

Why it is a must to Revisit Urban Governance Structures in India

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Abstract

This paper traces the history of decentralisation as initiated since promulgation of 74 CAA and its impact at ground level. Although, institutional set up is created in the areas of planning and ward committees and political representation, the functional decentralisation is still not achieved as per vision of 74 CAA. There are specific gap of special significance such as: overlapping of roles and responsibilities and lack of accountability at grass root level. In this regard, there is a need to involve stakeholders in the urban governance to address diverse needs of people at large .The institutions of ward committees and alternative institutional arrangements (Kudumbshree) in Kerala provide a model for wider consideration among other states. At the same time,the current pattern of project based funding needs to be replaced by a system of outcome based approach which focalizes the 'outcome' to consolidate institutional decentralisation more effectively.

Keywords: Institutional Arrangements,Model Municipal Law, Planning Committees, Ward Committees, staff capacities Kudumbshree,

Urban development; engineering a model of governance for maximum optimization

Urbanisation in India is on a vociferous expansion, with more than thirty percent of its 1.21 billion population residing in urban areas, contributing 60-70 percent to the GDP. This spike in the graph is expected to continue with enormous figures predicted for 2030, including a five-fold increase in GDP, a rise in urban population to 590 million, and a substantial increase in the working-age population. However, as urbanization intensifies, there are growing concerns about challenges that could hinder India's economic growth.

For India to effectively tackle these urban challenges, well-designed cities are required to deliver tangible benefits to the lives of people. Global policy

discourses like Sustainable Development Goals (SDGs), emphasize the significance of focusing on cities and communities to achieve long-term developmental objectives while improving the overall quality of life. It must be noted that the twin visions of 'Atmanirbhar Bharat' and 'Vocal for local' laid down by the Hon'ble Prime Minister will be determined crucially by the ability of cities and towns to emerge as hubs of innovation, production, services, and knowledge-based economies.

Many local governments have successfully curated the infrastructural design per se, nonetheless, the major challenge lies in replicating these innovations on a larger scale. Urban development is a state subject, and states must find approaches to engineer the current reform agenda to achieve widespread institutionalization.

The vision for urban development should perceive cities as structurally complex and constantly evolving agglomerations; with interactions between people, socio-economic institutions, and the environment enabling their optimization. This optimization will be perpetuated by the peculiarities and nuanced realities prevalent in their environment.

To address the challenges, the Government has launched initiatives including flagship missions. While these tactics have aimed to make cities functional, there has been a reliance on centralized development models. This has in turn led to cities depending completely on central funding without devising localized strategies so as to address their peculiar challenges. The structure of India's urban governance embodies an incongruity between its growing responsibilities on one hand and its deteriorating financial health on the other, thus hampering the capacity to support their cities' function as engines of growth. To overcome these hurdles, a mandatory shift is required towards empowering local governance and fostering participation, decentralization, autonomy, and accountability at the urban level.

The seventy-fourth Constitutional Amendment Act (CAA) of 1993 was an attempt to empower Urban Local Bodies (ULBs) and strengthen urban decentralization. The idea was to make the center and state governments incentivize local governments, enabling them to generate revenue, plan projects, and provide better services. However, the implementation of the CAA has been slow, and challenges persist in delivering modern solutions. Implementing the vision of the CAA is crucial in achieving this, and it necessitates a renewed focus on local governance principles, innovative

business models, and increased devolution of power and resources to urban local bodies. By adopting a holistic and participatory approach, India can unlock the full potential of its cities and ensure sustainable urban growth.

Challenges

In June 1993, the seventy-fourth Constitution Amendment Act was passed to enhance decentralization in India. This amendment introduced various provisions aimed at strengthening ULBs. Article 243P (e) recognizes municipality as an institution of self-government and Article 243W proposes that the Legislature of a State may, by law, endow 'the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities.' These provisions covered aspects such as the formation and composition of ULBs, the establishment of ward committees, seat reservations, duration of municipalities, powers, and functions, finances, elections, district and metropolitan planning committees, and more. The primary objective of the CAA was to empower ULBs to take up responsibilities related to urban planning, water supply, social and economic planning, slum improvement, public health, and other related matters.

