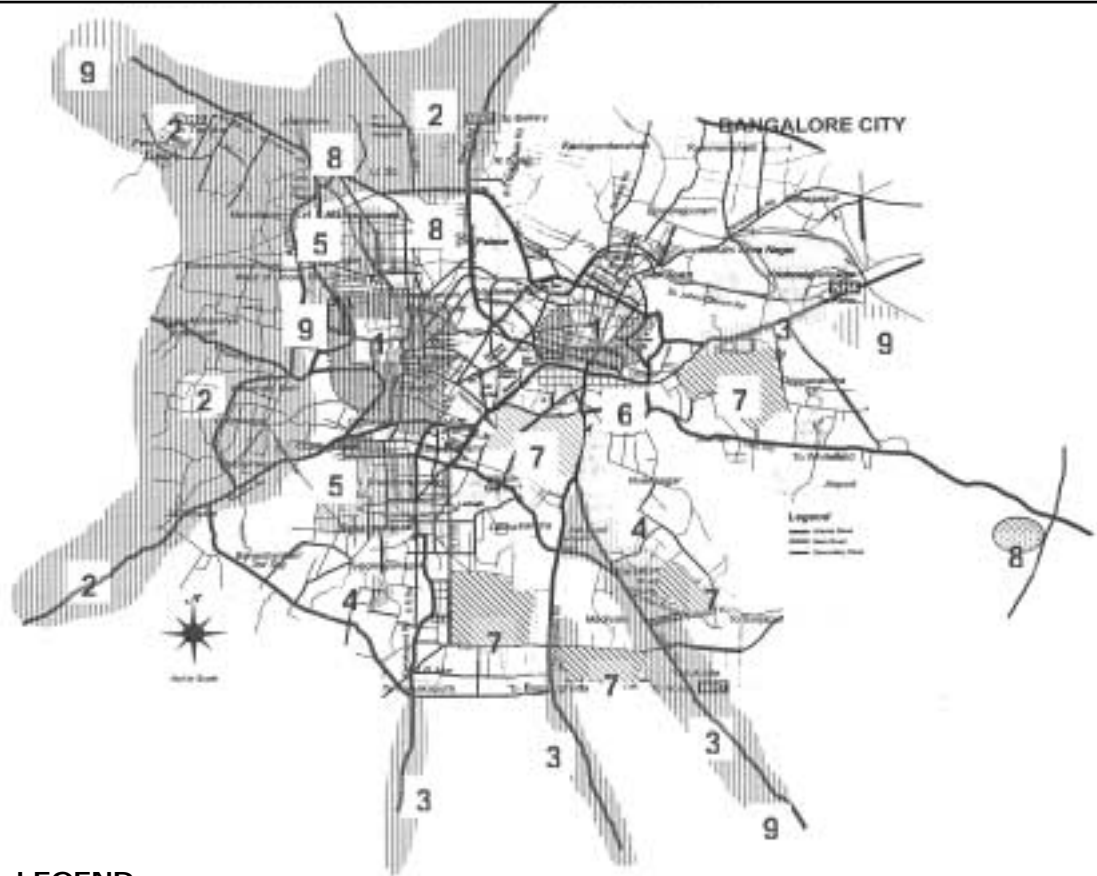
This diversity of land types plays a critically important role in that it allows for groups of various income levels to locate in close physical proximity. Some of poorer groups are *coolies* in the market areas, younger mechanics, drivers, small vendors (vegetables, plastic items), workers in recycling units and rag pickers. This group usually live as renters in *vattarams* or as owners/renters in squatter settlements. These settlements also house a large number of home-based *agarbatti* (incense stick) businesses and weavers. Children work in surrounding automobile garages, in eateries, the recycling industry and do odd jobs in shops. There are also scavengers employed by the municipal corporation and other government departments. The next higher income strata include skilled workers and entrepreneurs employed by small-scale manufacturing units. Most live and work in the revenue sites. Other occupants of revenue sites include weavers from the Tamil community, either operators or owners of power looms. The richer income strata include traders who purchase scrap material, work in the retail trade or own small eateries. In addition, there are also a few very rich wholesalers and businessmen living within the revenue sites adjacent to their business enterprises. In recent times, the growing economic prosperity and trade has attracted higher-income Muslim traders and entrepreneurs who have invested in property. They contrast with earlier Muslim groups who are poorer and who work as auto-rickshaw drivers, *coolies* in the market or are tea shop owners.

Close physical proximity and high densities allow economic and other linkages to develop between various local (both income and ethnic) groups. For instance, Muslims from the north Indian State of Uttar Pradesh form the worker-weavers of handloom saris and cluster to work in one area of the *vattarams*. The master-weavers, who live in revenue layouts across the road, provide them with job orders. The revenue layouts also house weaving enterprises with two types of loom. The first type, producing art-silk *jari* (an input for gold brocade) are manually run by workers in the art-silk industry belonging to the traditional weaving caste called *Devangas*. The second, which are electrically operated power looms, weave synthetic materials and are operated by Tamil migrants. Most of these looms are small-scale and are operated from within the home. They are usually located on the ground floor with the entrepreneur living either on the first floor or in an adjoining room on the same floor. The weavers say that the main advantages of being located here are cheap land and access to the city market, which allows them to purchase and procure inputs such as raw yarn, and also to sell finished products. Clustering also helps attract agents who visit them to pick up finished products and also allows them to price their products more accurately and draw on the benefits of agglomeration. In recent times, Marvaries (one of India's ethnic business communities from western India) have moved here from Gujarat and are investing in these enterprises; they also act as financiers.

