5. India's Urban Local Bodies - Challenges and Way Forward in Decentralized Governance - Polity

1. Why in News

1. India's rapid urbanization highlighted weak state of Urban Local Bodies (ULBs)
2. Despite constitutional status (74th Amendment, 1992), ULBs remain administratively weak, financially dependent
3. Limited autonomy, poor staffing, inadequate own revenue generation
4. Essential for service delivery, democratic deepening, inclusive development
5. Critical reforms needed for effective decentralized governance

2. Present Status

Panchayati Raj System

1. Introduced by 73rd Constitutional Amendment Act, 1992
2. Gave constitutional status to local self-government (Part IX of Constitution)
3. **Part IX -** Articles 243 to 243O
4. Came into force April 24, 1993
5. **Panchayats -** Three-tier structure (Village, Block/Intermediate, District Panchayats)
6. **Article 243 -** Panchayats are state subject; each state governs through own Panchayati Raj Acts
7. State-specific variations in structure, powers, functions
8. **11th Schedule -** 29 subjects transferred to Panchayats (agriculture, minor irrigation, education, health, etc.)

Urban Local Bodies

74th Constitutional Amendment Act, 1992 (Nagarpalika Act) -

1. Introduced Part IXA (Articles 243P to 243ZG) in Constitution
2. Gave constitutional status to Urban Local Bodies (Municipalities)
3. Came into force June 1, 1993
4. Made mandatory for states to establish and organize municipalities as per constitutional provisions

Three types of municipalities (Article 243Q) -

5. **Nagar Panchayat -** Transitional area (rural to urban); smaller population
6. **Municipal Council -** Smaller urban areas
7. **Municipal Corporation -** Larger urban areas (population usually >1 million)
8. **12th Schedule -** 18 subjects transferred to ULBs (urban planning, water supply, public health, sanitation, fire services, urban poverty alleviation, slum improvement, etc.)
9. **Composition -** Elected representatives (councillors/corporators); Chairperson/Mayor
10. **Reservations -** Seats reserved for SCs, STs proportional to population; 1/3 seats for women
11. **State Election Commission -** Conducts ULB elections (Article 243K for PRIs, 243ZA for ULBs)

Constitutional Provisions for ULBs

1. **Article 243P -** Definitions (municipality, municipal area, etc.)
2. **Article 243Q -** Constitution of municipalities (three types)
3. **Article 243R -** Composition of municipalities
4. **Article 243S -** Constitution and composition of wards committees (for municipalities with >3 lakh population)
5. **Article 243T -** Reservation of seats
6. **Article 243U -** Duration of municipalities (5 years)
7. **Article 243W -** Powers, authority, responsibilities of municipalities
8. **Article 243X -** Power to impose taxes by municipalities
9. **Article 243Y -** Finance Commission (review financial position of municipalities)
10. **Article 243ZA -** State Election Commission

11. **Article 243ZB -** Application to Union Territories

3. Importance of Local Governments

Democratic Deepening

1. Brings governance closer to citizens ensuring participation in decision-making
2. **Article 40 (Directive Principle) -** State shall organize village panchayats and endow them with powers and authority
3. Grassroots democracy - Citizens directly electing local representatives
4. **Political participation -** Local bodies provide training ground for political leadership
5. **Accountability -** Easier for citizens to hold local representatives accountable than distant state/national leaders
6. **Decentralization -** Power dispersed from central/state to local level (subsidiarity principle - decisions at lowest competent level)

Service Delivery

Rural local bodies (Panchayats) -

1. Support rural development through welfare activities
2. Infrastructure maintenance (roads, drainage, streetlights)
3. Basic administration (birth/death registration, property tax collection)
4. Implementation of MGNREGA, PMAY-G, Jal Jeevan Mission

Urban local bodies (Municipalities/Corporations) -

5. Essential services - Sanitation, water supply, sewerage, solid waste management
6. Education (primary schools, libraries)
7. Urban infrastructure (roads, parks, streetlights, parking)
8. Discretionary development works (urban planning, slum improvement, poverty alleviation)
9. Fire services, public health (hospitals, dispensaries)
10. Proximity ensures better understanding of local needs, faster service delivery

