

DECENTRALIZED URBAN GOVERNANCE IN INDIA

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DECENTRALIZATION

Decentralization has become a buzz word today. Numerous definitions of decentralization emerge from the literature. The term refers to changes which occur within political systems. This, rules out three of six things which are sometimes discussed. The first type of change to be excluded is sometimes called decentralization by default. This happens when government institutions become so ineffective that they fail almost entirely to make the influence of central authorities penetrate down to lower level arenas, and people at the grass roots become heartily cynical about government. When this occurs in countries, voluntary organizations or NGO's, take part in development projects and share resources with government. The second thing to be excluded is privatization, the handover of task formerly performed by state agencies to the private sector. Privatization often involves a shift of power and resources from one major, centralized power centre to another. We also set aside one further type of decentralization, namely, delegation of some responsibilities for development programmes or projects to parastatal agencies. This leaves us with three key definitions: (i) decentralization or administrative decentralization; (ii) fiscal decentralization; (iii) devolution or democratic decentralization. Decentralization refers to the dispersal of agents of higher levels of government into lower level arenas. It may be described as administrative decentralization. Second, the term decentralization some times refers to downward fiscal transfers, by which higher levels in a system code influence over budgets and financial decisions to lower levels. This

authority may pass to decentralized bureaucrats who are accountable only to superior at higher levels, or to unelected appointees selected from higher level. Finally there is devolution - the transfer of resources and power (and often tasks) to lower level authorities which are largely or wholly independent of higher levels of government, and which are democratic in some way and to some degree. It is recognized that decentralization of resources and responsibilities without (democratizing) political reforms would have been incomplete and probably, not conducive to society effective results.

Democratic decentralization can take varied forms. It clearly includes cases in which the persons in authority within institutions at intermediate and or local levels are elected by secret ballots. Elections may be direct or indirect. The persons who are elected may be the members of a council, or the executive head of an authority, or both. Elections are usually on a first-past-the-post basis, but they some times make use of some form of proportional representation. Decentralization can entail transfers of power to different levels within political systems. It can be bestowed or one or more intermediate levels. When it involves the creation of fully blown governments at the regional level, it qualifies as federalism. But more limited powers may go to intermediate levels, in experiments which fall short of outright federal restructuring.

The causes of decentralization differ substantially from one place to another. The multiplicity of theories and the diversity of experiences suggest the possible validity of the following propositions:

No single factor is sufficient to explain decisions to decentralize in all countries or in a single country.

No single factors are necessary to decisions or decentralize in all countries.

Decentralization in each country is the result of a combination of causes.

The combination of causes producing decentralization varies from country to country.

The degeneration of patronage systems and the ruling parties in less developed countries played a role. The regimes faced mounting demands from organized interests, yet sluggish economic growth and increasing corruption by political activities at all level, undermined their ability to respond to those demands. The oil shocks of the mid and late 1970's compounded that problem and caused others. Many national leaders over centralized power in the interests of personal rule and that undermined the autonomy resources, effectiveness and responsiveness of ruling parties and formal institutions. By 1970's, it was becoming increasingly possible for small enterprises in many sectors to compete with larger companies - including state owned enterprises. This was partly resulting of technological innovations. This impelled all manner of decision makers towards greater decentralization. The two paradigms which had long dominated political analyses of less developed countries and the political development/modernization school and dependency theory become increasingly less convincing during the 1980's. New modes of analysis gained popularity in their place and helped to prepare the ground for experiments with decentralization. During the 1980's some donor agencies also began to shift their emphasis away from large scale development programmes to more modest, micro level projects into which grass roots

communities could be drawn as participants, in the hope of making development more sustainable. This helped open the way to decentralization. The collapses of the Soviet System and the end of the cold war have also played a role. It led to the globalization and restructuring of society, economy and polity. The influence of Gandhian ideas in India has always ensured a somewhat wider constituency for decentralization than in most other countries. But the lack of enthusiasm for such views in Nehru's circle and among India's constitution makers ensured that the elected councils which were created during the 1950's at local and intermediate levels had only very limited powers. Thereafter, national leaders' preoccupations with large scale development projects and state level politician's aversion to sharing power with elected members of lower level councils largely thwarted decentralization. Decentralization assists in tackling the low collective action potential of small farmers and of other, even poorer groups. It has genuine promise in fostering, over time, a more equitable balance of power both between local communities and higher levels of government, and between more and less prosperous groups within local arenas. Decentralization strengthens civil society. It integrates pre-existing, informal arrangements and processes at the local level for managing resources and local affairs into the official political process. This can enhance the sustainability of development programmes and policies. Decentralization makes rural dwellers more aware of government policies, and better able to differentiate between those which are beneficial and those which are not. Decentralization now helps ordinary people to develop their analytical capacities and to make use of them. Decentralization promotes the flow of information from people at lower level to the upper reaches of government. Thus it enables government to become more responsive. It

increases hugely the numbers of people at lower level in political systems who know how much public money is available for development. This promotes political stability. Decentralization can enhance political stability more responsive to people at lower levels, it can break down popular cynicism about politics and increase the legitimacy of political system. Second, by creating a large number of elected posts in authorities at lower levels, it generates opportunities for political activities at those levels who aspire to a role in government. This eases their frustrations which can threaten stability. Third, it eases the frustrations of opposition parties by increasing the number of arenas in which there are political prizes to be won. After decentralization, elections occur not just to the national presidency or legislature, but to authorities at regional and local levels. This helps to persuade opposition parties and interests, whose candidates lose elections for one of those bodies, to remain engaged with the democratic process, since they may win in another arena at the next opportunity.

The imperatives of decentralized planning in India have been repeatedly emphasized in the Five Year Plan documents in our country. However, the progress in this direction remained slow and faltering despite frequent changes in the policy prescriptions. Indian economy has reached a stage in the process of development wherein the existence and survival of democratic politicization calls for immediate implementation of the process of decentralized planning. The structural, technological, institutional and organizational impediments to development can be effectively dealt only when the process of planning is approached and viewed in the proximity of the specific areas and the local public.

As we approach 21st century Indian polity has been striving for establishing democratic goals through modernizing its political and administrative institutions. With a change in development paradigms, the focus of development planning has shifted to participatory development with social justice and equity. It called for decentralized administration ensuring people's participation in decision making and giving priorities to their local needs. The 73rd and 74th Constitutional Amendment Acts, 1992 made the provision for ensuring local self governance through empowering local bodies. Thus, the units of the local self governments were given statutory status and state governments were given the mandatory provisions for establishing three tiers of local governments both in rural and urban areas. Importantly, the local bodies have become the units of the governments to have a share in decision making and active participation in development process for social-economic development of the region. The constitution of 74th Amendment Act, 1992, has marked the beginning of a historical reform to decentralize power at the grass root level in urban areas of the country. This act has provided a constitutional form to the structure and mandate of municipalities to enable them to function as an effective democratic institution of local self government. One of its important objectives is to promote people's participation in planning, provision and delivery of civic services. It introduced some fundamental changes in the system of municipal governance with a new structure, additional devolution of functions, planning responsibilities, new system of fiscal transfers and empowerment of women and the weaker sections of the society. There have been significant changes in the institutional structure for the financing and management of basic services in the post decentralization period. Prior to 1994, the central government was not involved in any transfer of resources

to the ULB's. This provision was made by 74th Constitution Amendment Act. The Tenth Finance Commission had recommended the transfers of resources to the local (both rural and urban) bodies in India. It recommended an amount of Rs. 1000 crores for the municipalities for the period of 1996-2000. The inter-se allocations were made on the basis of the ratio of slum population to urban population of seventies. This transfer was conditional upon the municipalities making matching contribution and was useable for properly identified projects. The Eleventh Finance Commission has recommended a grant of Rs. 2000 crores for the urban local bodies for the period 2000-2005. This would supplement the funds flowing from the states to the ULB's as also the resources accruing to municipalities, as a result of the implementation of the recommendations of State Finance Commissions. It has allocated the grants to the states on the basis of a set of multiple criteria, which includes (a) urban population based on (1991 population census) (40 per cent); (b) index of decentralization (20 per cent), (c) distance from highest per capita income (20 per cent); (d) revenue efforts (10 per cent), and (e) geographical area (10 per cent). The Twelfth Finance Commission has recommended for the 2005-10 period, a sum of Rs. 5000 crores for municipalities (Table - 1).

Table - 1
Shares of States in Allocation to Municipalities

S.No.	States	11th Finance Commission		12th Finance Commission	
		(percentage)	(Rs. Crores)	(percentage)	(Rs. Crores)
1.	Andhra Pradesh	8.23	164.66	7.480	374
2.	Arunachal Pradesh	0.03	68.00	0.060	3
3.	Assam	1.08	21.54	1.100	55

4.	Bihar	4.69	93.90	2.840	142
5.	Chhatisgarh	-	-	1.760	88
6.	Goa	0.23	4.64	0.240	12
7.	Gujarat	6.63	132.52	8.280	414
8.	Haryana	1.83	36.84	1.820	91
9.	Himachal Pradesh	0.19	3.89	0.16	8
10.	Jammu & Kashmir	0.78	15.66	0.760	38
11.	Jharkhand	-	-	1.960	98
12.	Karnataka	6.24	124.82	6.460	323
13.	Kerala	3.76	75.25	2.980	149
14.	Madhya Pradesh	7.80	156.01	7.220	361
15.	Maharashtra	1.81	316.25	15.820	791
16.	Manipur	0.22	4.40	0.180	9
17.	Meghalaya	0.13	2.70	0.160	8
18.	Mizoram	0.19	3.84	0.200	10
19.	Nagaland	0.09	2.70	0.160	8
20.	Orissa	2.00	39.96	2.080	104
21.	Punjab	2.74	54.73	3.420	171
22.	Rajasthan	4.97	99.42	4.400	220
23.	Sikkim	0.01	0.21	0.020	1
24.	Tamil Nadu	9.67	193.37	11.440	572
25.	Tripura	0.20	4.02	0.160	8
26.	Uttar Pradesh	12.58	251.63	10.340	517
27.	Uttaranchal	-	-	0.680	34
28.	West Bengal	9.87	197.49	7.860	393
	Total	100.0	2000	100.00	5000

Source: Twelfth Finance Commission, Government of India

This is an ad hoc amount. The commission refined the criteria for allocating recommended devolution of revenue from both tax and non taxes sources.

Provision of basic services such as water supply, sewerage, sanitation, solid waste disposal and street lighting has traditionally been the responsibility of the local governments. These services are being provided through state government departments, state level boards, corporations etc. Public Health Engineering Department, Public Works Department, Urban Development Department, Housing Boards, Department of Local Self Government, Water Supply and Sewerage Boards etc. are some of the departments of the state government which performs municipal functions. With the passing of 74th Constitutional Amendment Act, Metropolitan Planning Committee and District Planning Committee have been formed to take up developmental activities in the concerned region in place of the parastatals. The ULB's have also been empowered to take up development functions. States have responded in diverse manner with regard to the status of parastatal agencies in the post decentralized period. Many state governments like Kerala and Karnataka have recommended the abolition of the parastatals while some have recommended for a change in their functional role like in Tamil Nadu, Uttar Pradesh, Maharashtra, West Bengal and Andhra Pradesh. Government of India has also recommended to modify the Municipal Act of the states in the lines of Modern Municipal Act, incorporating the Rajya Nagar Bill. Bihar is the first and only state who has adopted Modern Municipal Act in toto in order to ensure complete decentralization process. The parastatal agencies have also been merged with Urban Development Department.

The 74th Constitutional Amendment Act has also transferred administrative and financial process and created an enabling environment for the local bodies to under take planning and development responsibility.

