


Legal and Economic Analysis of Municipal Contracts Regarding Urban Services

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Municipalities, as the institutions responsible for providing urban services and ensuring citizens' rights, are obligated to deliver such services. However, the provision of these services requires a robust financial foundation. Given the current circumstances of municipalities, coupled with the central government's inclination toward municipal financial independence and the insufficient allocation of government budgets to these institutions, this obligation is not fully and adequately fulfilled. As a result, experts in the relevant field strongly advocate for the involvement of the private sector in this domain. According to them, the entry of the private sector not only enhances the quality of urban service delivery but also mitigates the municipalities' financial challenges to a significant extent. The delegation or collaboration in the provision of such services is realized through urban contracts whose boundaries and terms are clearly defined. In many cases, these contracts foresee specific advantages for municipalities as public institutions safeguarding the general welfare. However, these conditions often result in the private sector's reluctance to engage in this area. This study examines the legal and economic shortcomings of municipal contracts concerning the provision of urban services. The primary question of the research is whether the provision of urban services to citizens is an exclusive duty of municipalities. This research is applied in terms of purpose and descriptive-analytical in terms of nature and methodology. In this context, principles of the Constitution, ordinary laws, and other higher-level laws and regulations are examined and analyzed to identify and evaluate the legal and regulatory frameworks concerning municipal contracts.

Keywords: Municipality, Urban Services, Urban Management, Urban Contracts.

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1. Introduction

In today's world, urbanization has emerged as a global phenomenon, posing numerous challenges in urban management. The increase in urban populations and the physical expansion of cities have generated new and diverse needs that require meticulous planning and efficient management. Among these, municipalities, as

the most critical institutions in urban management, bear the primary responsibility for providing urban services. Urban services encompass a wide range of activities, from waste collection and street cleaning to the construction and maintenance of green spaces, the creation of urban infrastructure, and the provision of cultural and social services. Delivering these services requires substantial financial resources, which, under



current conditions, pose a significant challenge for municipalities.

National macro-policies aimed at municipal self-sufficiency and reducing their dependence on government budgets have further underscored the necessity of identifying new and sustainable revenue sources. In this context, leveraging private sector capacities has been proposed as an effective solution. However, such partnerships require well-defined legal frameworks and clear delineation of responsibilities between the parties involved.

Municipal contracts in the realm of urban services, as the primary tool for regulating relationships between municipalities and the private sector, hold particular importance. These contracts must be structured to preserve public interests and ensure service quality while also providing sufficient incentives for private sector participation. In practice, however, legal limitations and ambiguities hinder effective partnerships.

An examination of global experiences reveals that different countries have adopted various approaches to balancing public and private interests. Some emphasize widespread privatization of urban services, while others maintain a central role for municipalities and utilize private sector capacities on a limited scale.

In Iran, despite legal provisions emphasizing the possibility of delegating certain urban services to the private sector, numerous ambiguities and challenges persist. These include unclear municipal authorities, undefined contractual responsibilities, and a lack of adequate enforcement mechanisms.

This study aims to analyze the legal and economic shortcomings of municipal contracts in the domain of urban services. It seeks to answer the fundamental question of whether the provision of urban services is an exclusive obligation of municipalities or whether private sector participation is feasible. Furthermore, it explores how appropriate legal and economic frameworks for such partnerships should be designed.

The findings of this study could contribute to reforming the legal system governing municipal contracts and improving the quality of urban services. Additionally, offering practical solutions to strengthen private sector participation could help address municipalities' financial challenges and enhance the efficiency of urban management.

2. Urban Services: A Comprehensive Approach to Urban Management

2.1. *The Importance of Urban Services*

With the expansion of urbanization and the increasing complexity of urban community needs, urban services have become a cornerstone of urban life. Urban services refer to a set of activities aimed at facilitating citizens' lives and enhancing the quality of urban living {Alavi Tabar, 2000 #83866}. These services possess five primary characteristics: intangibility, inseparability of production and consumption, variability, perishability, and the absence of ownership transfer.

2.2. *The Role and Position of Urban Management in Service Delivery*

Given the diversity and scope of urban services, the need for a cohesive and efficient management system is essential. Urban management, as the primary authority in this area, is responsible for planning, organizing, and supervising the provision of urban services {Pudineh, 2022 #11530}. It must utilize available resources to deliver optimal services to citizens.