Another group occupying the *vattarams* are small traders operating in the city market or in K R Road. Despite the dilapidated condition of their houses, the cheap rents and proximity of economic opportunities in the city market area make this a valuable location. Many trade in waste materials: recycled plastic slippers, paper, plastic and metal, salvaged computer and electronic parts. Both wholesale and retail dealers of recycled materials locate close by - an ideal setting for trade. For instance, one of the main purchasers is a prominent waste trader, Asgar, who lives across the road in the revenue layout. Asgar has a contract with some five-star hotels and large companies to buy their outdated televisions and other electronic equipment which are discarded every two years. After repairs, he sells them to various low-income groups. Other low-income rag pickers who supply waste material live in adjoining squatter layouts. One is situated on a rocky outcrop on private land abutting Asgar's layout while another is just behind the shops lining Mysore Road. This group is also connected to another prominent waste trader, Razak, who also procures unprocessed waste plastic and rubber from the settlement of Nayadanahalli, a major cluster of plastic recycling and a manufacturing centre for moulded plastic footwear. Razak sells these to retail traders in the City market area.

Such neighbourhoods also provide access to informal credit and finance. For instance, Asgar, in addition to his waste and recycling business, also organizes *chits* - a form of group credit scheme - and membership includes 50 of his own waste product suppliers. Such financial groupings also have important political links. Asgar claims that his credit linkages have "spawned" 1,000 votes. This encouraged one of the candidates for councillor to seek his support in return for benefits and city council "connections", if elected. Interestingly, Asgar, although illiterate, also operates a local *kannada* newspaper with a circulation of 2,000. It seems very likely that this too has a role in shaping political interests and in building up pressure groups. The settlements in and around these wards of Mysore Road are known for several such local newspapers. This is not surprising when political pressure is critical for obtaining services for squatter settlements and *vattarams*, and for regularizing revenue layouts.

Figure 1: Local Economies in Bangalore



LEGEND

LOCAL ECONOMY COALITIONS

- 1. Small businesses, service activities, small manufacturing and fabricating activities locating in and around the three wholesale trade and retail nodes: The KR Market area, the city railway station, and the Shivaji Nager area. Type of land setting: traditional city row buildings.
- 2. Small business and home-based production units in and around the industrial belt on the western, south western, and northern parts of the city
Type of land setting: revenue layouts, gramthana layouts, "vat-tarams", urban villages
- 3. Small scale fabrication and service activities
Type of land setting: revenue layouts, gramthana layouts.
- 4. Small scale garment business oriented towards exports
Type of land setting: urban villages
- 5. Small business, trade, and service sector locating in commercial streets. Type of land setting: City Improvement Trust Board (CITB) developed residential neighborhoods

CORPORATE ECONOMIES

- 6. Commercial zone around the central parts – specifically the MG Road area
Type of land setting: master planned CBD office block
- 7. Newer hi-tech IT firms in smaller office blocks in high income neighborhoods
Type of land setting: master planned residential neighborhoods
- 8. Hi-tech IT firms in high rise office blocks
Type of land setting: master planned integrated urban design project
- 9. Large scale public sector & private sector companies
Type of land setting: master planned industrial estates, dedicated industrial estates

..... proximity of this area to Bangalore’s traditional CBD, the “city market”, has led to the consolidation of intensive economic activity and to benefits from agglomeration economies. This brief description of Valmiki Nager shows how the diversity of settlement types complements the complex economic activities and their city level linkages. While the particularities of the example are unique, such types of economic processes and their

inter-connections with land settings are found in most of Bangalore.

At first glance, the environment described in Box 2 may seem chaotic, unplanned and messy. These “informal” enterprises may seem too insignificant to represent economic activity. However, a closer look suggests that these kinds of “messy” settings are critically important for employment generation. They allow enterprises to start up and to find relatively cheap land with loose land use regulations. Perhaps most importantly, they provide proximity to demand, to markets and suppliers that opens up opportunities for financial and sub-contracting links, and access to trade agents and markets at a city and regional level.⁽³²⁾ These are also places to build up social connections, where the mix of income groups is useful to secure tenure and to get access to public investments in infrastructure and services. The evolution of local society happens hand in hand with the local economy. Both, in turn, shape the nature of local politics.

Local economies are commonly seen as the “informal sector” – either on the way to real economic development or as a situation of “exploitation by the local elite”. In a similar way, local political processes centred on these economies are assumed to be centred around patron-client relationships, exploitative of poor groups by the local elite, non-transparent and corrupt, and feudalistic. The research reveals a much more complicated picture. This has also been shown by Dewit, based on a detailed study of several slums in Bangalore:

“...Although the term ‘vote bank’ has gone straight into the vernacular without translation, one should be careful while observing systems that work through representation per constituency with eyes trained in the tradition of proportional representation. These forms of political barter can be seen as vote banking but another perception of the direct exchange between a slum and councilor or MLA (member of the state legislative assembly) in whose constituency the slum is situated could be that of direct democracy at work...The give and take relationship that develops may not be exclusively harmful, as the term political patronage suggests... It might be more productive to rethink the workings of democracy under conditions of extreme poverty and differences of wealth, where the democratic processes are decidedly different from the ones these observers are used to...”⁽³³⁾

What emerges is that poor groups often take on a pro-active stand to define their external relationships. For instance, in her survey of 22 slums, Sandbergen describes the political strategies used by women to access water and the extent to which women organized much of the political action – or simply organized for the repair of pumps.⁽³⁴⁾ Our own field-work has revealed several such cases where local politics is constituted by complex arrangements interfacing with a variety of political and bureaucratic actors.

VI. PRO-POOR AND ANTI-POOR POLITICS AND ECONOMIC SETTINGS

THIS REVIEW OF local political and economic processes suggests that political strategies are highly case specific. But the research also suggests an overarching theme that shapes the political arena of poor groups, and consequently the nature of poverty. This theme is that *varying types of economic settings (benefiting poor groups in different ways) relate to particular*

links them to several financial circuits and involves them in decision-making, including investing in land in peripheral areas and visiting their villages, and helps to tide them over during low-earning periods (see Section B4 of the longer report on which this paper is based, as described in reference 3).

32. This argument comes from looking at local economies in a variety of contexts including the ESCOR research in Bangalore. See also Box 1 and the sources from which it draws for discussions on local economies in Delhi and in small towns in south India.