Local bodies are simply not equipped to take up the responsibility of planning, especially of launching capital projects. Ahmadabad is one of the few lucky cities that have been able to mobilize funds from capital markets in the mid nineties, through credit rating done by CRISIL. Bangalore, Ludhiana, Nagpur, Nashik, Indore, Madurai, Ahmadabad, Hyderabad and Chennai have issued Municipal Bonds in the tune of Rs. 5185 million. (Table -2).

Table - 2
Municipal Bonds in India

City	Amount (Rs. Million)	Interest (%)	Guarantee	Purpose
Ahmadabad	1000	14	No	Water supply and sanitation
Bangalore	1250	13	State Governments	City roads, Street, drainage
Ludhiana	100	13.5 - 14	No	Water supply and Sanitation
Nagpur	500	13	No	Water supply
Nashik	1000	14.75	No	-
Indore	100	NA	Yes	City road
Madurai	300	12.25	No	Water supply and sanitation
Ahmadabad (Tax Free)	1000	9	No	Road construction and widening
Hyderabad (Tax Free)	825	8.5	No	Water supply and sanitation
Tamil Nadu (Pooled Financing)	110	9.20	USAID Provided backup guarantee of 50% of the bonds	-

Source: India Infrastructure Report, OUP, Delhi, 2006.

The JNNURM, UIDSSMT and IHSDP like infrastructure development schemes of Government also focus on financial and functional aspects of decentralization. The schemes aimed at strengthening ULBs through provision of mandatory and obligatory municipal reforms agenda. World Bank in India is mainly contributing in urban water and sanitation project. The Bank has also initiated training programmes in Tamil Nadu, Karnataka and Uttar Pradesh with focus on developing the basic capacity of the staff of ULB's and the state governments. Asian Development Bank has developed its urban lending operation by supporting state-wise urban development projects and credit lines for housing and urban infrastructure through domestic financial intermediaries. DFID and UNICEF have entered the urban scene in India relatively recently. Both the agencies focus on poverty reduction and improving the living conditions of slum dwellers. USAID through its FIRE project has been promoting commercially viable infrastructure projects and City Managers Associations. It is also assisting state and local officials in introducing changes at the local level in the operation of water systems. UNDP through its project on capacity building has helped local bodies in introducing Report Card System and strengthening the local bodies in Uttar Pradesh and Uttaranchal. Recently in another project on capacity building for decentralized governance, it is assisting state governments in strengthening local bodies in financial sector and resource mobilization through introducing GIS and Double Entry Accounting System. Japan Bank for International Cooperation is also entering in the urban sector through providing financial assistance in the development of urban water and sanitation infrastructure.

Several academics, administrative and constitutional experts have reviewed the 74th Constitutional Amendment Act, 1992. The following issues can be highlighted:

1. The XIIth Schedule is not mandated and it is up to the state governments to decide as to which of the functions may be devolved to the ULB's. Most states have amended their Acts to include part or in some cases all of these. Studies show that only marginal changes that were regarded as mandatory have been carried out. Only a few states have implemented fully the vision of the Act in order to avoid overlapping institutional functional and geographic jurisdictions.
2. In almost all states with the exception of West Bengal and Kerala, political decentralization has not been backed by enough financial devolution. Thus, ULB's have to depend upon the state government's political and bureaucratic set up to access funds. This reinforces the lack of financial devolution. In many states, the ULB's find themselves in difficult situation to provide their share in infrastructure development projects under JNNURM, UIDSSMT and IHSDP programmes of Central Government.
3. While provisions for reservation for Scheduled Castes/Scheduled Tribes and women have been made accordance with the provision of 74th Constitutional Amendment Act, however, reservation criteria is being used for political purposes by the ruling party. Bihar become the first state to provide 50 per cent reservation for women in the ULB's against the mandatory provision of one third seats for women. Recently, Madhya Pradesh has also amended the Act to provide 50

- per cent reservation for women in ULB's. This will change the political landscape of the ULB's in the coming years.
4. While legal provisions for the constitution of ward committees have also been made in most states, the actual spirit of the Amendment is fully realized. Government of India has introduced Rajya Nagar Bill which makes provision for realistic formation and functioning of ward committees, however, except in Bihar, nowhere it has been introduced. Even in Bihar it has been recently introduced and for effective implementation it requires introducing of manual and bylaws.
 5. All the states have established State Finance Commission and most of the SFC's have submitted their reports to their respective state governments. There has been however, a substantial time lag between the submission of the SFC report and its approval by the government. There is no similarity in the preparation of reports and their recommendations.
 6. Most of the states have conducted elections in all the ULB's and provided representation of weaker sections, however, they could not ensure adequate training and grounding of new councilors in matters of municipal administration, conduct and functioning of municipalities.
 7. District Planning Committee's and Metropolitan Planning Committees have been set up only in a few states - Kerala, Madhya Pradesh and West Bengal. Separate legislation has not been enacted for the constitution of MPC's and DPC's in most of the states.
 8. No state has been able to take specific action on the situation of Development Authorities except Bihar where Department of Housing

Development has been merged with Department of Urban Development and Housing Department. Now Department is called as Urban Development and Housing Department. Kerala has also attempted to bring various line agencies under the ULB's.

9. Short duration of the terms of Mayors and Presidents make for poor programme implementation and tighten state government control over ULB's. Mayor's in Karnataka have a term of only one year, while presidents of TMC, for two and a half years. Kerala and West Bengal in contrast provide a longer term for Mayors/Presidents.

Trends of Urbanization

Widespread urbanization is a twentieth century phenomenon. Rome was probably the first settlement to reach one million population in 5 BC while London become the second such city in 1800. In 1900, the total urban population of the world was not more than 250 million, less than 15 per cent of the total population. The Indian urban population today is itself greater than this number. In 2000, the world's urban population had increased to almost 2.9 billion, about 47 per cent of the total population. Today Asian countries have emerged as most populous countries. According to United Nations Study (1995), by the year 2015 ten of the world's fifteen largest cities will be in Asia, three of these will be in India. Of the 10 most populous countries, 6 are in Asia (Table – 3).

Table – 3
Urban Population of Most Populous Countries

Country	1950		2000		2030	
	Percentage of Urban Population	Population (Million)	Percentage of Urban Population	Population (Million)	Percentage of Urban Population	Population (Million)

China	12.5	555	35.8	1275	59.5	1485
India	17.3	357	29.0	1009	40.9	1409
USA	64.2	158	77.2	283	84.5	358
Brazil	36.5	54	81.2	170	90.5	226
Indonesia	12.4	79	41.0	212	63.7	283
Nigeria	10.1	30	44.1	114	63.6	220
Pakistan	17.5	40	33.1	141	48.9	273
Mexico	42.7	28	74.4	99	81.9	135
Japan	50.3	84	78.8	127	84.8	121
Bangladesh	4.3	42	25.0	137	44.3	223

Source: United Nations, 2002

The structural reforms and the associated development strategies launched in 1991 are expected to accelerate rural urban migration and boost the pace of urbanization. The demographic and economic growth in India is likely to be concentrated in and around fifty to sixty large cities with population of about a million or more. There is migration from villages to town and cities which results in growth of metropolitan cities since they provide multiple avenues, services and amenities viz. education, health care, employment, business and entertainment options etc. People also migrate for economic opportunities and urban life styles. Though urbanization brings about development in the social, economic and cultural spheres of life but some times it disturbs the ecological system. Rapid and unplanned growth of urban agglomeration generates a series of negative environmental and social effects. Today urban India presents a very pathetic scene. Cities have become a site of rotting garbage, degrading drainage system and shocking night soil removal system. Besides, poor have practically no access to covered toilets and in many towns and cities, the majority have to defecate in the open. The untreated sewage being dumped into the nearest water body leads to health hazards.

India is one of the least urbanized countries in the world because between 1951 and 2001, the level of urbanization increased by 13 percentage points only. However, it has the second largest urban population in the world and more than two third of it lives in the 393 cities that have population of over one lakh. The four mega cities viz., Mumbai, Kolkata, Delhi and Chennai with a population of more than 6 millions each in 2001 account for almost one fourth of population living in cities. As per 2001 census, 285 million population i.e. 27.8 per cent of 1027 million total population of India is residing in 4368 cities and towns in the country, whereas in 1991, 25.7 per cent population lived in urban areas. The decadal growth in urban population during 1991-2001 has been 31.2 per cent whereas at the beginning of the 20th century, only 10.8 per cent of total 218 million population of the country resided in cities and towns. The number of million plus cities has increased to 35 in 2001 from 12 in 1981 and 23 in 1991. These 35 million plus cities account for 107.9 million urban population of the country (Table - 4). As per projections of Government of India, the urban population of the country in 2011 will be 405.26 million and 553.04 million in 2021. Thus, around one third population is expected to live in urban areas.

There has been phenomenon growth in the number of towns and urban agglomerations over the period of 1981 to 2001, however, annual exponential growth rate of urban population is low. Even, in the recent the growth has been reported to be declining. There has been just 2.06 percentage points increase in proportion of urban population to total population during 1991 to 2001.

Table – 4
Urbanization in India

Year	Percentage of Urban Population	Number of Towns	Total Population (Million)	Urban Population (Million)
1901	10.8	1827	238.39	25.85
1911	10.3	1815	252.09	25.95
1921	11.2	1949	251.32	28.09
1931	12.0	2072	278.98	33.46
1941	13.9	2250	318.66	44.16
1951	17.3	2843	361.23	62.44
1961	18.0	2365	439.23	78.13
1971	19.9	2590	548.15	109.11
1981	23.3	3378	159.46	159.56
1991	25.7	3762	846.30	217.61
2001	27.8	4368	1048.15	296.97

Source: Census, 2001

An analysis of the distribution of urban population by size categories reveals that the process of urbanization in India has been large city oriented. This is proved that a high proportion of urban population being concentrated in Class I cities, which has gone up systematically over the decades in the last century, the massive increase in proportion of Class I cities from 26 per cent in 1901 to 85.20 per cent in 1991 while it declined to 61.48 per cent in 2001, has been attributed to faster growth of large cities. The number of class one cities has grown to 423 in 2001 from 24 in 1901. There has been

more than five fold increase in the number of class one cities since 1951 (Table – 5).

Table – 5
Number of Towns and Percentage of Urban Population in Different Size Categories

Year	Class I	Class II	Class III	Class IV	Class V	Class VI	Total
1901	24 (26.00)	43 (11.29)	130 (15.64)	391 (20.83)	744 (20.14)	479 (6.10)	1827
1911	23 (27.48)	40 (10.51)	135 (16.4)	364 (19.73)	707 (19.31)	485 (6.57)	1815
1921	29 (29.70)	45 (10.39)	145 (15.92)	370 (18.29)	734 (18.67)	571 (7.03)	1949
1931	35 (31.20)	56 (11.65)	183 (16.8)	434 (18.00)	800 (17.14)	509 (5.21)	2072
1941	49 (38.23)	74 (11.42)	242 (16.35)	498 (15.78)	920 (15.08)	407 (3.14)	2250
1951	76 (44.63)	91 (9.96)	327 (15.72)	608 (13.63)	1124 (12.97)	569 (3.09)	2365
1961	102 (51.42)	129 (11.27)	437 (16.94)	719 (12.77)	711 (6.87)	172 (0.77)	2365
1971	148 (57.24)	173 (10.92)	558 (16.01)	827 (10.94)	623 (4.45)	147 (0.44)	2590
1981	218 (60.37)	270 (11.63)	743 (14.33)	1059 (19.54)	758 (3.50)	253 (0.50)	3378
1991	300 (65.20)	345 (10.95)	947 (13.19)	1167 (7.77)	740 (2.60)	197 (0.29)	3768
2001	423 (61.48)	498 (12.30)	1386 (15.00)	1560 (8.08)	1057 (2.85)	227 (0.29)	5161 (100.00)

Source: India Infrastructure Report, 2006.