Inclusive Development

1. Promote social inclusion, economic development, public participation
2. **Reducing inequalities -** Targeted programs for marginalized communities (SCs, STs, minorities, urban poor)
3. **Ensuring grassroots democracy -** Direct participation of citizens in governance
4. **Link between citizens and higher government -** Bridge connecting local needs to state/national policies

Empowers marginalized groups through reservations -

1. SCs, STs - Proportional representation based on population
2. Women - 1/3 seats reserved (73rd/74th Amendments); some states reserve 50%
3. OBCs - Some states provide reservations
4. **Social audit -** Gram Sabhas, Ward Committees monitoring expenditure, holding bodies accountable

Economic Role

Critical for implementing national schemes -

1. **MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) -** Panchayats plan, implement, monitor works
2. **AMRUT (Atal Mission for Rejuvenation and Urban Transformation) -** ULBs improve water supply, sewerage, urban transport
3. **Smart Cities Mission -** Municipal Corporations develop smart infrastructure
4. **Swachh Bharat Abhiyan -** ULBs manage solid waste, construct toilets, ensure cleanliness
5. **PM Awas Yojana -** Housing for urban/rural poor
6. **National Urban Livelihoods Mission -** Urban poverty alleviation
7. **Local economic development -** Facilitating small businesses, street vendors, markets

8. **Revenue generation -** Property tax, professional tax, user charges contributing to local economy
9. **Employment -** Construction projects, maintenance works generating local jobs

Other Importance

1. **Disaster management -** First responders during floods, earthquakes, pandemics (COVID-19 management)
2. **Environmental protection -** Tree plantation, pollution control, waste management
3. **Cultural preservation -** Organizing local festivals, maintaining heritage sites
4. **Urban planning -** Land use planning, building regulations, development control

4. Major Issues Affecting Local Governments

Administrative Weakness and State Control

1. Local governments dominated by state governments restricting autonomy, keeping them dependent
2. **"Stepchild" status -** Treated as subordinate administrative units rather than independent third tier of governance

State control manifests through -

3. Appointment of administrators (District Collectors, Municipal Commissioners by state, not local bodies)
4. State approval required for major decisions (budgets, bylaws, large projects)
5. Suspension/dissolution of local bodies by state governments (political interference)
6. **Constitutional ambiguity -** Part IX and IXA give constitutional status but states implement through legislation creating variations, often weakening provisions
7. **Lack of devolution -** States reluctant to devolve powers, functions, funds (3Fs) comprehensively
8. **Example -** Municipal Commissioners appointed by state; loyalty to state, not elected council

Municipal Bodies Lack Real Control Over Staff

1. State governments manage personnel for local bodies

Personnel administration by state -

2. Recruitment, promotion, transfers controlled by state public service commissions/departments
3. Salaries, pensions paid from state budgets

Limiting ULB/PRI ability to -

1. Hire according to local needs
2. Promote based on performance
3. Enforce accountability even for transferred functions

Consequences -

1. Staff unaccountable to elected local representatives
2. Dual subordination - Staff answerable to state superiors, not local councils
3. Delayed action, inefficiency
4. Elected representatives powerless over non-performing staff

Example –

1. Teacher transfers in village schools controlled by state education department, not Panchayat

Weak Staffing and Capacity

1. **In India -** Only about 10% of government employees work for local bodies

Contrast with developed countries -

1. **United States -** Nearly two-thirds (60-65%) of public employees in local governments (cities, counties)
2. **China -** ~60% government employees at local levels
3. **Germany, Canada -** Similar high proportions
2. **Result -** Most public services in India NOT delivered effectively by local bodies

Capacity deficits -

1. **Technical expertise lacking -** Urban planners, engineers, financial analysts, data analysts in short supply
2. **Training inadequate -** Elected representatives, officials lack training on governance, finance, planning
3. **High vacancies -** Many sanctioned posts remain unfilled (30-40% vacancy rates common)
4. **Outdated systems -** Manual processes, limited digitization, poor data management
3. **Small local bodies especially affected -** Villages, small towns lack resources to attract, retain talent