33. Dewit M, (1996), “Slum Perceptions and Cognitions” in Shenk, H (editor), *Living in Bangalore's Slums*, forthcoming.

34. See reference 19.

35. Dewit emphasizes the importance of councillors: “...An active councillor means more to a slum than a lot of broad based policy objectives. A slum which does not meet the criteria to be part of an improvement programme, but has an active councillor, can be better provided for in terms of infrastructure than a slum in an adjacent constituency that does meet the criteria but has no one to endorse them... The authority, be it a political

one like a councillor, or a non-political one like an NGO, is regarded as a source of goods ... a source to be treated with due respect ... do not bite the hand that feeds you ... Only the political source is accountable, needs something from the dwellers and can be voted out of office, whereas the NGOs remain aloft, untouchable. There were several perceptions of councillors and other politicians. Many held councillors and the MLA in high esteem. Other saw them as corrupt. Some also saw NGOs as 'living off' the slum." See reference 30, Dewit (1996), pages 93, 95, 110. Feelings towards NGOs seem similar to those expressed by a sanga (association) member in Visakapatnam in Andhra Pradesh, south India, as told to this author: "*The only difference between an NGO and a politician is that you don't have to fold your hands to the NGO.*"

36. M N Buch, former head of the Delhi Development Authority, has written about the lack of real civic inputs in the activities of development authorities. See Buch, M N (1985), "Information needs for urban planning and development: the users' perspective", *Nagarlok* 17, Vol 4, pages 46-52. In some of the smaller cities in Karnataka, out of a governing committee of 23 there were only two members representing the municipal corporation and none from the rural bodies adjoining the city whose lands were notified for acquisition.

37. It is common knowledge in bureaucratic and political circles that parastatals such as the development authorities are often used by parties in power to house key political functionaries who might have lost elections but who need to be kept within the system.

forms of institutions and processes of governance, and consequently have an impact on the nature of poverty.

For the sake of clarity, distinctions between two types of economic settings are highlighted. The first is an economic setting that is constituted by local economies; the second, catering mostly to richer groups, is that which is constituted by corporate economies. The former refers to economies of the kind illustrated by the case of Valmiki Nager and are found in many parts of Bangalore. The latter refers to Bangalore's "enclaved" high-income neighbourhoods, namely, neighbourhoods of south and south-east Bangalore, exclusive non-resident Indian "farm-houses" in the periphery, the corporate business centre of MG Road, and the exclusive urban design mega-projects such as the information technology park. There is an important relationship between the type of economic setting and its institutional support.

The institutions and processes of governance in these two economic settings are quite different. The settings for local economies are shaped essentially by local governance. Here, the municipal corporation forms the main institutional arena with councillors and lower level bureaucracy playing a key role. This is essentially due to the representation system (even if it functions unevenly), and extensive ethnic and social connections that exist between the lower level bureaucracy of most government bodies and local economic interests. Even if higher level political agents play a significant role in the political strategies of poor groups, their actions are in the context of local bodies' interventions - influencing decision-making in higher political circuits to open up institutional space. Even in these cases, councillors usually form key mediating agents.⁽³⁵⁾ Significantly, in many instances, politics is centred on an individual political base created by building local alliances rather than party affiliations. This helps to maintain political accountability.

In contrast, the setting for corporate-centred economies is linked to party-centred political structures at the state government (and even, at times, the national) level. These relationships, in turn, link to centralized forms of governance via institutional processes centred on parastatal agencies. It is hardly surprising that almost all settings for corporate economies are either products of, or closely linked to, the master planning process promoted by parastatal institutions such as development authorities. Here, the critical issue is that development authorities have practically no local level representation. Their governing committee is constituted mostly of administrative officers under the direct control and supervision of the state and national government party structures.⁽³⁶⁾ The political representatives who direct official policy are thus appointees of the state level party in power. Significantly, they also need not necessarily represent the constituency under the jurisdiction of the development authority. For instance, until recently, the Chair of the Bangalore Development Authority not only did not have his electoral constituency in Bangalore but also had lost in the elections in the small town where he had stood.⁽³⁷⁾ Our research also suggests that even when local politicians have a part in these processes, their actions are supervised by higher level political entities, along party lines, and, at times, are even under higher level bureaucratic control.⁽³⁸⁾ In short, parastatal agencies have a formative role in the shaping of corporate settings, and have little or no local representation.

A second critical issue relates to the relationship between parastatal agencies and local bodies. Several scholars of public administration have

written extensively on how local bodies are disempowered by development authorities (among other parastatal agencies) who take over prime development functions that were previously at the local level, leaving local bodies with maintenance functions.⁽³⁹⁾ In particular, the control and regulation of land is now under the state (provincial) government. This means that local bodies find it very hard to decide on key economic and political futures for their constituent electorate. Indeed, local bodies are burdened with substantial financial liabilities that arise from investment decisions made by development authorities. For instance, in Bangalore, as in urban areas all over India, development authorities develop land on the urban periphery and recoup real estate surpluses to fund their operations. These are later handed over to the local bodies for the purpose of maintenance, leaving them with the politically difficult decision of whether to increase charges to sustain the high levels of infrastructure installed.

There is also an important political aspect. Public interventions via parastatal agencies are useful for state level political parties to ensure local political compliance or subvert local political opposition. Municipal bodies and politics tend to be across party lines and are more accommodating to complex local level coalitions. This issue assumes particular significance in Karnataka. Most political parties have a low level of "internal democracy" for grassroots workers with the party system seriously undermining local interests. This situation is particularly conducive to corporate groups competing with more local alliances of interests over public investments and shaping public policy.

These two issues have to be considered in the context of increasing economic divides. As in other cities, master planning has a substantial impact on the structure of Bangalore. The development authority can acquire land under "eminent domain" at below market prices and develop it with publicly subsidized off-site infrastructure. The developed land is then allocated to groups that conform to its criteria. Richer groups, with their higher level bureaucratic and political connections, can easily influence development policy. Often, the politicians are of the same class and caste backgrounds as the elite and share similar social circuits – making access to decision-making much easier. It is hardly surprising that standards, forms of planning and bureaucratic allocation criteria used by the master planning process reflect the interests of higher-income groups. The lack of local level representation ensures little opposition by poorer groups to this takeover.