The startling fact is that the proportion of population living in smaller towns has shown declining trend over the period while there is massive growth in population of larger towns. Importantly, growth of population in smaller towns has been reported negative while the growth of population in large cities and towns has been found massive. During 2001, the high proportion of urban population has been reported to be in Delhi, Pondicherry, Goa, Chandigarh, Maharashtra, Mizoram, Lakshadweep, Tamil Nadu, Karnataka, Gujarat etc. (Table – 6). The high rate of growth of urban population during 1991-2001 has been reported high in Dadra & Nagar Haveli (14.59 per cent) followed by Arunachal Pradesh (7.0 per cent), Andaman and Nicobar Islands (4.14 per cent), Sikkim (4.83 per cent), and Delhi (4.14 per cent).

Table – 6
Patterns of Urbanization and Growth of Urban Population Across the States

State	Percentage of Urban Population				Annual Exponential Growth Rate		
	1971	1981	1991	2001	1971-81	1981-91	1991-2001
Andhra Pradesh	19.31	23.25	26.84	27.08	3.94	3.55	1.37
Arunachal Pradesh	3.70	6.32	12.21	20.41	8.32	9.28	7.00
Assam	8.82	9.88	11.09	12.72	3.29	3.29	3.09
Bihar	7.97	9.84	10.40	10.47	4.27	2.66	2.57
Chhatisgarh	10.38	14.69	17.40	20.08	5.33	4.00	3.09
Delhi	89.70	92.84	89.93	93.01	4.56	3.79	4.14
Goa	26.44	32.46	41.02	49.77	4.37	3.96	3.32
Gujarat	28.08	31.08	34.40	37.55	3.42	2.92	2.80
Haryana	17.66	21.96	24.79	29.00	4.65	3.58	4.11
Himachal Pradesh	6.99	7.72	8.70	9.79	3.02	3.11	2.81

Jammu & Kashmir	18.59	21.05	22.76	24.88	3.80	3.44	3.44
Jharkhand	16.01	20.09	21.25	22.25	4.51	2.61	2.55
Karnataka	24.31	28.91	30.91	33.98	4.08	2.55	2.53
Kerala	16.24	18.78	26.44	25.97	3.19	4.76	0.74
Madhya Pradesh	18.58	22.34	25.27	26.67	4.25	3.63	2.71
Maharashtra	31.17	35.03	38.73	42.4	3.35	3.27	2.95
Manipur	13.19	26.44	27.69	23.88	9.70	2.98	1.21
Meghalaya	14.55	18.03	18.69	19.63	4.84	3.10	3.16
Mizoram	11.36	25.17	46.2	49.5	11.79	9.57	3.27
Nagaland	9.95	15.54	17.28	17.74	8.49	5.58	5.27
Orissa	8.41	11.82	13.43	14.97	5.21	3.08	2.61
Punjab	23.73	27.72	29.72	33.95	3.62	2.55	3.19
Rajasthan	17.63	20.93	22.88	23.38	4.52	3.31	2.71
Sikkim	9.37	16.23	9.12	11.1	9.55	-3.23	4.83
Tamil Nadu	30.26	32.98	34.2	43.86	2.45	1.76	3.56
Tripura	10.43	10.98	15.26	17.02	3.26	6.19	2.53
U.P.	14.02	18.01	19.89	20.78	4.78	3.27	2.84
Uttrakhand	NA	NA	NA	25.59	NA	NA	2.84
West Bengal	24.75	26.49	27.39	28.03	2.75	2.54	1.84
All India	20.22	23.73	25.72	27.78	3.79	3.09	2.73

Source: Census of India, 2001

During 2002, there were 3641 urban local bodies. Out of total urban local bodies in India, 107 ULB's, were Municipal Corporations, 1443 Municipal Councils, and 2091 Nagar Panchayats. The highest number of local bodies were reported in Tamil Nadu (719) followed by Uttar Pradesh, Madhya Pradesh and Maharashtra. (Table - 7). State-wise number of elected representatives in urban local bodies is shown in Table - 8. There were 68554 people's representatives in urban local bodies in 1991. The composition of people's representatives significantly varies in the state of Bihar since it has already implemented 50% reservation for women

councillors in urban local bodies as against the statutory norm of 33 per cent. Similarly Madhya Pradesh government has announced a reservation of 50% seats for women councillors in local bodies.

Table - 7
State-wise No. of Urban Local Bodies in India

State	Municipal Corporations	Municipal Councils	Nagar Panchayats	Total
Andhra Pradesh	7	109	1	117
Arunachal Pradesh	-	-	-	-
Assam	1	29	38	68
Bihar	5	32	80	117
Chhattisgarh	6	20	49	75
Delhi	1	1	-	2
Goa	-	13	-	13
Gujarat	6	85	58	149
Haryana	1	21	46	68
Himachal Pradesh	1	20	31	52
Jammu & Kashmir	-	3	67	90
Jharkhand	2	16	22	40
Karnataka	6	124	87	217
Kerala	5	53	-	58
Madhya Pradesh	14	86	234	334
Maharashtra	19	224	2	245
Manipur	-	8	21	29
Meghalaya	-	6	03	9
Mizoram	-	1	1	1
Nagaland	-	-	8	8
Orissa	2	33	68	103
Punjab	4	97	30	131
Rajasthan	3	11	169	183
Sikkim	-	-	8	8
Tamil Nadu	-	102	611	719
Tripura	6	1	12	13
Uttar Pradesh	12	193	423	628
Uttarakhand	1	31	28	60

West Bengal	16	112	4	422
India	108	1492	2011	3641

Source: Nagarpalika Network Newsletter, July 2001.

Table - 8
State-wise Elected Representatives in Urban Local Bodies (1999)

State	Municipal Corporations	Municipal Councils	Nagar Panchayats	Total
Andhra Pradesh	395	2833	314	3542
Assam	NA	353	204	557
Bihar	-	-	-	-
Goa	-	155	-	155
Gujarat	468	2745	1260	4473
Haryana	NA	NA	NA	1359
Himachal Pradesh	25	183	221	429
Karnataka	410	3196	1355	4961
Kerala	298	1597	-	1895
Madhya Pradesh	1067	2527	4537	8131
Maharastra	1417	4901	-	6318
Manipur	-	NA	NA	NA
Orissa	70	560	1056	1686
Punjab	NA	NA	NA	1699
Rajasthan	NA	NA	NA	4412
Tamil Nadu	480	3494	9794	13768
Tripura	-	NA	NA	2706
Uttar Pradesh	841	5970	5518	12329
West bengal	NA	NA	NA	2706
Delhi	134	-	-	134
Total	5605	28534	24259	68554

Source: Nagarpalika Network Newsletter (July 2001) and UNESCAP, 2000

The task of improving urban services is constantly more challenging due to the large increase in population. This will put a strain on the present management and delivery systems. In many cases delivery mechanisms would need to be redesigned to meet the large demand. If urban population growth is to be accelerated, it will need even greater acceleration in urban infrastructure investment. With the rapid urbanization that is now expected in ensuing decades in India, it would be better to decentralize the instruments of infrastructure provision so that the agencies providing such infrastructure services are able to finance themselves and can respond flexibly to the changing demand of growing city. It would be better if private agencies are given more opportunities to perform the functions of financing, planning and management of urban infrastructural services and amenities. There is strong demand for (I) wider coverage of urban infrastructure services, which is a daunting task given in the expected huge growth in urban population and (II) improvement in the quality of urban infrastructure services especially in large cities, making the demand for urban infrastructure more heterogeneous than what has been witnessed in the past. The Tenth Plan had in the context of urban development, laid stress on improving the functional and financial autonomy of urban local bodies, strengthening of their finances through smooth implementation of SFC's awards, rationalization of property taxation system and levy of user charges. The Plan advocated broad based urban sector reform measures and emphasized that public private partnership should be brought on urban agenda in order to improve the efficiency and delivery of services. The growth of population has put urban infrastructure and services under severe

stress. Smaller cities have found it particularly difficult to cope with the increasing demands on services because of inadequate financial resources.

Nature and Scope of Urban Government

Municipal government and administration is no longer a simple affair rather it has become quite complicated and complex with phenomenal growth in the pace and process of urbanization resulting in the spurt of urban problems and consequential increase in their functions. It was envisaged in the post independence era that the new set of local bodies as instruments of national policy would progressively be used with steady increase in their functions. Accordingly, they were called upon not only to provide civic amenities like, water supply, sanitation, medical health, transport and sewerage but also to carry out the programmes of national development. Therefore, their responsibilities have increased many-fold for providing better conditions of living, ameliorating the urban poor etc. and to ensure adequate infrastructure and appropriate administrative structure to cope with urban problems of unprecedented nature and magnitude. Thus scope of urban government has become very wide and diversified as well.

The history of a nation is created by the milestone events, which drastically change the way society is governed, organized and bequeathed to the new generation. The 74th Constitution Amendment Act, 1992 has become the milestone in the history of urban administration in India. It

recognized municipalities as Constitutional bodies forming the third tier of the federal polity of India. The decentralization initiative in urban areas was first mooted by the Rural-Urban Relationship Committee, constituted by the Government of India in 1963, however it took nearly 30 years to concretize in the shape of the Constitutional Amendment in 1992. The Constitutional 74th Amendment Act, envisaged a systematic change in the pattern of municipal government in the country with a view to enabling cities and towns to play a critical role in economic and social development and signified the beginning of a historic reform to decentralize power to the people. The Act prescribes a common legal institutional frame work for the efficient and effective delivery of municipal services and comprises of the following mandatory institutions:

1. State Election Commission (Article 243k)
2. Elected Municipalities: Municipal Corporation (for larger urban areas), Municipal Councils (Smaller Urban areas); and Nagar Panchayats (for transitional areas) (Article 243Q).
3. Ward committees and other committers (Article 243R)
4. State Finance Commission (Article 243I),
5. District Planning Committee (Article 243ZE)
6. Metropolitan Planning Committee (Article 243ZE)

Until recently, local government in India was organized on the basis of the ultra-virus principle and the state governments were free to extend or control the functional sphere of the local bodies through executive decisions without amendments to the legislative provisions. Through the 74th Amendment Act an attempt has been made to improve the performance and

ability of ULBs. The important provisions of the Act include constitution of three types of municipalities, devolution of greater functional responsibilities and financial powers to them, adequate representation of weaker sections and women, regular and fair conduct of elections, and constitution of Wards Committees, District Planning Committee, Metropolitan Planning Committee and State Finance Commission. It further provided a basis for the state legislature to guide the state government in the assignment of various responsibilities to ULBs and strengthening of municipal governance. Accordingly, state governments have amended their municipal laws so as to bring them in conformity with the 74th Constitutional Amendment Act (Chart 1).