Financial Dependence

1. PRIs and ULBs rely heavily on state transfers; own revenue generation remains weak

Revenue structure -

1. **Own revenues -** Property tax, professional tax, user charges (water, sewerage), fees, licenses
2. **Assigned revenues -** Shares in state taxes (sales tax, stamp duty, vehicle tax as per State Finance Commission recommendations)
3. **Grants -** Central Finance Commission grants (basic grants, performance grants), Centrally Sponsored Schemes (CSS) funds, state grants
2. **Heavy dependence on transfers -** 70-80% of local body revenues from transfers (own revenues only 20-30%)

Urban local bodies -

- Collect only about 0.3% of GDP in taxes (property tax main source)
- Spend less than 1% of GDP
- Relying heavily on central and state transfers

3. **Contrast -** State and central governments increased revenues over decades (GST, income tax, corporate tax); local bodies stagnant

Consequences -

4. Fiscal autonomy limited
5. Inability to undertake large projects without central/state funding
6. Dependence creating vulnerability to political pressure

Land and Property Taxation Failure

1. India's land and property revenues remain low (~1% of GDP)
2. **In contrast -** OECD countries collect 2-3% GDP from property taxes; developing countries like Brazil, South Africa ~1.5%

Reasons for failure -

3. **Restrictive laws -** Rent control acts, urban land ceiling acts discouraging property development, formal transactions
4. **Fragmented ownership -** Complex land titles, disputes, unclear ownership

Inefficient policies -

5. Outdated property valuations (circle rates, Annual Rental Value systems not reflecting market reality)
6. Low tax rates (political resistance to increasing property taxes)
7. Exemptions and concessions (religious, charitable, government properties exempt)
8. **Poor use of public land -** Vast government landholdings underutilized, leased at below-market rates, encroached
9. **Weak enforcement -** Tax evasion, non-payment common; limited penalties
10. **Lack of technology -** Property records not digitized, integrated; GIS mapping incomplete

Distorted land and rental markets -

1. Promote black money (cash transactions hiding true property values)
2. Reduce tax collection (stamp duty, capital gains tax also affected)
3. Reduce transparency in real estate (opaque transactions, corruption)

11. **Consequences -** Local bodies deprived of potentially largest revenue source; dependence on transfers persists

Other Issues

1. **Political interference -** State governments dissolving elected councils, appointing administrators (supersession)
2. **Overlapping jurisdictions -** Confusion between local bodies and state departments (health, education, urban development)
3. **Weak planning -** Master plans outdated, not implemented; no integration with regional/national plans
4. **Corruption -** Leakages in scheme implementation, contract awards
5. **Citizen participation limited -** Ward committees, area sabhas non-functional; public participation tokenistic
6. **Gender issues -** Despite reservations, women representatives often proxies for male relatives (husbands, fathers); patriarchal attitudes limiting effective participation
7. **Digital divide -** Limited use of e-governance, online services; data-driven decision-making absent

5. Way Forward

Devolve Real Autonomy

1. States must genuinely devolve 3Fs (Funds, Functions, Functionaries) as per constitutional mandate
2. Transfer subjects in 11th and 12th Schedules completely, not partially
3. Reduce state control over day-to-day decisions
4. Empower local bodies to hire, manage, discipline staff
5. Amend state municipal/panchayat acts removing provisions diluting constitutional provisions

Strengthen Staffing and Capacity

1. Increase proportion of government employees in local bodies (target - 30-40% from current 10%)
2. Fill vacancies expeditiously

Capacity building -

1. Mandatory training for elected representatives on governance, finance, planning
2. Skill development for officials (technical, managerial, digital skills)
3. Partnerships with academic institutions, training institutes
4. Peer learning, study visits to well-performing ULBs
3. **Attract talent -** Competitive salaries, career progression paths, performance incentives
4. Leverage technology reducing manpower needs (e-governance, automation)