The uneven access to the master planning process seriously disadvantages poorer groups. These groups (linked most closely to local economies) do not exist in isolation but face competition from higher-income groups on two important fronts. The first is over central city locations which the structure and history of urban development has bestowed with high levels of infrastructure and, consequently, with greater economic productivity. The second is for public investments especially in infrastructure and services. It is well-known that such investments stimulate land markets and act as "force-multipliers" on the productivity of any enterprise. Here, it is important to note that different types of infrastructure investments "do" quite different things for different groups. Clusters of small enterprises that form part of a local economy may seek, via the municipal process, the upgrading of a road to spur economic productivity. Richer groups also seek public investments, though of a very different type. They focus their efforts, via the development authority, on

38. See Section B5.1.1, figures 13 and 14, and Section B5.2, pages 96-108 in the longer report on which this paper is based (see reference 3).

39. See Jha, G (1984), "Constitutional protection to municipal authorities: an overview", *Nagarlok (Journal of the Indian Institute of Public Administration)* 21, Vol 4, pages 62-78; and Mohanty, L P N (1989), "State-municipal relationships: an analysis of collaboration and control in India", *Nagarlok* 16, Vol 4, pages 16-29.

Box 3: The Conflicts between the Master Plan and Local Economies

The metro-context of Bangalore provides an example of how development authorities which promote master planning reduce employment opportunities and increase the severity of poverty. A review of this in three neighbourhoods which reflect different employment opportunities and social groups, land settings and political processes revealed an interesting contrast. Mysore Road in west Bangalore and Yashwantpur in the north-west are very significant employment nodes with highly diversified local economies which include mechanical repair and fabrication, plastics, recycling, weaving, incense stick making, auto repairs and electroplating units. These areas have traditionally had politically powerful local groups due to their wide local base. As a consequence, the Bangalore Development Authority faced serious difficulties in land acquisition and very little of the land here was developed under the master plan. Instead, much of the land in western and northern Bangalore evolved into several settlement types: *vattams*, *gramthana*, revenue sites and mill housing. The politics of the settlement processes is thus largely municipalized and shaped by local demands due to the emerging local economies. The diverse tenure regime allows for even very poor groups to establish themselves in locations that provide jobs and livelihood opportunities. The increasing diversity of income groups relates to an even greater variety of economic processes that support the mainstream economic activity. These well-consolidated local economies and the wide spectrum of local society has empowered a local political process across party lines. Some local politicians have moved up the political ladder to help reinforce the claims of these neighbourhoods in the larger political system.

In direct contrast, a large part of south Bangalore has been formed via a top-down process of master planning, centred on land acquisition. This was possible because of the relative disempowerment and political divisions between local groups at the time of acquisition. Master planned neighbourhoods restrict mixed land use and, as a consequence, allow a very narrow spectrum of economic activities to emerge. For the poor, this is mainly in the form of a limited range of commercial services. The type of land settings here is also more extreme - high-class residential neighbourhoods and relatively few under-serviced squatter settlements where poor groups face severe competition over land. The master planning process also fractures local claims and local representation for poorer groups. They are not able to easily establish their claims to locations here. As a result, many poor families have their plots forcibly taken over by criminal groups in connivance with the bureaucracy of the development authority. Since the development authority has minimal local representation influencing its actions (unlike a municipal body), poor groups have little access into the system.

This contrasting political and economic situation between different parts of Bangalore is, in turn, reflected in the way NGOs and civic groups act in response to community pressures. Those in the south Bangalore neighbourhood indirectly served to reinforce a "not-in-my-backyard" exclusionary process. Much of their social circuits in the civic process was linked to higher level bureaucratic and, at times, political circuits and drew legitimacy from the master plan. In contrast, NGOs and activist groups in the west and northern parts of Bangalore often negotiated and mediated on land issues pitched at the level of consolidating poor groups' claims to location. Their operational circuits centred on local politicians and their legitimacy centred on the deficiencies in civic amenities and services. Thus, master planning serves to exclude poor groups from productive locations and also creates a fragile and insecure environment.

getting large plots of land and dedicated infrastructure to form settings for corporate architecture and urban design projects, also in key urban locations.

The impact of development authorities is not only on new development but also on existing areas that have evolved outside the master planning process. Since development authorities are responsible for bylaws and regulations, they can redevelop areas that do not conform to their operational and political interests. This can mean that areas that are significant employment nodes are demolished and poor groups resettle away from employment opportunities on the grounds that their neighbourhoods are illegal. Master planning, in effect, promotes a dualistic structure of tenure set in "black and white" terms. Thus, the diversity of tenure regimes that characterize non-master planned areas and make land and

locations accessible to poor groups is homogenized. Reducing the diversity of tenure weakens the ability of poorer groups to gain access to land. It also leaves them at the mercy of those with connections in development authorities' bureaucracy, where their elected representatives have little influence. Box 3 illustrates how the approach of the development authorities reduces employment opportunities and increases the severity of poverty.

An important point to note is that poor and rich groups exist in both local economy-centred and corporate settings. In the context of local economies, richer groups relate to poorer ones by way of the complex obligatory conventions that bind various income groups in local society. These obligations have political aspects – alliances shaped by “vote bank” politics. They also have economic aspects due to the intensive economic linkages that drive the local economy, and in places, they might also have ethnic aspects. It is these obligatory functions, accentuated by access and claims to land, and the representative structure of municipal politics that provides poorer groups with a pro-active role in shaping the economic setting. By contrast, in the corporate “enclaves”, poor groups have minimal local representation in the institutions that shape enclave settings while the rigid land use controls exclude almost all pro-poor economic activity and threaten poorer groups' fragile claims to land. These all weaken poor groups' potential for more pro-active political action.