Chart 1
State-wise Compliance of 74th CAA Provisions

S. No	State	Composition of ULBs	Reservation of Seats	Regular Conducted Elections	Constitution of Ward Committees	Constitution of DPC	Constitution of SFCs
1.	Andhra Pradesh	√	√	√	√	-	√
2.	Arunachal Pradesh	-	-	-	-	√	√
3.	Assam	√	√	√	-	√	√
4.	Bihar	√	√	√	-	√	√
5.	Chhattisgarh	√	√	-	√	√	√
6.	Delhi	√	√	√	√	-	√
7.	Goa	√	√	√	-	-	√
8.	Gujarat	√	√	√	-	-	√
9.	Haryana	√	√	√	-	√	√
10.	Himachal Pradesh	√	√	√	-	-	√
11.	Jharkhand	√	√	-	-	-	√
12.	Karnataka	√	√	√	√	√	√
13.	Kerala	√	√	-	-	-	
14.	Madhya	√	√	√	√	√	√

.	Pradesh						
15	Maharashtra	√	√	√	√	-	√
16	Manipur	√	√	√	-	-	√
17	Meghalaya	-	-	-	-	-	-
18	Mizoram	-	-	-	-	-	-
19	Nagaland	-	-	-	-	-	-
20	Orissa	√	√	√	-	√	√
21	Punjab	√	√	√	-	-	√
22	Rajasthan	√	√	√	-	√	√
23	Sikkim	√	√	√	-	-	√
24	Tamil Nadu	√	√	√	√	√	√
25	Tripura	√	√	√	-	-	√
26	Uttaranchal	√	√	√	-	-	√
27	Uttar Pradesh	√	√	√	-	DPC/MPC	√
28	West Bengal	√	√	√	√		√

Source: India Infrastructure Report, 2006

Recent years have witnessed an increasing interest in and growing consciousness of the need and importance of local self government as provider of services to the community and as instrument of democratic self government. Urban local bodies (ULBs) are mandated to be formed as democratic institutions based on the principle of self government and should represent people's expectations. Due to massive urban growth during the last decade, quality of urban life has deteriorated creating an urgent need for

effective and efficient urban local bodies that can deliver services and improve living conditions of urban dwellers. The urban local governments offer enhanced opportunity for people's participation, bottom up planning, and effective implementation by enhancing coordination and responsiveness to users. The 74th Constitutional Amendment Act seeks to introduce fundamental changes in urban local bodies. Its salient features are:

1. introduction of the 12th Schedule which lists the functions of urban local bodies, covering planning, regulation and developmental aspects;
2. establishment of District and Metropolitan Planning Committees responsible for the preparation of development plans at district and metropolitan levels;
3. establishment of ward committees in areas having a population of over 300,000;
4. specification by law of the powers and responsibilities to be entrusted to municipalities and ward committees;
5. holding of periodical and timely elections, if municipality is dissolved for any reason it should be reconstituted within 6 months;
6. Specifying by law the sources of municipal finance and their periodic review by a statutorily constituted SFC and by making it obligatory on the part of the Central Finance Commission to recommend measures needed to augment state resources to assist the municipal governments;
7. restrictions on the power of state governments to do away with democratically elected municipal governments;

8. Reservation of one third seats for women and weaker sections (SC/ST/OBC's as proportion of reservations) in municipal bodies.

The mandates of various local government institutions as prescribed by the Constitutional Amendment Act 1992 are as follows:

1. State Election Commissioner to superintend, direct and control the preparation of electoral rolls and conduct all elections to the rural and urban local bodies (Article 2430);
2. Municipalities to function as institutions of self government, prepare plans for economic development and social justice, perform functions and implement schemes as may be entrusted to them by the state government including those related to the Twelfth Schedule [Article 243 (W) (a)];
3. Ward Committees and Special Committees to take municipal government physically closer to the people and carry out the responsibilities conferred upon them including those in relation to the Twelfth Schedule [243 (w) (b)];
4. State Finance Commission to review the financial position of the rural and urban local bodies, and make recommendations regarding the principles of devolution of resources from the state to the local bodies and the measures needed to improve their finances and functioning [Article 243(1)];
5. District Planning Committee to consolidate the plans prepared by the Panchayats and the municipalities in the district and to prepare a draft development plan for the district as a whole [Article 243 D(1)];

6. Metropolitan Planning Committee to prepare draft development plan for the Metropolitan area as a whole [Article 243ZE(1)].

Structure and Composition of Municipalities

The 74th Constitution Amendment Act, 1992 envisages the following types of municipalities:

(1) Municipal Corporation

The Act made a provision for the constitution of Municipal Corporation in the metropolitan cities which have population of one million and above. The Governor generally takes the following points into the account while notifying municipal corporation: (i) the population of the area; (ii) the density of population; (iii) the percentage of employment in non-agricultural activities; (iv) the economic importance of the area; (v) such other factors as the Governor may deem fit.

Population criteria for formation of urban local bodies across the states are shown in Table - 9. There is no uniform criteria of population for formation of the local bodies across the states. Generally the municipal corporation is formed in larger cities having population above 3 lakhs. Similarly Municipal Corporation is formed in the small and medium size cities having the population size in between 40,000 to 3 lakhs. The Nagar Panchayats is formed in the transitory cities having population of less than 40,000.

Table - 9
Population Criteria for Formation of Urban Local Bodies Across States

State	Municipal Corporation	Municipal Council	Nagar Panchayat
Andhra Pradesh	4 lakh and above	40,000 and above	25000 to 40,000
Gujarat	Size of municipality is depend on the elected councillors	Size of municipality is depend on the elected counillors	5000 and above
Haryana	5 lakh and above	50,000 to 5 lakhs	50,000 to 5 lakhs
Karnataka	Not less than 3 lakhs	20,000 to 3 lakhs	10,000 to 20,000
Kerala	Not specified	Not specified	Not specified
Madhya Pradesh	Not specified	Not specified	Not specified
Punjab	More than 3 lakh	15000 to 3 lakhs	5000 to 15000
Tamil Nadu	As defined in clause (2) of Article 243Q	As defined in clause (2) of Article 243Q	Not less than 5000
Uttar Pradesh	5 lakh and above	1 lakh to 5 lakhs	30,000 to 1 lakh
West Bengal	Not specified	Not less than 20,000	State Government will classify on population

Source: Nagarpalika Network (2002)

Table - 10
Elections Held in Post Decentralization Period in Different States

State	Number of Elections Held since 1994	Municipal Corporations	Municipal Councils	Nagar Panchayats
Andhra Pradesh	2	1995, 2000-02	1995, 2000-02	1995, 2000
Gujarat	2	1994-95, 2000	1994-95, 1999, 2000-02	1994, 2000

Haryana	2	1994, 2000	1994, 2000	1994, 2000
Karnataka	2	1996, 2001	1996, 2001	1994, 2000
Kerala	2	1995, 2000	1995, 2000	1995, 2000
Madhya Pradesh	2	1994, 1999	1994, 1999	1994, 1999
Maharashtra	2	1997-98, 2002	1997-98, 2002	1997-98, 2002
Punjab	2	1998, 2002	1998	1998
Rajasthan	2	1994-95, 1999	1994-95, 1999	1994-95, 1999
Tamil Nadu	2	1996, 2001	1996, 2001	1996, 2001
Uttar Pradesh	3	1995, 2001, 2006	1995, 2001, 2006	1995, 2001, 2006
West Bengal	2	1993-94, 1999-2000	1993-94, 1999-2000	1993-94, 1999-2000
Bihar	2	2002, 2007	2002, 2007	2002, 2007

Source: NIUA, 2004.

The criteria for formation of Municipal Corporation across major states is shown in Chart 2. Population, its density, percentage of population engaged in non-agricultural activities, revenue generation and economic importance are some of the important criteria for formation of Municipal Corporations in Andhra Pradesh, Karnataka and Gujarat while other states have provision of population criteria only. The population of a corporation ranges in between 3 lakh and 5 lakh. Karnataka has made provision for formation of corporation in a city which has not less than 3 lakh population and 50 per cent of it is engaged in non-farm activities, however density of population should not be less than 3000 persons per sq. km. Andhra Pradesh has the provision for formation of corporation in a city which has population of 4 lakh and above with population density of 10,000 persons, however 85 per cent population should be engaged in non-agricultural activities.

Chart 2

Criteria for formation of Municipal Corporation Across Major States

S.No.	State	Population	Density (Persons per sq. km.)	Percentage of population engaged in non-agricultural activities	Likely Revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1.	Andhra Pradesh	4 lakh and above	10,000 and above	Not less than 85%	4 crores and above	Potential for growth of industries commerce, higher education and adequate infrastructure	The number of peripheral villages in the proposed larger urban area.
2.	Gujarat	Size of the municipality is dependent on the elected councilors	400 persons per sq. km.	75%	Not specified	Not specified	Not specified
3.	Haryana	5 lakh and above	Not specified	Not specified	Not specified	Not specified	Not specified
4.	Karnataka	Not less than 3 lakh	Not less than 3000	Not less than 50%	6 crores or Rs. 200/- per capita per annum which ever is higher	Not specified	Not specified
5.	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6.	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7.	Maharashtra	Not less than 3 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
8.	Punjab	More than 3 lakh	Not specified	Not specified	More than two crores	Not specified	Not specified
9.	Rajasthan	More than 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10.	Tamil Nadu	As defined in Clause (2) of Article 243Q	Not specified	Not specified	Not specified	Not specified	Not specified
11.	Uttar Pradesh	5 lakh and above	Not specified	Not specified	Not specified	Not specified	Not specified
12.	West Bengal	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified

Source: NIUA, 2004

Mode of elections of Mayors/Chairpersons and their term across major states is shown in Table - 11. Except in the state of Uttar Pradesh, Tamil Nadu, Madhya Pradesh, Maharashtra and Andhra Pradesh the Mayor/Chairpersons are indirectly elected. In the States of Gujarat, Haryana, Karnataka and Maharashtra the term of Mayors/Chairpersons is ranging in between one year and 2 and half years.

Table - 11

Mode of Election of Mayors/Chairpersons and their term Across Major States

State	Election	Term
Andhra Pradesh	Direct	5 years
Gujarat	Indirect	Two and half years
Haryana	Indirect	One year
Karnataka	Indirect	One year
Kerala	Indirect	Five years
Madhya Pradesh	Director	Five yrs
Maharashtra	Direct for Municipal Councils and Nagar Panchayats and Indirect for Municipal Corporations	Two and half years
Punjab	Indirect	Five years
Rajasthan	Indirect	Five Years
Tamil Nadu	Direct	Five Years
Uttar Pradesh	Direct	Five years
West Bengal	Indirect	Five years

Source: Nagarpalika Network (2002).

(2) Municipal Council

A smaller urban area is notified by the Governor taking into account the above factors as municipal council. The criterion for formation of Municipal Council across major states is shown in Chart 3. In most of the states population ranges in between 15000 to 5 lakh. Andhra Pradesh, Gujarat, Karnataka and West Bengal have provision of population density while only Andhra Pradesh, and Karnataka have made criteria of revenue generation.

Chart - 3
Criteria for Formation of Municipal Council Across Major States

S.No.	State	Population	Density (Persons per sq. km.)	Percentage of population engaged in non-agricultural activities	Likely revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1.	Andhra Pradesh	40,000 and above	1,000 and above	60% and above	60 lakh and above	Availability of market facilities and potential for industrial development	Local area acquiring urban characteristics
2.	Gujarat	Size of the municipality is dependent on the elected councilors	400 persons per sq. km.	75%	Not specified	Not specified	Not specified
3.	Haryana	50,000 to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
4.	Karnataka	20,000 to 3	1,500	Not less	9 lakhs	Not specified	Not specified

		lakh	and above	than 50%	and above or Rs. 45 per capita		
5.	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6.	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7.	Maharashtra	25,000 and above	Not specified	Not less than 75%	Not specified	Not specified	Not specified
8.	Punjab	15,000 to 3 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
9.	Rajasthan	1 lakh to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10.	Tamil Nadu	As defined in Clause (2) of Article 243Q	Not specified	Not specified	Not specified	Not specified	Not specified
11.	Uttar Pradesh	1 lakh to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
12.	West Bengal	Not less than 20,000	Not less than 750 persons	50% and above	Not specified	Not specified	Not specified

Source: NIUA, 2004

(3) Nagar Panchayats

Transitional area is to be known as the Nagar Panchayat. This has also been left to the Governor's notification taking into account the same considerations as in case of larger area in transition from a rural to urban. Criteria for formation of Nagar Panchayats across the major states is shown in Chart 4. Population, population density, percentage of population engaged in non farm activities and economic importance are important criterion for its formation. The population of Nagar Panchayat varies from state to state. It ranges in between 5000 to 5 lakh. Andhra Pradesh, Gujarat, Karnataka and Maharashtra have made provision for formation of Nagar

Panchayat in a city or town if 50 to 75 per cent population is engaged in non-agricultural activities.