Some provisions of the seventy-fourth CAA have been fully implemented, including the formation of three types of ULBs, seat reservations, and the establishment of State Finance Commissions (SFC). Certain provisions, such as ward committees, district planning committees, and metropolitan planning committees, have not been adequately set up in many states. Additionally, the transfer of functions, funds, and personnel to the ULBs has not been carried out effectively. As a result, the implementation of the CAA has given rise to several issues. Some of the key issues in the implementation of the CAA are:

Situating the status of Mayors: The procedure of electing mayors, their term period, and the extent of their powers can vary from one state to another in India. Some states limit the executive powers of the mayor, while others grant them more power. According to Article 243R of the Indian Constitution, the method of electing mayors is left to the discretion of the respective State governments. This implies that each state has the authority to determine procedures for electing these officials. However, there is a lack of synchronization across states regarding powers, and electoral methods

for mayors. In many states, mayors do not possess executive powers; instead, these powers are exercised by commissioners or other administrative officials. Some exceptions prevail, such as in Kerala, where the mayor does have some executive authority. In cities around the world, the mayor is chosen through different methods. Cities like Toronto, Tokyo and Athens, for instance, have mayors elected directly by the people. Paris selects its mayor through a proportional representation system. Rio de Janeiro uses a two-round majority system for popularly electing its mayor. Meanwhile, in cities like Mexico City, and Johannesburg, the mayors are also popularly elected. To put it conversely, the government plays a significant role in managing various aspects of the city. The mayor usually leads the executive branch of the government. The institution typically has control over important services like police, airports, ports, fire services, traffic, and transport. Additionally, they manage essential modules of infrastructure such as roads, water supply, sanitation, and sewerage. In India, however, the role of the mayor by and large remains ceremonial, thereby, putting the credibility of the ones elected at stake.

Constitution of Wards Committees: The seventy-fourth CAA has laid the foundation for citizen participation in urban governance via ward committees. It aims to involve citizens in urban governance by enabling their participation by establishing ward committees. The objective is to foster participation in Urban Local Bodies and ensure that the elected officials are more sensitive towards their peculiarities. However, it couldn't be practiced on ground vociferously. States did not fully embrace the spirit of these ward committees.

Planning Committees at District and Metro levels: The seventy-fourth CAA requires State Governments to establish two important committees: the Metropolitan Planning Committee (MPC) and the District Planning Committee (DPC). These committees have specific responsibilities related to creating plans for the development of metropolitan areas and districts, respectively. Under Article 243ZD of the Constitution, the formation of District Planning Committees (DPCs) is compulsory for both Panchayats (rural local bodies) and Municipalities (urban local bodies). Article 243ZE deals with the establishment of Metropolitan Planning Committees (MPCs).

However, planning and development authorities did not reorient their institutional modules in sync with the requirements of the 74th CAA. This means that the State Town and Country Planning Act and the Development

Authorities have not been updated to include provisions for preparing Metropolitan Plans and District Development Plans along with their goals.

Local Institutional Arrangements: Articles 243G and 243W of the Constitution allow State laws to grant Panchayats and Municipalities the necessary authority to function as self-governing institutions. To facilitate this, the 11th and 12th Schedules have been added to the Constitution, listing 29 and 18 functions, respectively, that these bodies ought to perform. The Schedules provide examples of the types of functions local bodies can handle, but there are no definitive contours, and States have the flexibility to assign additional responsibilities to these bodies as needed and promote flexibility and tailored governance approaches.

The consequences of unfinished decentralization agenda are different institutional frameworks in states in India for network services – responsibilities are divided between ULB, state department and state or city level utility board (Table1). Irrespective of the institutional framework, public sector has not been able to provide adequate service delivery. The state governments’ inability to clearly assign the functions to municipalities has resulted in overlap of responsibilities and no accountability to citizens for service delivery.