VII. POVERTY IN THE WIDER INSTITUTIONAL SETTING: THE IMPACT OF MEGA-PROJECTS

ALTHOUGH THERE ARE no accurate estimates, it is likely that in terms of area, barely 20 per cent of land in Bangalore is master planned. If the local economy belts in the south-western to northern parts are considered along with specific “fingers” in the south (see Figure 1), almost all of the land in these locations is non-master planned. Thus, while master planning is regressive, an important issue is to what extent it influences the city's local economies. The impact of master planning is via bylaws, land use regulations, and specification of the floor area ratio that developments can use. These can be used quite effectively to de-legitimize areas that do not conform to their operational and political interests. They can be used in areas that are on the edge of master planned areas, or within pockets of revenue layout within master planned areas where the Bangalore Development Authority could not acquire land due to litigation. These areas, even if they are significant employment nodes, can be demolished and poor groups resettled away from employment opportunities on the grounds that their neighborhoods are illegal. There are several such locations in the city: the “fingers” of local economy clusters and pockets of revenue layouts in the south.

However, for most other non-master planned areas, the institutional space for development authorities is quite limited. This is especially since non-planned areas have developed powerful local political alliances, which can become formidable opponents. This is certainly good news for the bulk of pro-poor local economy clusters locating in south-western to northern parts of the city. However, the day-to-day demolition and the insecure environment for poor groups locating in the south of Bangalore promotes an enclaved city.

There is another, perhaps more serious trend that threatens local

economy clusters all over the city, irrespective of whether the location is master planned or not. This relates to promotion and implementation of mega-infrastructure projects. To illustrate this, Box 4 has a short description of the consequences of an ongoing development project in the most important local economy node of Bangalore: newly constructed “fly-over” (or elevated expressway) and an urban designed multi-storey market complex in the KR Market area. This case is significant because the core city area is not within a master planned area. More important, local political interests here are well consolidated to ward off any conventional attempts to disrupt its economic structure. The case is even more curious since the Bangalore City Corporation is implementing the project.

This elevated highway and New Market complex also has a much larger, although less visible, impact than that described in Box 4. The KR market area, a typical city centre, used to house several wholesale trades located on particular streets: rice, grain vegetables, fruit, flowers, paper, metal, wood, bamboo and various types of mechanical and electrical parts. Each had their associations and also a range of dedicated services. It was these support services that opened up employment opportunities. Whilst to an outsider one coolie (head loader) is much the same as another, almost all are dedicated to a range of shops and the shopkeepers provide them with additional help other than the day’s wages, including

Box 4: Mega-Project for Local Economies

The elevated highway or “flyover” that passes by Bangalore’s main commercial hub, the KR market, is of high quality and of elegant design. Not far from this is the recently constructed New Market. The skyline of both – neat and clean – and the lack of traffic on the elevated highway is a strong contrast to the diverse activities taking place below it.

The hawkers below the flyover are the most vocal in their complaints. They now earn half that which they had previously earned which not only affects their survival but also means that they have less money to give to their relatives in rural areas during the monsoon season when money is needed for seeds and other inputs. The construction of the flyover has reduced the effective hawking space by more than half with access roads built over what had previously been pavements. Four years previously, these had been prime hawking spaces, brimming with life and with fruit, vegetables and flowers laid out in heaps. With the large numbers of hawkers and buyers came the *coolies* or manual loaders and the finance agents. Now, business does not start until late afternoon when the police have gone. In the morning, they come to ensure that the space is tidy for “inspection” by their senior officials who supervise the area. The few hawkers who try to sell their wares in the morning are beaten up despite paying the *mamool* to both the police and corporation inspectors. One elderly woman hawker, whom we saw beaten up and her cucumbers slashed, waited through the morning in the hot sun in the same location, her wares covered up, to “reserve” her place on the pavement for the afternoon sale. Most hawkers complain that while they have always had to pay off the police, since the construction process the bribes have increased as have the repressive actions. Another change is the visits of “goons” to ensure compliance. This relates in part to the demolition and resettlement that divided the hawkers politically.

Inside what remains as a shell of the old market is a great wide opening full of construction materials – the location of the New Market. Only a couple of years ago this used to house the wholesale rice, grain, vegetable, fruit and flower market – the largest in the city. Today, in this very large five-storey structure, only the ground floor and upper basement have some activity. The hawkers here complain of the lack of sales and their severely reduced profits.

The wealthier stall owners selling iron and steel hardware have been resettled from other parts of the core city areas. They too claim their sales are down to 10 per cent of what they once were. This is not hard to see. Only the most dedicated of buyers would venture to the upper floors. Most are empty, while in a secluded location, a group of youths gamble. The shopkeepers claim that this structure becomes a centre for prostitution at dusk – and also a dangerous area. Outside the New Market, the demolitions continue – for instance, the shops along the perimeter to make way for a peripheral road and parking.

a place to store their belongings, at times loans, and a place to sleep. In return, a customer is assured of a head loader transporting goods through the crowd safely – making the wholesale shopping process easier. Similarly, this area had transporters using small vans and horse carts, who repacked supplies into smaller bags from bulk, and undertook some reprocessing. A critically important aspect of this dense economic activity was the access to financiers and *chits* or local group saving systems. Almost all poor groups had easy access to these with their trade and ethnic connections, despite the high interest rates. This allowed them to buy stocks, borrow and also invest – critical functions in a local economy. The poorest of the poor could generally find a niche to survive, make connections and progress in life.

Surpluses generated from such a high density and intensity of economic activities are critical for poor groups to find such a niche. Some buy land in the urban periphery. Significantly, much of the surplus (at times 70 per cent) is invested in the villages where hawkers come from. This money is used to buy better quality land, build houses, install borewells and organize finance lending services. In some cases, hawkers, after locating within a specific market niche, have started to grow and procure vegetables, which are then sold in the urban setting.

An integral part of the economy was the politics. A large percentage of Bangalore's major squatter settlements are concentrated in two adjacent wards of the KR Market. Local politicians moved up the political ladder on the basis of the high density of votes, as well as funding from local trade. The connection between squatter settlements in the adjacent wards and those in the KR Market doubly reinforced the political clout. As a political worker explained: "If the councillor can get them a space to sell, his name will be on their lips when they go back to home... after all, their day's livelihood is more important than their shack. His action will have a wider effect."