Chart - 4
Criteria for Formation of Nagar Panchayat Across Major States

S.No.	State	Population	Density (Persons per sq. km.)	Percentage of population engaged in non-agricultural activities	Likely revenue generated per annum (Rs.)	Economic Importance	Other Criteria
1.	Andhra Pradesh	25,000 to 40,000	1,000 and above	50% and above	40 lakh and above	Availability of market facilities and potential for industrial development	Local area acquiring urban characteristics
2.	Gujarat	5000 and above	400 persons per sq. km.	75%	Not specified	Not specified	Not specified
3.	Haryana	50,000 to 5 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
4.	Karnataka	10,000 to 20,000	Not less than 400 per sq. km.	Not less than 50%	Not specified	Not specified	All Taluka HQs irrespective of population
5.	Kerala	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
6.	Madhya Pradesh	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
7.	Maharashtra	10,000 to 35,000	Not specified	Not less than 50%	Not specified	Not specified	Such area is not more than 16 kms away from the territorial limits of MC
8.	Punjab	5000 to 15,000	Not specified	Not specified	Not specified	Not specified	Not specified
9.	Rajasthan	Less than 1 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
10.	Tamil Nadu	Not less than 5,000	Not specified	Not specified	Not specified	Not specified	Not specified

11.	Uttar Pradesh	30,000 to 1 lakh	Not specified	Not specified	Not specified	Not specified	Not specified
12.	West Bengal	State Govt. will classify on population	Not specified	Not specified	Not specified	Not specified	Not specified

Source: NIUA, 2004

The urban local bodies shall have three types of members elected, nominated and ex-officio. Every urban local body shall have a chairperson, but the manner of his/her selection has been left to be decided by the state legislature. As regards the composition or membership of municipalities, Act provides that every municipality shall have two categories of councilors, viz. directly elected councillors and nominated councillors. The number of elected councillors varies according to size of the population of the territorial area of the Municipal Corporation or Municipal Council concerned. In case of nominated councillors, the state law has to specify the conditions and procedure for their nomination. Variations are found in the amended legislation of various states in fixing the minimum number of elected councilors in a municipality or a corporation. Maharashtra's amended municipal laws provide that the minimum number of elected councillors in a Municipal Corporation should be 65. This number, however, is to increase progressively to 221, commensurate with the progressively larger population of the city. Similarly, the minimum number of elected councillors in a Municipal Council is 7 and maximum is 65. The range of minimum and maximum number of elected councillors in a municipality is 10-25 in Andhra Pradesh, 10-37 in Bihar, 21-51 in Gujarat, 7-19 in Himachal Pradesh, 11-35 in Karnataka, 15-40 in Madhya Pradesh, 11-40 in Orissa and

25-55 in Uttar Pradesh. In case of nominated and co-opted members, many state Municipal Laws have made provisions with regard to their number and categories. According to Article 243 RC2 special knowledge or experience in municipal administration is a precondition for their nomination. Besides a member of the state legislative Assembly (MLA), State Legislative Council (MLC) and Parliament (MP) representing a constituency comprising wholly or partly of a municipal corporation/municipality, becomes its members in ex-officio capacity. These members, however, do not have the rights to vote. In order to provide for adequate representation of the Scheduled Castes/Scheduled Tribes and women in the municipal bodies, provisions have been made for reservation of seats for them in all the categories of positions under Article 243T. Most of the states have amended their laws to conform to this provision. Reservation of Other Backward Classes (OBC's) has been made in some states like Andhra Pradesh, Maharastra, Bihar, and Karnataka, U.P. etc. Interestingly, the amended Municipal Law of Himachal Pradesh does not mention anything about reservation of seats in a municipality in the state. Similarly, no provision has been made in the amended law of Andhra Pradesh and Punjab regarding reservation of seats for Scheduled Castes and Scheduled Tribes. Bihar and Madhya Pradesh have made provision for 50 per cent reserved seats for women, beyond 30 per cent statutory norms in the municipalities. Thus, the political shape and scape of the municipal bodies in India is likely to change. The election of Mayors and Chairpersons varies from state to state. Andhra Pradesh, Uttar Pradesh and Tamil Nadu provide for direct election to these positions. Similarly, their term of office also varies significantly. In Andhra Pradesh it is five years, in Karnataka and Madhya Pradesh, it is two and a half years and in Gujarat it is one year only.

State-wise reservation of seats and the criteria adopted for reservation are shown in Chart 5. In all the states one third seats are reserved for women. However, Bihar and Madhya Pradesh have made provision for 50 per cent reserved seats. The seats are being reserved on the basis of rotation in most of the states.

Chart - 5
State-wise Reservation of Seats and the Criteria Adopted for Reservation

S.No.	State	Category	Responsibility	Reservation Basis			
				SC	ST	BC	Women
1.	Andhra Pradesh	Councillors	State Government	In proportion to population and allotted by rotation; 1/3rd of seats so reserved is for women belonging to SC ST and allotted by rotation		1/3rd of the seats and allotted by rotation; 1/rd of seats so reserved is for women belonging to BC allotted by rotation	1/3rd of the total number of seats including the reserved ones
2.	Gujarat	Councillors	State Election Commission	In proportion to population and allotted by rotation; 1/3rd of seats so reserved is for women belonging to SC/ST and allotted by rotation		1/10th of the seats and allotted by rotation; 1/3rd of seats so reserved is for women belonging to BCs, allotted by rotation	1/3rd of the total number of seats including the reserved ones.
		Mayors/ Chairpersons	State Election Commissioner				
3.	Haryana	Councillors	State Government	In proportion to population and allotted to such wards having maximum population	-	2 seats in Municipal Corporation and Municipal Council and 1 seat in Municipal Committee and allotted in	1/3rd of the total number of seats including the reserved ones and allotted by rotation

				of persons belonging to SC; 1/3rd of seats so reserved is for women belonging to SC and allotted by rotation and by lots		territorial constituencies having maximum population of persons belonging to BCs.	and by lots
		Mayors/ Chairpersons	State Government	Reserved for SC by rotation and by lots in the manner prescribed	-	-	Reserved for women by rotation and by lots in the manner prescribed.
4.	Karnataka	Councillors	State Government	In proportion to population and allotted by rotation		1/3rd of total number of seats and allotted by rotation	
		Mayors/ Chairpersons	State Government	In proportion to population			
5.	Kerala	Councillors	State Election Commissioner	In proportion to population and allotted by rotation 1/3rd of seats so reserved is for women belonging to SC/St and allotted by rotation.	-		1/3rd of the total number of seats including the reserved ones and allotted by rotation
		Mayors/ Chairpersons	State Election Commissioner				

6.	Madhya Pradesh	Councillors	State Government	In proportion to population: 1/3rd of the seats reserved for SC/St women		25% of the total number of wards reserved for other BCs in such municipalities where 50% or less seats are reserved for SC/St, allotted by rotation; 1/3rd of the seats reserved for other BCs women	1/3rd of the total number of seats including the reserved ones for women, allotted by rotation.
		Mayors / Chairperson	State Government	In proportion to Population; 1/3d of seats reserved for SC/ST women		1/4th of the States	1/rd of the seats
7.	Maharashtra	Councillors	State Election Commissioner	In proportion to population and allotted by rotation; 1/3rd of the seats reserved for SC/ST women, allotted by rotation; where only one seat is reserved for SC/ST and where only two seats are reserved for SC/ST, one of the two seats shall be reserved		27% of the total seats and allotted by rotation; 1/3rd of the seats reserved for women belonging to BC and allotted by rotation	1/3rd of the total number of seats including the reserved ones for women and allotted by rotation
		Mayors / Chairperson	State Election Commissioner				
8.	Punjab	Councillors	State Government	In proportion to population and allotted by rotation 1/3rd of seats so reserved is for women belonging	-	2 seats for in Municipal Corporations and 1 seat in Municipalities allotted by rotation	1/3rd of the total number of seats including the reserved ones for women and allotted by rotation

		Mayors / Chairpersons	State Government	to SC 5% of seats	-	2% of seats	5% of seats including SC women
9.	Rajasthan	Councillors	State Government	In proportion to population and allotted by rotation 1/3rd of the reserved seats for SC women allotted by rotation	In proportion to population and allotted by rotation; 1/3rd of so reserved seats for ST women, allotted by rotation	In proportion to population and allotted by rotation; 1/3rd of so reserved seats for BCs women, allotted by rotation	1/3rd of the total number of seats including the reserved ones for women allotted by rotation
		Mayors / Chairpersons	State Government				
10.	Tamil Nadu	Councillors	State Government	In proportion to population; 1/3rd of so reserved seats for SC and ST women		-	1/3rd of the total number of seats including the reserved ones.
		Mayors / Chairpersons	State Government	In proportion to population and allotted by rotation; 1/3rd of so reserved seats for SC women allotted by rotation		-	1/rd of the total number of seats including the reserved ones allotted by rotation
11.	Uttar Pradesh	Councillors	State Government	In proportion to population; 1/3rd of the	In proportion to population; 1/3rd of the	27% of seats; 1/3rd of the reserved seats for BC women	1/3rd of the total number of seats including the

				reserved seats for Sc and ST women	reserved seats for ST women		reserved ones allotted by rotation
12.	West Bengal	Councillors	State Government	In proportion to population and allotted by rotation; 1/3rd of the reserved seats for SC and ST women, allotted by rotation		-	1/3rd of the total number of seats including the reserved ones allotted by rotation
		Mayors / Chairpersons	State Government	The office of the Chairperson of municipality shall be reserved for a women for the 1st term if at least 50% of the total number of elected members are women; shall be reserved for a SC for the next term if at least 50% of the elected members belong to SC and ST; shall be reserved for a ST for the next term where at least 50% of the elected members belong to the SC and ST.			

Source: NIUA, 2004

The procedures for removal of Mayors/Chairpersons of Municipal Corporations across major states are shown in Chart 6. The state Acts have made provision for removal of Mayors/Chairpersons. In most of the states, there is provision of motion of non-confidence; however, it is not mentioned in the state Acts of Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan and Tamil Nadu.

Chart - 6
Procedures for Removal of Mayors/Chairpersons of Municipal Corporation Across Major States

S.No.	State	Name of the Act	Procedure for removal of the Mayor/Chairperson
1.	Andhra Pradesh	The Hyderabad Municipal	The State Government may, by notification remove the Mayor or the Deputy Mayor who in their opinion willfully omits or refuses to carry out or disobeys any provisions of

		Corporation Act, 1955	the act, or any rule, by-laws, regulation, or regulations or lawful order made issued under the Act or abuses his position of power vested in him
2.	Gujarat	Gujarat Municipalities Act, 1963	Motion of No-Confidence: written notice of the intention signed by not less than 1/3rd of the total number of Councillors to the municipality as prescribed by the State Government. It will be carried by majority of not less than 2/3rd of the total number of Councillors. The State Government may remove the President who has been guilty of misconduct in the discharge of his duties or of any disgraceful conduct or has become incapable of performing his duties under the Act.
3.	Haryana	The Haryana Municipal Corporation Act, 1994	Motion of No-Confidence: Mayor or Senior Deputy Mayor or Deputy Mayor may be removed by a resolution of the Corporation passed by a majority of not less than 2/3rd of the total members of the Corporation.
4.	Karnataka	The Karnataka Municipalities Act 1964	No such provision in the Karnataka Municipal Corporation Act, 1976. Motion of No-Confidence: notice of resolution is signed by not less than 1/3rd of the total number of Councillors and at least 10 days notice has been given of the intention to move the resolution. A similar resolution in respect of same President or Vice-President or Vice President shall not be removed from the office by the Government for misconduct in the discharge of his duties or for neglect of or incapacity to perform his duties or if he is unable to pay dues he owes to the municipal council or has suffered an order for commitment to civil prison for non payment of any decretal debt and shall not be eligible for re-election during the remainder of his term of office.
5.	Kerala	The Kerala Municipality Act, 1994	Motion of No-Confidence: Written notice of the intention signed by not less than 1/3rd of the sanctioned strength of the Council submitted to the officer authorized by the Government. The officer convenes a meeting of the elected Councillors notice of not less than 10 days of such meeting. If the motion is carried with the support of more than one half of the strength of the Councillors, the Chairperson or the Deputy Chairperson or the Chairman of the Standing Committee as case may be shall cease to function and the Government shall notify his removal from the office. If the motion is not carried by majority or if the meeting could not be held for want of quorum, no motion of any subsequent motion shall be entertained until after expiry of 6 months from the date of meeting. No motion shall be entertained within 6 months of the assumption of the office.