Enhance Fiscal Decentralization

Increase own revenue generation capacity -

Property tax reform -

1. Update valuations regularly using market data, GIS mapping
2. Increase tax rates gradually (political consensus needed)
3. Reduce exemptions
4. Improve collection (online payment, enforcement, penalties for non-payment)
5. **User charges -** Cost recovery for water, sanitation, solid waste management
6. **New revenue sources -** Advertisement tax, congestion charges, betterment levies
7. **Predictable transfers -** State Finance Commissions recommend untied grants based on transparent formulae
8. **Performance-based grants -** Incentivize fiscal responsibility, service delivery improvements
9. Central Finance Commission increase grants to local bodies
10. **Municipal bonds -** Enable creditworthy ULBs to borrow for infrastructure (regulatory framework strengthening)

Land and Property Taxation Reform

1. Repeal/amend restrictive laws (rent control, urban land ceiling where still applicable)
2. Digitize land records, integrate with property tax databases (Digital India Land Records Modernization Programme)
3. GIS-based property mapping (all urban properties mapped, valued accurately)
4. Transparent valuation systems using AI, machine learning analysing market transactions
5. Public land monetization - Auction, lease, develop government land generating revenues
6. Formalize rental markets eliminating black money
7. Simplify property registration, reduce transaction costs encouraging formal deals

Institutional Reforms

1. **Metropolitan governance -** Establish Metropolitan Planning Committees (Article 243ZE) for coordinated planning across municipal boundaries (mega-cities like Delhi, Mumbai, Bengaluru)
2. **Ward committees -** Operationalize ward committees (Article 243S) for hyper-local participation
3. **Gram Sabhas empowerment -** Regular meetings, social audits, participatory planning
4. **Ombudsman -** Lokpal/Lokayukta at local level addressing corruption complaints
5. **Separate local cadre -** State-level local government service cadre loyal to local bodies, not state bureaucracy

Technology Integration

1. **E-governance -** Online portals for property tax payment, birth/death certificates, grievance redressal, building permits
2. **Data-driven decision-making -** Real-time data on service delivery, finances, demographics
3. **Smart cities infrastructure -** IoT sensors, integrated command centres, GIS mapping
4. **Citizen engagement apps -** Mobile apps for reporting civic issues, tracking resolution
5. **Financial management systems -** Accounting, budgeting software ensuring transparency

Citizen Participation

1. Strengthen Ward Committees, Area Sabhas with real decision-making powers
2. Participatory budgeting - Citizens prioritize spending
3. Social audits regular, mandatory
4. Transparency portals - Budgets, expenditures, contracts, staff details publicly available
5. Grievance redressal mechanisms responsive, time-bound

Women's Empowerment

1. Training programs specifically for women representatives
2. Crèche facilities, flexible meeting timings enabling participation
3. Awareness campaigns challenging patriarchal attitudes
4. Strict action against proxy representatives (husbands, fathers)
5. Increase reservation to 50% (some states already done; constitutional amendment proposed for 50% in Lok Sabha/Assemblies should extend to local bodies)

Coordinated Urban Planning

1. Integrate local development plans with state/national plans
2. Master plans updated regularly using scientific methods, public consultation
3. Transit-oriented development, mixed land-use promoting compact, liveable cities
4. Green infrastructure, climate resilience built into planning
5. Regional planning addressing inter-municipal issues (river basin management, transport corridors)

6. Conclusion

India's rapid urbanization highlights weak Urban Local Bodies despite constitutional status (74th Amendment, 1992). Major issues include administrative weakness with state control, lack of real control over staff, weak staffing (only 10% government employees in local bodies vs 60-65% in US/China), financial dependence (ULBs collect 0.3% GDP taxes, spend <1% GDP), and land/property taxation failure

(~1% GDP due to restrictive laws, inefficient policies). Local governments are essential for democratic deepening, service delivery (sanitation, water, education), inclusive development (empowering SCs/STs/women), and implementing schemes (MGNREGA, AMRUT, Smart Cities, Swachh Bharat). Way forward requires genuine devolution of 3Fs (Funds, Functions, Functionaries), strengthening staffing and capacity, enhancing fiscal decentralization through property tax reform and own revenue generation, land taxation reform with digitization and GIS mapping, institutional reforms (Metropolitan Committees, Ward Committees), technology integration, citizen participation, and women's empowerment ensuring effective socio-economic development instruments.

Source - https -//indianexpress.com/article/explained/explained-politics/india-urban-local-bodies-governance-crisis-experts-explain-10697687/