Much of this changed only a couple of years ago with the construction of the New Market and the elevated highway. Many of the specialized trades have been moved out in an attempt to "de-congest" the city and increase traffic speeds. The perimeter road that will soon encircle the market is likely to be extended through another line of shops – some of which have already been demolished. So, again, there will be more shifting out. What used to be an intensive support system is rapidly becoming disbanded with serious consequences for the poor. The disruption in the local economy has also meant that remittances to rural areas have fallen. Walking around the pathways that have been disrupted by the construction and demolition, a common refrain from squatters and wealthier shopkeepers alike relates to the chief minister's main intention to make Bangalore into a neat and clean Singapore. Most now realize that they are the dirt to be cleaned off.

At first glance it seems puzzling that the Bangalore City Corporation should be implementing such a regressive intervention considering the political costs. To understand this clearly, we need to focus on the strict political hierarchy reinforced by party politics. The City Corporation is only a vehicle to implement such proposals rather than having a more autonomous role in deciding interventions.

The lack of political autonomy is highlighted by the fact that the Mayor of Bangalore City Corporation has tenure of only a year. Moreover, his/her election is largely shaped by the members of the state legislative assembly (as state level political functionaries) and in particular for

40. This is not to say that all administrators are corrupt and function with little accountability. There are two points here. First, those that come in the way of party political interests (legitimate or not) are most often transferred. Thus, administrative sustenance is a matter of convenience of the state government. The second and a more fundamental issue is that there is no direct connection between civil society and the administrator. Thus he/she does not have an accountable institutional space. It is very rare, but there are cases, where the transfer of an administrator perceived as being honest by the public, drew great protest, forcing the state government to reconsider the move. In a similar vein, an important issue is for MLAs and MLCs to survive at the state level outside of party politics and on the basis of a political constituency within the city. For example, a key question would be the possibility for a councillor to move up the political ladder maintaining his/her political base in a city ward and city constituency.

41. The political workers also told us that the benefits from civil works are so well organized that "...it reaches the house of significant politicians in key positions irrespective of if they have raised an issue against the same contract or not.. It is taken as a given that this has to be given through the system."

42. Octroi is an entry tax on goods levied by the urban local body and forms a critically important source of revenue. This is mainly because it keeps up with inflation and directly reflects the intensity of economic activity in the city. The state government abolished octroi in 1979. This was done after Bangalore's elected body was superseded by the state government and placed under administrative rule.

Bangalore, the chief minister. If that is not enough, key operational decision-making in the city council is supervised by the state government and instituted via an administrator whom it appoints.⁽⁴⁰⁾

The lack of local autonomy due to party politics is reinforced by the possibility of underhand benefits from civic works. A political worker at the municipal level told us that with party politics increasingly shaping council politics, an efficient and remunerative way for councillors to rise up the system is to attempt to gain the confidence and support of members of the state legislative assembly (i.e. state level politicians). This is especially in order to get nominated onto the important municipal committees like the works or finance committee. Larger civil works are driven by and further reinforce "Party Politics". An important issue is the common knowledge that between 25 and 30 per cent of construction funds are routinely diverted through the party system – forming a significant incentive for compliance to the party system, including compliance by political functionaries of the opposition.⁽⁴¹⁾ Thus, any attempt for political autonomy both from within the party or the opposition is diffused via the potential benefits of these funds.

The financial implications of mega-project funding on local bodies are severe. While they are purported to be financially remunerative, there is as yet no evidence that this has been so. As with most other loans, the state government can deduct these from grants like the octroi compensation.⁽⁴²⁾ One could argue that funds meant for upgrading basic infrastructure like drinking water, sewage lines, drains and basic roads would be reduced as a consequence. This is important because Karnataka is one of the highest recipients of development aid from both international agencies (both bilateral and multilateral) and also central government institutional structures. Thus, the future burden of maintaining what was constructed by these funds will directly fall on local bodies. There is little possibility for Bangalore City Corporation to make funding for large-scale infrastructure projects more responsive to local needs; indeed, the very terms for such funding mean they cannot be used for smaller level schemes.⁽⁴³⁾

Here, it is important to realize that it is not only the direct state level politics that specifies the operational territory of the city corporation but as important, the larger structure of parastatal agencies that institute these political strings. The city corporation operates in an arena with seventeen parastatal agencies. Falling under five ministers and their various administrative departments at the state government (including the office of the chief minister), it is this larger institutional structure that directly or indirectly affects urban development in Bangalore. An increasing trend in recent times has been the promotion of large development projects in both central city areas and also the urban periphery. For instance, the new international airport, several more flyovers (some cutting through areas similar to KR Market), a major ring road, and finally a multi-storey glass and concrete corporate centre of information technology: the International Technology Park. These projects interlink the various parastatal agencies. While the KUIDFC channels capital for development, the Bangalore Development Authority or the more powerful Karnataka Industrial Area Development Board (KIADB) acquires land. Other line agencies are instrumental, providing dedicated water and electricity off-site infrastructure. The scale of these mega-projects also varies. While some are urban renewals like the flyover, others are proposed as entire townships that involve very large amounts of land and funds. For instance, the KIADB has notified some 3,238 hectares (8000 acres) of land for townships