Table 1: Institutional Framework for Services In Selected Cities

CITY	SERVICES PROVIDED BY				
	ULB	Parastatal/ State Agencies	Development Authority	Smart City SPV	
Ahmedabad and Pune	All Services (including Bus transport)	-	-	Smart City Project	

Hyderabad, Bangalore and Chennai	SWM, Roads, Street Lighting, Drainage, etc.	Water Supply and Sewerage Metro Board	Town Planning	Smart City Project	
Agra	SWM, Roads, Street Lighting, Drainage, etc.	Water Supply and Sewerage State Board	Town Planning	Smart City Project	
Bhubaneswar	SWM, Roads, Street Lighting, Drainage, etc.	Water Company of Odisha (WATCO)	Town Planning	Smart City Project	

In many cities, multiple agencies are responsible for various urban services, leading to a lack of integrated governance. This confuses citizens when seeking help for civic issues. In contrast, cities like Metropolitan London and Seoul have more integrated systems. In Metropolitan London, boroughs handle civic administration, while the mayor oversees key citywide strategic functions.

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Financial Health of Local Bodies: In the Constitution of India, there are provisions for dividing taxes between the central and state governments. However, there is no specific ‘municipal finance list’ that matches the functions of municipalities. Even after the 74th Amendment, municipalities do not have an independent domain of tax or revenue-raising powers. Instead, these powers are controlled and regulated by the State Governments. As a result, Urban Local Bodies have limited revenue. This became explicit during the COVID-19 pandemic when their financial constraints were depicted. Since municipalities don't have a separate tax domain, State Governments have significant control over determining taxes, tax rates, and even granting tax exemptions. Article 243X of the Constitution merely reaffirms the existing situation by stating that a State's Legislature can pass a law authorizing a municipality to levy and collect

property taxes, duties, tolls, and fees. However, these powers are subject to the limits and procedures specified in the law.

Role of State and Central Finance Commissions: Article 280 was amended in 1992, requiring the Central Finance Commission (CFC) to take into account the financial needs of municipalities. This amendment aimed to improve the financial situation of municipalities and ensure they receive appropriate support from the central government. Under the CAA, state governments also established State Finance Commissions (SFCs). However, many SFCs have faced challenges due to a lack of clear guidelines regarding the functional jurisdiction of municipalities. This uncertainty has created a significant gap in the effectiveness of these SFCs. In addition, most SFCs have operated with insufficient technical and financial support, leading to limitations in their recommendations.

Weak Staff Capacities: ULBs in India do not have the capacity to promote cities as 'engines of growth'. The local agencies have a weak institutional capacity to plan spatial, social, and economic development and less capacity to mobilize resources. There is a need for strengthening of ULBs to play a pivotal role in national economic growth. Urban Local Bodies face significant challenges in their workforce. They are often understaffed, lacking both technical and general personnel. Moreover, there is frequent transferring of officers due to the absence of a dedicated municipal cadre, which disrupts the continuity and expertise. Another issue is the lack of a suitable institutional framework to support continuous capacity-building efforts. Instead of focusing on demand-driven training, routine ad-hoc trainings are common, which may not meet the specific needs of the ULBs. The platforms and systems for people's participation are not functional, leading to inadequate collection of detailed data. This data is essential for informed policy discussions and ensuring proper allocation of resources. Additionally, many ULBs have not fully embraced Information and Communication Technology (ICT) to improve the quality and cost-effectiveness of public services. They also struggle to collect and manage data in an integrated manner at the local level, which hinders effective decision-making process.

Model Municipal Law: The Government of India (GOI) has developed a Model Municipal Law (MML) in 2003 to guide States to enact municipal legislations. The basic objectives of the MML are to implement the provisions of the CAA in totality for empowerment of the ULBs, and provide

the legislative framework for implementation of the Ministry's urban sector reform agenda. Unfortunately, few states, have prepared their municipal laws on lines of MML.