6.	Madhya Pradesh	The Madhya Pradesh Municipalities Act 1961	<p>The State Government may remove President or Vice-President if his continuance as such is not in the opinion of the State Government desirable in public interest or in the interest of the Council or if it is found that he is incapable of performing his duties or is working against the provisions of the Act or any rules made there under.</p> <p>Motion of No-Confidence: A motion of no-confidence may be moved at a meeting by a majority of more than 3/4th of the elected Councillors present and voting by more than 2/3rd of the total number of Councillors. No such motion shall lie within a period of 2 years from the President enters the office within a period of 1 year on which previous motion was rejected or if the remaining period of the council is less than 6 months and shall be signed by not less than one half of the total number of Councillors.</p>
7.	Maharashtra	The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Township Act, 1965	<p>Motion of No-Confidence: A President shall ceased if the Council by resolution passed by a majority of not less than 2/3rd of the total number of Councillors and shall be signed by not less than one half of the total number of Councillors.</p> <p>The State Government may remove the President who has been guilty of misconduct in the discharge of his duties or of neglect of or incapacity to perform his duties or for being guilty of any disgraceful conduct and shall not be eligible for re-election for re-election or re-appointment during the number of the term.</p>
8.	Punjab	Punjab Municipal Corporation Act, 1976	<p>Motion of No-Confidence: A Councillor holding the office as a Mayor or Senior Deputy Mayor or Deputy Mayor may be removed from his office by a resolution of the Corporation passed by a majority of the total membership of the Corporation and by majority of not less than 2/3rd of the members of the Corporation present and voting in a meeting of the Corporation in a prescribing manner.</p>
9.	Rajasthan	The Rajasthan Municipalities Act, 1959	<p>State Government may remove the Chairperson or Vice-Chairman from the office if he has been guilty of misconduct in the discharge of his duties or any disgraceful conduct or become incapable of performing his duties, otherwise flagrantly abused in any manner his position.</p>
10.	Tamil Nadu	Tamil Nadu District Municipalities	<p>No such provision in the Madras City Municipal Corporation Act Motion of No-confidence. The Councillors constitute 1/3rd of the sanctioned strength, by</p>

		Act, 1920	a written notice, to the Regional Inspector, express their intention to make a motion against the chairman that the chairman willfully omits or refuse to carry out or disobeys any provision of the Act, or any rule, by law, regulation, or lawful order made issued under the Act or abuses any power vested in him not before six months of assumption of office. The Regional Inspector convene a special meeting for the consideration of the motion. The motion shall be deemed to have passed by the council if 2/3rd of sanctioned strength present and voting by 2/3rd of the strength present.
11.	Uttar Pradesh	Uttar Pradesh Municipal Corporation Act, 1959	Motion of No-Confidence: Notice written by not less than one-half of the total number of Councillors and passed by more than one-half of elected Councillors.
12.	West Bengal	The Calcutta Municipal Corporation Act, 1980	Motion of No-Confidence: The Mayor may be removed by resolution carried by a majority of the total number of elected members of the Corporation at a special meeting of the Corporation called for this purpose upon a requisition made in writing by not less than 1/3rd of the elected member of a period of 6 months from the date of assumption. No further resolution shall be moved before the expiry of a period of 6 months from the date on which the former resolution was moved.

Source: Nagarpalika Network (2002) and SFC Reports

District/ Metropolitan Planning Committee

Considering the importance of integrated area planning at the district and metropolitan level, the 74th Amendment Act has provided for the obligatory constitution of District Planning Committees (DPC's) and Metropolitan Planning Committees (MPC's). However, only a few states have set up, these authorities in pursuance of the Constitutional provision.

The 74th Amendment Act, has provided that there shall be constituted in every state at the district level a District Planning Committee to consolidate the plans prepared by the Panchayats and the Municipalities in

the district and to prepare a draft development plan for the district as a whole. The legislature of a state may by law, make provision with respect to (a) the composition of the District Planning Committees; (b) the manner in which the seats in such committees shall be filled. The Act further made provision that not less than four fifth of the total number of members of such committee shall be elected by and from amongst the elected members of the Panchayat at the district level and of the Municipalities in the district in proportion to the ratio between the population of the rural areas and urban areas. The functions assigned to such committees are as follows: Every D.P.C. shall, in preparing the draft development Plan have regard to (i) matters of common interest between Panchayat and the Municipalities including spatial planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation; (ii) the extent and type of available resources whether financial or otherwise; (b) consult such institutions and organizations as the Governor may by order, specify. There is no provision of DPC in the state Acts of Andhra Pradesh, Gujarat while in Haryana, Tamil Nadu and Uttar Pradesh the provisions exist. (Chart -7).

Chart - 7
District Planning Committee (DPC)

S.No.	State	Whether the provision of the committee (in the Act) is made or not	Composition*	Secretary Chairperson	Remarks	If any
1.	Andhra Pradesh	No mention in the Act				

2.	Assam	Provided	MPs, MLAs, President of Zila Parishad, Mayor or Chairperson of Municipal Corporation / Municipal Board / Town Committee having jurisdiction over Head Quarters of the District. Elected members as prescribed under the Amendment	CEO of the Zila Parishad	President of the Zila Parishad	Deputy Commissioner is permanent invitee of the committee at an ex-officio member
3.	Bihar	Provided	MPs, MLAs, MLCs, Adhyaksha Zila Parishad, Mayor/President of Municipal Corporation/ Municipal Council having jurisdiction over Head quarter of the Distt. Elected members as prescribed under the Amendment.	CEO	Adhyaksha of Zila Parishad	D.M., Chairman of the District Corporative Bank and Chairman of Bhumi Vikas Bank as permanent invitee
4.	Gujarat		Not mentioned in the Act Constituted			
5.	Haryana		Shall be constituted as per the provisions of Article 243 Z.D (details not given)			
6.	Himachal Pradesh	Provided	MP, Chairman of Zila Parishad, President of the Municipality having jurisdiction over the H.Q. of the district, Elected members as prescribed under the Amendment	The Secretary of Z.P.	To be chosen as prescribed	MLAs, DC/DM, representatives of cooperative bank and LDB are permanent invitee.

7.	Karnataka	Provided	MPs, MLAs, MLCs, Adhyaksha, Zila Parishad, Mayor/ President of the Municipal Corporation/ Municipal Council having jurisdiction over the H.Qs. of the district.	CEO	To be chosen as prescribed	
8.	Kerala	Not mentioned in the Act				
9.	Madhya Pradesh	Not mentioned in the Act				
10.	Maharashtra	Not mentioned in the Act				
11.	Orissa	Not mentioned in the Act				
12.	Punjab	Provided	Details not provided in the Act			
13.	Rajasthan	Provided	Persons representing the State Government, MPs, MLAs, Members representing such organizations and institutions as may be deemed necessary by the Government, elected members as prescribed under the Amendment	Not mentioned	As may be prescribed	
14.	Tamil Nadu	Provided	MPs, MLAs, Chairman, District Panchayat, Mayor/Chairman of the Municipal Corporation / Municipal Council having jurisdiction over the H.Qs. of the	Appointed by the Government	As may be prescribed	

			district, elected members as prescribed under the Amendment			
15.	Uttar Pradesh	Provided	Separate Act			
16.	West Bengal	Provided	Separate Act			

The 74th Amendment Act directs the constitution of a Metropolitan Planning Committee in every metropolitan area. While its composition and the manner of filling seats has been left to be finalized by the state legislature, the Amendment Act specifically lays down that not less than two thirds of the members of the Metropolitan Planning Committee shall be elected by and from amongst, the elected members of urban local bodies and chairpersons of the rural local bodies in the metropolitan area in proportion to the ratio between the population of the urban and rural local bodies in that metropolitan area. Moreover, the state legislature may also provide for the representation in the Metropolitan Planning Committee of the officials of the central and state governments as also of such organizations and institutions as it may deem necessary. The Metropolitan Planning Committee has been given the task to prepare a draft development plan for the metropolitan area as a whole. The functions relating to planning and coordination for the metropolitan area shall be worked out by the state legislature. While preparing the draft development plan the Metropolitan Planning Committee must have regard to (a) plans prepared by the urban and the rural local bodies in the metropolitan area; (b) matters of common interest between the urban and the rural local bodies, including coordinated spatial planning of the area, sharing of water and other physical and natural resources, the

integrated development of infrastructure and environmental conservation; (c) the overall objectives and priorities set up by the central and state governments; (d) the extent and nature of investments likely to be made in the metropolitan area by agencies of the central and state government and other available resources whether financial or otherwise. The Metropolitan Planning Committee is also expected to consult such institutions and organizations as the state Governor may by order specify.

Functions and Finances

The Constitutional Amendment Act, 1992 assigned a critical role in urban development and governance. The Act inserted the Twelfth Schedule (Article 243W) to the Constitution of India providing for an illustrative list of legitimate municipal functions (Chart -8).

**Chart - 8
Twelfth Schedule of the Constitution**

S.No.	Functions
1.	Urban Planning, including town planning
2.	Regulation of land use and constitution of buildings
3.	Planning for economic and social development
4.	Roads and bridges
5.	Water supply for domestic, industrial and commercial purposes
6.	Public health, sanitation conservancy and solid waste management
7.	Fire services
8.	Urban forestry, protection of environment and promotion of ecological aspects
9.	Safeguarding the interests of wealth sections of society, including the disabled and mentally retarded

10.	Slum improvement and upgrading
11.	Urban poverty alleviation
12.	Provision of urban amenities and facilities such as parks, gardens, play grounds
13.	Promotion of cultural, educational and aesthetic aspects
14.	Burials and burial grounds, cremation, cremation grounds and electric cremations
15.	Cattle pounds, prevention of cruelty to animals
16.	Vital statistics including registration of births and deaths
17.	Public amenities including street lighting, parking lots, bus stops and public conveniences
18.	Regulation of slaughter houses and tanneries.

The state list in the Constitution empowers the state governments to lay down the functions, powers and responsibilities of municipal governments. Accordingly out of powers and responsibilities enumerated in the state list, the state governments have assigned certain functions and duties to municipalities. Typically, these have consisted of public health and sanitation, burials and cremations and cremation grounds, libraries, museums and other similar institutions controlled and funded by the state; communications, i.e. roads and bridges, water supplies, drainage, and embankments subject to the provision of list, and markets and fairs. The main functions which the municipalities are associated and which are generally, though not uniformly, performed by them include services that have the characteristics of private goods, for example, water supply, sewerage and drainage, and conservancy and sanitation and others that are in the nature of public goods, for example, street lighting and municipal roads. In addition, the municipalities are vested with a number of regulatory duties such as development of markets, commercial complexes, and the like. Several municipal corporations have a larger functional domain, which consists of running hospitals and dispensaries, electricity generation, and

distribution and bus transport services. The functional domain of municipalities has witnessed periodic shifts and changes, on account of the withdrawal of certain functions and creation of development authorities such as PHE, Land Development Authorities, State Road Transport Corporation, etc. There is mismatch between the functions and finances.