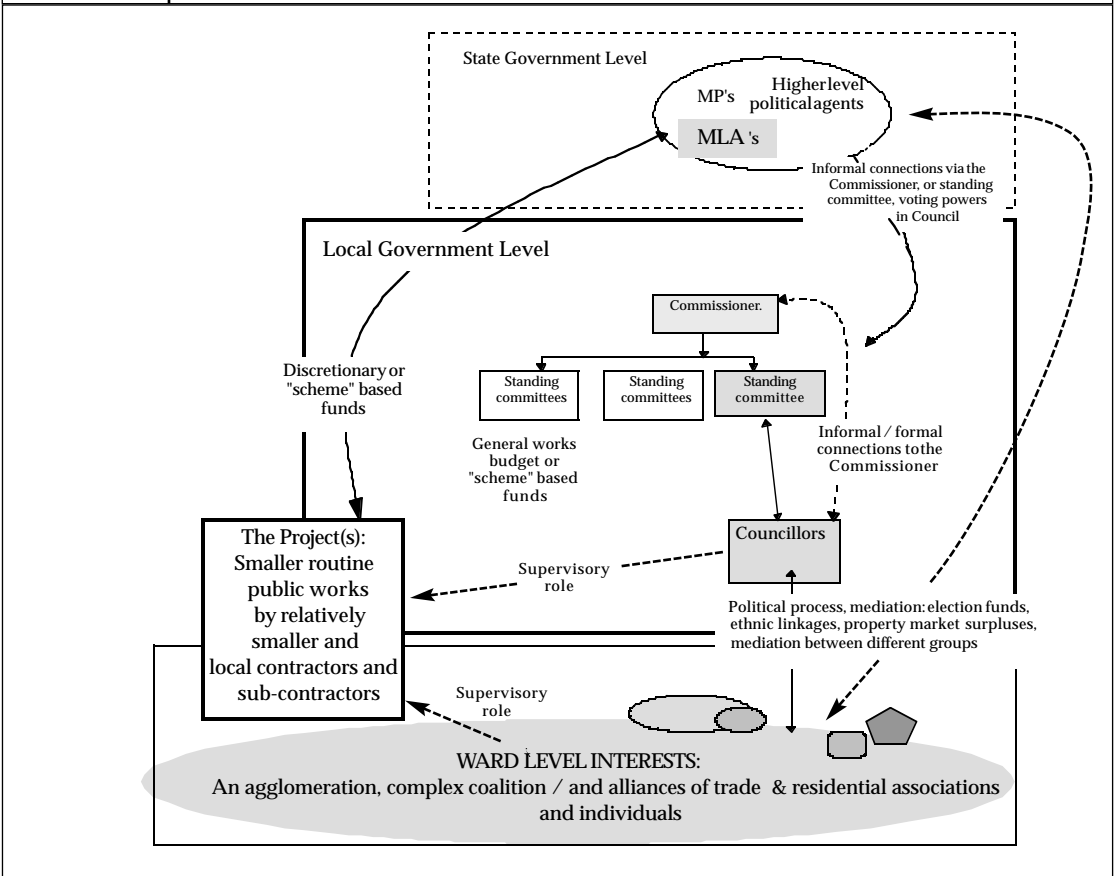
to fund the expressway between Bangalore and the city of Mysore. It is also important to realize that the Bangalore Development Authority is less powerful than some of these institutions. The KUIDFC routes funds and serves as a de-facto planning agency for almost all the mega-infrastructure investments (including the New Market and the KR Market flyover).

Irrespective of political affiliations, various chief ministers have maintained a direct control over these key developmental agencies. Along with this centralized control comes access by the elite to key decision making. For instance, as part of an effort to shape Bangalore into a Singapore and as a setting for a Silicon Valley, the chief minister instituted specific organizational interventions. First, he recruited senior people from the IT industry to head a newly constituted committee called the Bangalore Metropolitan Task Force for deciding on infrastructure and other key city management issues. Second, an emphasis was given to “e-governance” to reduce corruption. The chief minister sees a major problem as one of “political interference” from lower level political circuits. A press report soon after he took office quoted him as saying if it was not for the constitutional protection to local bodies, he seriously considered superseding the city’s elected body, so as to get on with his job of modernizing the city. One could argue that these efforts are much more than making governance “transparent”. Rather it relates to an active effort to de-politicize

In lieu of octroi, the State Government provides a compensatory grant to local bodies. However, this amount has not been indexed to inflation and more important, the state government adjusts any non-payments towards the state from these funds.

43. One interesting research topic would be the relationship between the rising influence of party-based centralization in politics and the increasing power of parastatals. The economic boom of the early 1990s effected a centralization of management in Bangalore. The parastatal institutions were also vital for routing development funds, increasingly drawn from national level agencies such

Figure 2: The institutional politics in routine municipal public works: A “mini water supply scheme”, or minor roads and drains



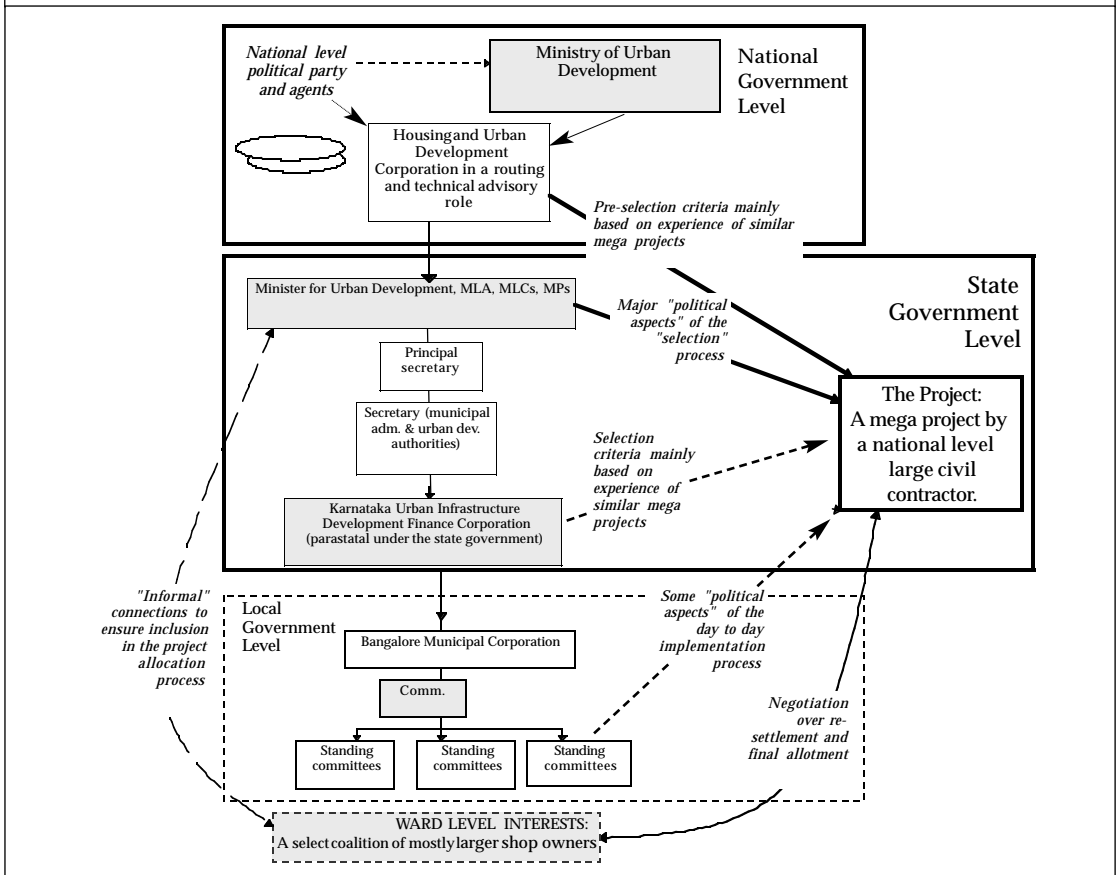
as HUDCO and also bilateral and multilateral sources. Karnataka is one of the largest recipients of development aid from central government agencies and also from international bilateral and multilateral agencies.