Mapping the progress:

Reforms under Urban Missions: The government has introduced special projects like the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) to monitor the functionality of cities. Some of these changes are mandatory, while others are optional. They include using technology for better governance (e-governance), making municipal workers more professional, assessing their financial health, and improving how they plan and manage their resources.

AMRUT 2.0, launched in October 2021, has a plan to make cities more water-secure and to improve the financial condition of Urban Local Bodies. Some of the changes are related to property taxes and user charges. The reform in property tax means cities will notify how they calculate property tax, which helps in determining the value of properties. This value may change from time to time, and the tax collection should be efficient. The reform on user charges is about notifying charges for things like water supply and sewerage. These charges should cover the cost of operating and maintaining these services.

Additionally, there are incentives for water conservation, better urban governance, and energy efficiency. For water conservation, treated wastewater can be reused to meet some of the water demand in cities and industries to save water. These changes are aimed at the sustainability and environmental compatibility of cities.

A case study: Kerala

Kerala's success in urban decentralization can be attributed to its people-centric governance systems, which have empowered urban local bodies and promoted participatory planning. This success has been enabled by factors:

The enactment of the Kerala Municipality Act in 1994, incorporating provisions of the 74th Constitutional Amendment Act, marked a significant step towards decentralization. Elected councils, led by a mayor, were granted executive authority, reducing reliance on bureaucratic structures

like Municipal Commissioners. This devolution of power strengthened the role of local bodies in decision-making processes.

Kerala's approach to decentralization through the People's Plan Campaign in 1996 introduced democratic and fiscal decentralization, allocating a substantial portion (35-40 percent) of development funds to both urban and rural local bodies. By also transferring functionaries and funds, the campaign promoted greater autonomy for local bodies.

The comprehensive nine-step approach followed during the People's Plan Campaign fostered capacities for participatory planning, resource mapping, and technical expertise. This approach evolved into the Kerala Development Plan, which emphasized democratic decentralization and community involvement.

In the State's 14th Five-Year Plan, essential subjects such as Biodiversity Management, Climate Change, Environment Protection, and Disaster Management were incorporated into plan guidelines, highlighting the state's emphasis on climate-resilient planning.

Kerala's ward committees were thoughtfully designed to facilitate high levels of participation and interaction between people and their elected representatives at the local level. These committees, being smaller and more representative, have proven effective in ensuring accountability from counsellors and addressing local issues efficiently.

Kudumbashree, a community-based women's organization, played a pivotal role in Kerala's urban decentralization. Being a poverty-eradication project, it operates via a three-tier federated organization of women's self-help groups. It has successfully integrated various functions with local planning mechanisms, functioning as the nodal agency for implementing government schemes.

However, it's important to acknowledge that replicating Kerala's urban decentralization model in other states presents challenges. Kerala's success is a result of factors, including strong institutional frameworks, active community participation, and initiatives like Kudumbashree, which may not be directly transferable to regions with different socio-economic and political contexts. Successful implementation in other states would require adaptations and contextual modifications to suit their peculiarities. Nonetheless, Kerala's experience provides valuable lessons and inspiration

for other regions seeking to promote decentralization and community-based governance.

Scaling Up and Way Forward

To improve urban governance and delivery of services there should be constitutional amendments as well administrative actions. These are:

Empowering for Actions: The foundation of Atmanirbhar Bharat lies in building self-reliant cities. However, the structure of India's urban governance is incongruent with its increasing responsibilities and declining financial health, which hampers cities as catalysts of economic growth. To achieve the aspirations of becoming the third-largest economy, it is crucial to revisit the CAA, particularly at the city level. To strengthen the CAA, certain changes are necessary. Firstly, for core functions, the term "may" should be replaced with "shall" to provide more decisive authority. Secondly, ULBs should have the flexibility to deliver services directly or indirectly through parastatals or outside agencies. Thirdly, the government should consider adopting a uniform categorization of urban bodies nationwide. This will provide clarity in their definition and facilitate a systematic delegation, devolution, and decentralization of functions, funds, and functionaries. Fourthly, in order to make cities accountable to citizens, the mayor should work as the Chief Executive of the municipal body, while the Commissioner should perform the functions delegated to them. This division of responsibilities will streamline the governance process. Finally, the Model Municipal Law, which was prepared in 2003, needs to be reviewed and updated to align with the present context and requirements.