The incorporation of schedule 12 into the Constitution has been understood that the municipal functional domain has acquired some sort of a discrete character, apart from an expansion of its portfolio. However, the functions and duties enumerated in schedule 12 are not in addition to what the municipalities were responsible for in the pre-1992 period. There is substantial overlap between the functions of municipalities in pre-1992 period and those that are listed in Schedule 12. Of the 18 functions enumerated in Schedule 12, 11 formed part of the municipal domain even in pre-1992 period. These are regulation of land use and construction of buildings, roads and bridges; water supply for domestic, industrial and commercial purposes; public health, sanitation, conservancy, and solid waste management; fire services; provision of urban amenities and facilities such as parks, gardens and play grounds; burials and burial grounds; and cremation grounds and electric cremations; cattle ponds, prevention of cruelty to animals; vital statistics including registration of births and deaths; public amenities including street lighting, bus stop and public conveniences, and regulation of slaughter houses and tanneries. The remaining functions incorporated in the Schedule 12 are part of the state list and concurrent list.

In order to strengthen the fiscal base of the urban local bodies, the 74th Amendment empowers the state legislature to enact law in order to:

1. authorize an urban local body to levy, collect and appropriate taxes, duties, tolls, and fees;
2. assign to an urban local body taxes, duties, tolls and fees levied and collected by the state government; and
3. Provide for making grant in aid to the urban local bodies from the Consolidated Fund of the state.

The principles which shall govern the above fiscal resources have been left to be recommended by the State Finance Commission. The commission shall lay down principles which should govern:

1. the distribution between the state and the urban local bodies of the net proceeds of the taxes, duties and fees leviable by the state, which may be divided between them and the allocation between the urban local bodies at all levels of their respective shares of such proceeds;
2. the determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the urban local bodies; and
3. the grants in aid to the urban local bodies from the Consolidated Fund of the state.

Urban local bodies derive finances from tax and non tax sources. They also receive funds from the state governments in the form of grants in aid as also a share in taxes collected by the state government. There is some variation among the states in the matter of taxation powers entrusted to the ULB's. However, significant variations exist across states in the application of taxation powers and the rate structure of taxes. Octroi is levied only in a few states while professions tax is limited to few others.

The Constitution of India does not lay down the revenue base for municipalities. The powers to determine their revenue base be it tax

authority, tax base, tax rate setting, local tax autonomy, or even the grants in aid and other forms of transfers rests with the state governments. Within this framework, the state governments have specified the taxes that the municipalities can levy and collect, which historically have comprised of taxes on land and buildings; taxes on entry of goods into a local area for consumption, use or sale therein; taxes on advertisements other than advertisements published in newspapers; taxes on professions, trades, callings and employment, and taxes on entertainment. In addition, there are charges, fees and fines forming the non-tax base of municipalities. Taxes on property and taxes on the entry of goods into a local area for consumption, use or sale therein (octroi) form the backbone of municipal tax base in India. The revenue base of municipalities in Indian states has shown little change. Octroi, a major source of revenue for municipalities has been abolished without being substituted by any other local source and has substantially shrunk the revenue base of municipalities in such states as Haryana, Orissa, and Rajasthan. In 2001-02, the size of the municipal revenues was estimated at Rs. 12748 crores. The revenues formed 3.07 per cent of publicly raised resources, the share of central government and all state governments combined being 57.5 per cent and 39.5 per cent, respectively. Over the period of 1997-8 to 2001-02, the size of the municipal sector has registered a marginal expansion. However, many states have changed the system of property taxation and are in process of shifting from a single entry, cash based system to an accrual based accounting system. Some corporations have raised funds in the capital markets for financing city based infrastructure activities by using credit enhancement instruments.

Revenue Assignment

Most common revenue sources available to the municipalities to discharge various local government functions in India can be divided into the following broad categories: (i) Taxes; (ii) Non-Taxes; (iii) User Charges, fees and sale % hire purchase; (iv) assigned revenues; (v) grants and contribution; (vi) debt and (vii) other revenues (Table - 12)

Table - 12
Revenue Assignment of Urban Local Bodies

Category	Particulars
Taxes	Property Tax, Advertisement Tax, Tax on Animals, Vacant Land Tax, Taxes on Carriages and Carts, Octroi
Non Taxes, User Charges & Fees	Water Charges, Water Supply Donations, Trade Licensing Fee, Building Permit Fees, Development Charges/Betterment Charges, Mutation Fee, Magisterial Fines, Market Fee, Slaughter House Fee, Encroachment Fee, Parking Fee etc.
Sales & Hire Charges	Sale of Rubbish, Certificate Fees, Sale of Forms, Staff Raters Rents, Shop Room Rents
Assigned Revenues	Entertainment Tax, Surcharge on Stamp Duty, Profession Tax, Motor Vehicles Tax, Entry Tax
Grants & Contributions	
(a) Non Plan Grants	Animal and Vehicle Tax Compensation, Toll Compensation (Octroi Compensation), Property Tax Compensation, Per Capita Grant.
(b) Plan Grants	Road Grants, School Building Grants, Master Plan Grants Integrated Development of Small and Medium Towns (UIDSSMT), SJSRY, NSDP, ILCS, EIVS, UBSP, JNNURM, IHSDP etc.
Debt	Water Supply Schemes, Sewerage Schemes, Roads, ILCs, UIDSSMT, IHSDP, JNNURM, other civic Infrastructure Projects and Capital Works.

Source: P.K. Mohanty, 2005

Property tax is the most important source of taxation in majority of the urban local bodies in the country. A few states like Maharashtra and Gujarat do still have octroi, considered to be an obnoxious tax and needed to be

phased out. The major sources of municipal user charges and fees levied by selected municipal corporations in the country are shown in Table - 13.

Table - 13
Major Sources of User Charges and Fees of Municipal Corporation in India

State	Municipal Corporation	User Charges and Cess
Maharashtra	Greater Mumbai	Water charges, sewerage charges, Building License Fees
West Bengal	Kolkata	Planning Fees, Car Parking Fees, Mutation Fees
Karnataka	Bangalore	Betterment Charges, Building License Fees, Penalty for late Tax Payment
Orissa	Bhubaneswar	Building License Fees, Market Fees, Water Charges, Building related Fees
Gujarat	Surat	Water Charges, Building related Fees, Betterment Charges
Tamil Nadu	Chennai	Building License Fees, Market Fees, Other License Fees, Parking Fees
Andhra Pradesh	Hyderabad	Dangerous and Offensive Trade License Fees, Market Fees, Slaughter House Fees
Uttar Pradesh	Kanpur	Building License Fees, Market Fees

Table 14 shows the major sources of assigned or shared revenues in selected municipal corporations in the country.

Table - 14
Shared Municipal Revenue in India

State	Municipal Corporation	Shared Municipal Taxes
Maharashtra	Greater Mumbai	Non-agricultural Assessment Tax,

		Entertainment Tax
West Bengal	Kolkata	Motor Vehicles Tax, Entertainment Tax
Karnataka	Bangalore	Entertainment Tax, Surcharge on Stamp Duty
Tamil Nadu	Chennai	Surcharge on Sales Tax, Duty on Transfer of Property, Entertainment Tax
Gujarat	Surat	Transfer of Immovable Property Tax, Professional Tax, Entertainment Tax

The major sources of grants in aid provided to municipalities is octroi compensation, development grants and urban infrastructure projects based grants (Table - 15).

Table - 15
Major Sources of Grants in Aid to Municipal Corporations in India

State	Municipal Corporation	Grants in Aid to Municipal Corporation
Maharashtra	Greater Mumbai	Primary Education Grant, Secondary Education Grant
West Bengal	Kolkata	Dearness Allowance Grant, Grant to Implement Recommendations of Pay Commission, Water Supply, Sewerage and Drainage Grants
Karnataka	Bangalore	Octroi Compensation, Motor Vehicle Tax Compensation, Family Planning Schemes Grants
Orissa	Bhubaneswar	Salary and Dearness Allowance Grants, Road Development Grant, Primary Education Grant, Secondary Education Grant
Gujarat	Surat	Education Grant, Family Planning Grant, Small Savings Grant
Tamil Nadu	Chennai	Revenue Grant, Contributions, Compensation for Toll
Andhra Pradesh	Hyderabad	Dearness Allowance Grant, Property Tax Compensation, Octroi Compensation, Per Capita Grant, Motor Vehicle Tax Compensation, Road Grant, Education Grant

		(Primary & Secondary)
Uttar Pradesh	Kanpur	Octroi Compensation, Salary Grant, Education Grant (Primary & Secondary), Medical Grant, Road Grant

Internal resource mobilization is principal criterion for measuring the performance of municipalities. Internal resource generation shows 10.5 per cent annual growth during the period of 1997-8 to 2001-02. The highest growth was recorded in the Karnataka followed by Jammu & Kashmir, Tripura, Punjab, Goa, Andhra Pradesh and Himachal Pradesh. During 2001-02 municipal revenue as percentage of GSPP was reported 0.71 per cent at the national average. It was found more pronouncing in Maharashtra, Gujarat, Punjab, Tamil Nadu, and Karnataka (Table - 16).

Table - 16
Internal Resource Generation

State	Internally Generated Resources (Rs. Lakh 2001-2)	Per Capita (Rs. 2001-2)	ACGR 1997-98 to 2001-2	As Percent GSDP	
				1997-98	2001-02
Andhra Pradesh	71745.7	386.8	14.5	0.42	0.48
Assam	3825.8	153.3	9.10	0.12	0.12
Bihar	3408.4	39.5	-2.7	0.07	0.07
Chhatisgarh	12555.3	321.6	11.3	-	0.41
Goa	1858.7	510.6	15.9	0.20	0.26
Gujarat	144849.2	809.4	5.1	1.30	1.16
Haryana	12106.9	207.8	3.6	0.27	0.20
Himachal Pradesh	1978.9	335.6	14.5	0.13	0.15
Jammu & Kashmir	1199.0	48.2	21.5	0.05	0.05
Jharkhand	1496.2	39.5	10.7	-	0.05

Karnataka	56349.7	322.0	25.7	0.29	0.51
Kerala	22432.8	371.1	11.2	0.29	0.29
Madhya Pradesh	29437.0	188.7	-4.1	0.44	0.36
Maharashtra	587058.3	1493.3	11.9	1.88	2.16
Manipur	224.0	41.6	-3.7	0.12	0.06
Orissa	10176.8	194.5	3.8	0.27	0.24
Punjab	75381.2	932.4	20.2	0.69	1.07
Rajasthan	10339.7	80.7	-27.8	0.49	0.12
Tamil Nadu	92013.0	355.5	9.9	0.60	0.62
Tripura	217.7	58.9	19.6	0.03	0.04
Uttaranchal	2320.6	113.7	10.0	-	-
Uttar Pradesh	26551.0	79.5	11.2	0.12	0.14
West Bengal	42201.7	215.8	8.1	0.31	0.27
Total	1209727.8	482.1	10.5	0.65	0.71

Source: O.P. Mathur, 2006.

Municipalities in Bihar having an annual per capita revenue generation of Rs. 39.5 compared with Rs. 1493 generated by municipalities in Maharashtra. There are states - Goa, Gujarat, Maharashtra, and Punjab whose per capita own revenue averages are excess to the national average. Many states - Andhra Pradesh, Karnataka, Kerala, Maharashtra, Punjab and Uttar Pradesh witnessed high annual growth in our revenues. The per capita out revenues of municipalities in Bihar, Madhya Pradesh, Manipur, and Rajasthan witnessed a decline due to division of state abolition of octroi etc.