2.3. *Organizational Structure and Urban Service Framework*

Achieving the goals of urban management requires an efficient and well-organized structure. This structure comprises various departments such as the Urban Services Deputy, affiliated organizations, and executive units, each with specific responsibilities {Chatziioannou, 2023 #51630; Desdemoustier, 2019 #47345}. Effective interaction among these entities is key to ensuring the successful delivery of services.

2.4. *Contracts and Service Delivery Methods*

Given the breadth of urban services, municipalities employ various contractual methods to provide these services. These contracts are categorized into private and public law agreements (Emami, 2006, p. 124). Modern contract models such as BOT, BLOT, and BOO offer innovative solutions for private sector participation.

2.5. *Financial Resources and Revenue Streams*

One of the most significant challenges in urban management is securing sustainable financial resources for service provision. Municipal revenue sources include stable income (local taxes and levies) and unstable income (land use changes and density sales) {Ziadi, 2013 #61113; Ziervogel, 2016 #19097}. Balancing these resources and moving toward stable revenues is a key priority.

2.6. *Monitoring and Performance Evaluation*

To ensure the quality of provided services, a robust system for monitoring and performance evaluation is essential. This system must continuously assess the performance of various units, identifying strengths and weaknesses {Ranjbar, 2015 #96358; Saffari, 2018 #25719}. Citizen feedback also plays a critical role in this process.

2.7. *Challenges and Improvement Strategies*

Urban service management faces multiple challenges, requiring precise planning for their identification and resolution. The most pressing challenges include a lack of financial resources, weak legal frameworks, and insufficient private sector participation {Alavi Tabar, 2000 #83866; Asgari, 2012 #19017}. Improvement strategies such as enhancing management systems, reforming regulations, and strengthening private sector participation can address these challenges effectively.

2.8. *Foresight and Strategic Planning*

To succeed in providing urban services, long-term vision and strategic planning are imperative. This planning must consider global trends, technological advancements, and future citizen needs {Ranjbar, 2015 #96358}. Smart urban services and sustainable development are central to this planning.

Thus, success in urban service delivery requires collaboration among all stakeholders, including urban management, the private sector, and citizens. Improving the quality of urban services necessitates a systemic perspective, precise planning, and effective program implementation. Strengthening legal and managerial infrastructures is recommended to pave the way for better service provision.

3. Conclusion

The present study aimed to investigate the role of urban management and private sector participation in the provision of urban services. This research sought to identify challenges and propose practical solutions to improve the quality of urban services {Nazimi Yasmin, 2022 #114708}. Studies demonstrate that municipalities, as public non-governmental entities, play a pivotal role in delivering urban services. A noteworthy aspect is that urban services are not inherently exclusive, allowing for delegation or collaboration with the private sector {Ziadi, 2013 #61113}. Moreover, findings indicate that success in urban management requires constructive interaction between the public and private sectors, which can only be achieved by establishing appropriate legal and economic infrastructures {Ranjbar, 2015 #96358}. Drawing on successful global experiences and localizing them could offer solutions to many existing challenges.

In examining the contractual structure of municipalities, two main categories of contracts were identified: contracts governed by private law (e.g., leases and purchases) and contracts governed by public law, including urban service agreements {Desdemoustier, 2019 #47345}. The study identified four primary challenges: limited financial resources and budget shortages, the lack of adequate incentive laws to attract private sector participation, instability in urban management, and ambiguities in the legal responsibilities of the parties involved {Saffari, 2018 #25719}.

To address these challenges, several solutions are proposed. These include the establishment of specialized think tanks to manage domestic investor engagement, the creation of specialized foreign investment companies, strengthening the position and authority of Islamic city councils, and providing tax incentives for priority investments {Ghaffari, 2023 #15308}. The implementation of these proposed solutions is expected to yield several outcomes, including improved municipal finances through private sector participation, enhanced quality of services and increased citizen satisfaction, the creation of appropriate legal frameworks for attracting investment, and the strengthening of council oversight roles alongside the optimization of the taxation system {Mohamadi, 2022 #4442}.

For future research, the following studies are suggested: a comprehensive analysis of the duties and responsibilities of the private sector in participatory contracts, an examination of the legal mechanisms for addressing citizen lawsuits against municipalities, and a comparative study of the role of city councils in improving the quality of urban services.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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