Moving beyond Landscapes: India's urban growth is not limited to individual cities but often extends to peri-urban areas and regions surrounding urban centers. The eleventh and twelfth Schedules are vital components of the Constitution and carry the same weight and significance as other Schedules. Moreover, they have also been ratified by the required number of States as part of the seventy-third and seventy-fourth Amendments. To effectively plan for cities, it is essential to move beyond traditional land use planning processes. Involving various stakeholders like citizens, community organizations and others in the decision-making process ensures that the diverse needs and aspirations of different segments of the population are taken into account. Given the interdependencies between urban and rural areas and the need for development across the region, it becomes crucial to reevaluate the roles of Metropolitan Planning

Committees (MPCs), District Planning Committees (DPCs), and ward committees. These bodies play a significant role in fostering cooperation among urban and rural areas, promoting holistic development.

Financial Planning for the Future: As we progress towards an Atmanirbhar Bharat, a significant shift is necessary in how we fund urban programs. Instead of the current project-based funding approach, we must adopt an outcome-based system that focalizes the 'outcome', so to speak. Expenditure should be, therefore, utilized for achieving tangible benefits for citizens, rather than simply completing projects.

By adopting outcome-based funding, projects that focus on fulfilling the aspirations of our citizens are prioritized. From improving living conditions in slums to ensuring safe public transportation for women and preparing children for the future's knowledge-based economy, the beneficiaries are the citizens themselves.

The principle is to empower cities to utilize their human resources, economic projects, and previous investments to generate new revenue. This would enable Urban Local Bodies to handle their responsibilities for operations, maintenance, and creating new assets without relying solely on external funding. However, achieving financial self-reliance is a challenging process. The 74th Amendment to the Constitution introduced a crucial subsection to Article 280, which mandates recommending measures to augment the Consolidated Fund of a State to support municipal resources. This recognizes that municipalities are not solely the responsibility of the State government but also requires the central government's role in financing their activities. As municipalities carry out functions falling under the Concurrent List (as listed in Schedule 12 of the Constitution), they have a legitimate claim on the divisible pool of central government resources.

Data as a catalyst for effective recommendations: Central Finance Commissions have emphasized the lack of credible data as an obstacle in making effective recommendations. Due to inadequate auditing of accounts, there is a lack of verifiable financial information for municipalities, leading to the denial of performance grants.

In a recent report, the 15th Finance Commission has also stressed the importance of standardizing and consolidating key fiscal and financial information across the central, state, and local governments. This

standardized data is essential as it enables in-depth analysis of policy options and facilitates better decision-making.

To address this critical issue, well-curated frameworks and ensure consistency in data reporting across all levels of government can be undertaken.

Services to Citizens is the Key: The main goal of Urban Local Bodies should be to provide improved services to the citizens. This can be achieved by promoting effective coordination and cooperation among local agencies. Decentralization should follow the principle of subsidiarity, which means that tasks should be handled at the smallest level of governance possible, moving upward only when the local unit is unable to handle them. Citizens delegate tasks they cannot do to the community, and what the community can't manage is passed on to local governments at lower tiers. This process continues upward, involving ward committees, Area Sabhas, neighborhood associations, and RWAs, recognizing the capabilities of citizens and micro governance units.

Conclusion:

With an unprecedented focus on urbanization in the last two decades, there's a need to re-orient the institutions in accordance with the vision for transparency so as to strengthen urban governance. Striking an equilibrium in the functioning will enable the cities to be the 'agential actors' for socio-economic development. Without this, any incremental fixes to make a city better will lead to further influx, rendering infrastructural collapse. By targeting cities as centres of investment, a 'focalized' dynamic of urban governance will manifest; enabling change and prosperity.