urban management, alienating local society and distancing decision making from poorer groups, while opening a direct channel to corporate interests. An urban management structure centered on parastatals is most conducive to this effort. The literature commonly highlights different ways in which poor groups are hit: Demolition, re-settlement, increased land prices, poor quality of services. All of these are relevant. We have highlighted the impact of an exclusive governance system where access to public decision making is more difficult when local representative structure is relatively powerless in a larger political arena. It is critically important to consider the role of parastatals, as well as the impact of "rootless" party-based politics, as seen in Karnataka.

To understand this issue of access, it is useful to contrast the institutional politics of two types of public intervention. Figures 2 and 3 illustrate this in a diagrammatic form. One relates to an intervention to upgrade a road, bring in a water line in terms of a mini water scheme, or a drain, which will directly affect poor groups and also the local economy like the one in Valmiki Nager mentioned earlier. The other intervention is that of a "mega" multi-storey urban designed shopping complex.

The research on which this paper draws also reveals a more complicated picture. First, there is growing political opposition to such mega-projects. This has happened since these projects regressively affect a wider

Figure 3: The institutional politics of a mega-development project: In this case, an "urban designed" multi-storey shopping complex



coalition of interests underpinning the local economy. While party politics is certainly important, it is also true that many state level political functionaries still maintain an independent status and are sought after by various political parties during election time. While the party system may be rootless in Karnataka, the political climate here is also known for the large number of independents and cross-party shifts. Similarly, while master planning does have an extensive impact, there are also moves in recent times where local associations have instituted procedures called "land reconveyance." Here land notified for development according to the master plan, but built upon as private development and involved in extensive litigation, is reverted back to those claiming ownership. Also, but in a more low key fashion, several master planned neighbourhoods do accommodate "non-master planned" uses like hawking which today are regularized as "hawking zones". Not surprisingly, all of this is done with the help of political functionaries at various levels and also the courts. Similarly, and again via the local political process, a "holder's" *khata* or occupancy title has been instituted to secure tenure of those settling on both public and private land.

A key issue here is that these changes benefit and secure the efficacy of the local economy and are driven by a complex coalition of local elite, workers, small landlords and their political and bureaucratic connections at various levels of government. It is not surprising that the elite of Bangalore see this as "political influence" and bureaucratic corruption. It is hardly surprising that the chief minister sees "e-governance" as a way to reduce such interruptions in his modernization programmes and instill more "transparency".

The point here is that institutional access comes with its specific forms of politics and social connections. While one is centred around local society where poor groups have greater opportunities to shape the nature of public interventions, the other happens at a much higher political level – that of state government and at times central government. Access by poor groups here is much more difficult, given the complex fractures of class, caste and bureaucratic alliances. Figure 4 seeks to portray these very different circuits of governance in a diagrammatic form, where groups compete to shape the outputs of public interventions.

VIII. CONCEPTUALIZING GOVERNANCE AND POVERTY

POVERTY THUS RELATES to ways in which different groups influence public policy. If poorer groups find it difficult to influence the actions of parastatals, their ability to moderate the regressive impacts of these larger institutions seem remote. It is difficult to predict what will happen in the future. However, an important deciding factor here is likely to be the efficacy of local economies – where economic productivity helps to build political autonomy. The paper noted earlier that Karnataka is the focus of large amounts of international assistance. This paper suggests that there is a real danger of such funding substantially biasing the development process against poor groups and in fact reinforcing an authoritarian type of politics with widespread economic impacts. If so, it is unlikely that special poverty reduction schemes would be able to address or even alleviate the poverty generated. While the trend for international funding is towards large chunks of capital routed to state governments and then onto

Figure 4: Competing Governance Circuits (see also figures 2 and 3)



parastatal agencies (for the simplicity of accounting perhaps) there are a few cases where international agencies have focused their efforts at the municipal level and specifically on upgrading of basic infrastructure on a city-wide basis. These approaches might seem old fashioned. However, one can see in the context of local economies and the larger and serious political and institutional issues outlined in this paper that they are likely to be much more sensitive and directly responsive to poverty issues. In a similar vein, some bilateral aid organizations, as part of a focus on industrial clusters, are funding detailed studies of existing local economies to find out their functioning at a systemic level and also to help clearly define regressive interventions. Such a modest approach is pertinent given the

complex economic and institutional processes flavoured by ethnic aspects that constitute local economies.

At a more basic level, this paper highlights the importance of moving away from a conceptualization of poverty focused only on:

- housing, where poverty is related to the existence of unplanned slum areas;
- a ghettoized economic perspective where the poor, as marginalized groups, or as the “informal sector”, are outside the larger processes of economic development;
- a patron-client perspective of local politics; and
- urban management and poverty alleviation as neutral techno-managerial processes that are meant to “solve” the problem of poverty.

Instead, the governance perspective on poverty views claims by poor groups in a pro-active form – as they influence and shape the management of cities and their economies. This is important because only then can local economy settings be valued as being important in their own right. It is important because it underlines the concept of “locality”. Local Economies and Local Politics are significant for a more accurate conceptualization of the relationship between urban poverty and governance in a metro setting subject to forces of globalization.