Table - 17
Municipal Own Resources

State	Share in Urban Population (Percent) 2001	Share in own Resources (Percent) 2001-2	Share in net Addition to own Revenues over 1997-98 to 2001-2
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Andhra Pradesh	7.39	5.93	7.62
Assam	0.99	0.32	0.28
Bihar	3.44	0.28	-0.10
Chhatisgarh	1.56	1.04	3.03
Goa	0.15	0.15	0.21
Gujarat	7.13	11.97	6.40
Haryana	2.32	1.00	0.39
Himachal Pradesh	0.24	0.16	0.21
Jammu & Kashmir	0.99	0.10	0.17
Jharkhand	1.51	0.12	0.36
Karnataka	6.98	4.66	8.64
Kerala	2.41	1.85	1.96
Madhya Pradesh	6.22	2.43	-1.27
Maharastra	15.67	48.53	53.74
Manipur	0.21	0.02	-0.01
Orissa	2.08	0.84	0.34
Punjab	3.22	6.23	10.08
Rajasthan	5.4	0.85	-5.08
Tamil Nadu	10.32	7.61	7.29
Tripura	0.15	0.02	0.03
Uttarakhand	0.81	0.19	2.31
Uttar Pradesh	13.30	2.19	0.56
West Bengal	7.8	3.49	2.83

Source: O.P. Mathur, 2006

Table - 17 shows municipal own revenues. Only in a few states such as Andhra Pradesh, Gujarat, Karnataka, Maharastra, Punjab and Tamil Nadu have the own revenues GSDP ratios in excess of 0.40 Per cent. These ratios have shown a marginal improvement in these states over the 5 years period. Disparities in municipal performance across the states are extraordinary large. Mahrastra, Punjab, Andhra Pradesh, Gujarat, Karnataka and Tamil

Nadu account for 93.77 percent in municipal own revenues of the country as against their share of 50.71 per cent in urban population. In 2001-2, the non tax component was 25 per cent of the total own revenues of municipalities. In Andhra Pradesh and Karnataka, municipal effort in accelerating revenues has been higher than the other states as shown in annual average growth rates. In other states such as Assam, Bihar, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal, little effort has been made to make use of charges, fees etc.

Transfers in municipal finances are shown in Table 18. During 2001-02, Rs. 562958 lakh were transferred by state governments to municipalities. Transfers as percentage of total municipal revenues was recorded highest in Jammu & Kashmir (83.7%) and lowest in Punjab (10.1%). Bihar, Jammu & Kashmir, Jharkhand, Rajasthan, Tripura and Uttar Pradesh witnessed a larger share of transfers in their municipal resource base. The annual growth of transfers during 1997-98 to 2001-02 was reported to be 13.5 per cent at the national average, however, it was recorded high in Rajasthan (38.6%) and Orissa (22.4%). Per capita transfers were reported high in Himachal Pradesh, Rajasthan, Chhattisgarh and Karnataka.

Table - 18
Role of Transfers in Municipal Finances

State	Transfers (Rs. lakh 2001-02)	Percent of Total Municipal (Revenue) 2001-02	AAGR percent (1997-98 to 2001-02)	Per capita Transfers (Rs. 2001- 02)
Andhra Pradesh	31784	30.7	12.4	171.4
Assam	1624	29.7	16.7	65.1
Bihar	5559	62.0	-0.5	64.4

Chhattisgarh	12624	50.1	-	323.3
Goa	941	33.6	11.0	258.6
Gujarat	31395	17.8	14.6	175.5
Haryana	7892	39.5	18.6	135.5
Himachal Pradesh	27.87	58.5	0.7	472.6
Jammu & Kashmir	6162	83.7	16.2	247.6
Jharkhand	2440	62.0	-	64.4
Karnataka	60859	57.9	14.5	347.7
Kerala	17949	44.5	3.4	296.9
Madhya Pradesh	37663	54.8	-2.1	241.4
Maharastra	94177	13.8	22.8	239.6
Manipur	195	56.5	33.1	36.1
Orissa	8047	44.2	22.4	153.8
Punjab	8489	10.1	9.7	105.1
Rajasthan	51703	83.3	38.6	403.5
Tamil Nadu	46770	33.7	-2.8	180.7
Tripura	1100	83.5	5.6	297.8
Uttarakhan	5105	63.7	-	250.1
Uttar Pradesh	77488	74.5	14.4	232.1
West Bengal	50203	54.3	14.1	256.7
Total	562958	31.7	13.5	224.4

Source: O.P. Mathur, 2006

Expenditure on establishment (salaries and wages) accounts for 54.2 per cent of the total municipal expenditure. In several states, however, it is high as 80.4 per cent (Madhya Pradesh), Haryana (69.7%), Orissa (50.6%), West Bengal (65.0%), Rajasthan (63.2%) and Uttar Pradesh (60%). During 2001-02, per capita revenue expenditure was recorded highest in Maharashtra, Punjab, Himachal Pradesh and Gujarat while it was reported least in Manipur. Annual growth of revenue expenditure was reported as high as

17.22 per cent in Punjab while it showed declining trend in Madhya Pradesh (Table - 19).

Table - 19
Per Capita Revenue Expenditure

State	Per Capita Revenue Expenditure (2001-02)	Annual Growth Rate (percent) (1997-98 to 2001-02)	Percent of GSDP (2001-02)
Maharashtra	1253.71	6.51	1.82
Punjab	1008.12	17.22	1.15
Himachal Pradesh	955.45	13.02	0.38
Gujarat	865.12	7.11	1.24
Goa	604.18	13.24	0.31
Andhra Pradesh	508.88	14.47	0.63
Kerala	493.17	10.65	0.39
West Bengal	487.49	10.33	0.61
Tamil Nadu	481.79	0.96	0.84
Madhya Pradesh	427.66	-2.59	0.82
Karnataka	418.29	11.32	0.67
Uttaranchal	399.77	-	-
Jammu & Kashmir	392.69	19.86	0.52
Rajasthan	390.36	7.30	0.56
Chhattisgarh	376.07	-	0.49
Tripura	356.75	7.09	0.37
Orissa	355.06	13.87	0.43
Uttar Pradesh	275.18	9.54	0.49
Haryana	255.23	1.45	0.25
Assam	211.79	5.21	0.16
Jharkhand	87.20	-	0.11
Bihar	87.20	5.53	0.15
Manipur	81.03	4.90	0.85
Total	576.71	7.36	0.85

Source: O.P. Mathur, 2006

An analysis of the structure of municipal revenues - mix of taxes, user charges and fees, transfers and loans - in the country suggested that it varies considerably between states and suffer from the following problems:

1. Horizontal Imbalance

Most of the local governments suffer from inadequate own resources leading to heavy dependence on transfers from state governments.

2. State Government Control

Municipalities suffer from uneven access to resources. This gives rise to imbalances between Municipalities of various population sizes and even within the same population size, with similar tax base.

3. State Government Control

Generally the state Government control the municipal authority to levy taxes and user charges, set rates, grant exemptions, borrow funds, etc. and may also determine the pattern of transfers to Municipalities. Mostly high yielding and buoyant sources of revenue are not with the local government, excepting in the case of octroi levying states. Grants in aid are in often discretionary.

4. Municipal Revenue Mix

Taxes and transfers constitute the predominant sources of municipal revenues. Property tax is the most common and often the single most

important municipal tax. User charges, though becoming increasingly popular are yet to dominate the municipal scene. Borrowing constitutes a relatively small source.

5. Systematic Inefficiency

Municipalities generally suffer from under exploitation of own revenue sources and high administrative and revenue collection costs.

The above issues need to be addressed carefully as a part of a holistic municipal finance reforms programme. Municipal revenue reforms are complex and depend on a number of factors. There is no optional tax structure. Useful principles may guide tax reforms in a given situation. Broadening the tax base may avoid reliance on relatively high tax rates which are opposed by the tax payers. In order to promote specific economic and social objectives, tax preference and exemptions need to be eliminated or reduced. Tax rates should be moderate to ensure better tax compliance and to prevent tax evasion.

Jawaharlal Nehru National Urban Renewal Mission

Cities and towns have a vital role in India's socio-economic transformation and change. Cities in India are the centre point of innovations and hub of many activities. However, most of the cities and towns are severely stressed in terms of infrastructure and services availability. The inner areas of cities face widespread dereliction, decadence and neglect, with significant negative consequences. Municipalities and other institutions responsible for delivery of municipal services are facing

acute resource crunch. In view of the above, Government of India has launched Jawahar Lal Nehru National Renewal Mission (JNNURM). The mission aimed at creating economically productive, efficient, equitable and responsive cities, with focus on (i) improving and augmenting the economic and social infrastructure of cities; (ii) ensuring basic services to the urban poor including security of tenure at affordable prices; (iii) initiating wide ranging urban sector reforms whose primary aim is to eliminate legal, institutional and financial constraints that have impeded investment in urban infrastructure and services; (iv) strengthening municipal governments and their functioning in accordance with the provisions of the 74th Constitution Amendment Act, 1992. It provides for public disclosure of local spending decisions together with earmarking of budgetary allocations for basic services to the poor. The mission is designed to make effective use of the potential of the private sector in service delivery and management of the infrastructure. It is estimated that over a seven years period (2005-06 to 2011-12), the urban local bodies would require a total investment of Rs. 120536 crores. This includes investment in basic infrastructure and services i.e. annual funding requirement of Rs. 17219 crores. In order to mobilize these resources, a national level initiative is called for that would bring together the state governments and strengthen ULBs to catalyze investment flow in the urban infrastructure sector.

While several reform initiatives have been taken e.g. the 74th constitutional Amendment Act and model municipal law, there is potential for further reform oriented steps in order to meet the development objectives. Reform initiatives also need to be articulated by the state governments in order to create an investor friendly environment. There is

need to integrate the reforms initiatives and scale up the effort to catalyze investment in urban infrastructure sector. There is also need for sustainable infrastructure development. Moreover, there is urgent need to take measures to enhance efficiencies in urban services delivery through introducing reforms and institutional restructuring. The mission is in conformity with National Common Minimum Programme of the Government of India as well as Millennium Development Goals of United Nations. The objectives of mission include:

- I. to integrate development of infrastructure services in cities covered under the mission;
- II. to establish linkages between asset creation and asset management through a slew of reforms for long term project sustainability;
- III. to ensure adequate funds to meet the deficiencies in urban infrastructural services;
- IV. to plan development of identified cities including peri-urban areas, outgrowths, and urban corridors leading to dispersed urbanization;
- V. to scale up delivery of civic amenities and provision of utilities with emphasis on universal access to the urban poor;
- VI. to focus on urban renewal programme for the old city areas to reduce congestion; and
- VII. to make provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation and ensuring delivery of other existing universal services of the government for education, health and social security.

The mission has two sub missions, namely:

Sub-mission for Urban Infrastructure and Governance which laid main thrust on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and re-development of old city areas with a view to upgrading infrastructure therein shifting industrial and commercial establishments to other areas, etc.

Sub-mission for Basic Services to the urban poor which laid emphasis on integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to providing utilities to the urban poor.

The mission duration would be seven years beginning from the year 2005-06. It is expected that the following outcome will be achieved after completion of the mission:

- I. Modern and transparent budgeting, accounting financial management systems, designed and adopted for all urban services and governance functions;
- II. City wise framework for planning and governance will be established and become operational;
- III. All urban residents will be able to obtain access to a basic level of urban services;
- IV. Financially self sustaining agencies for urban governance and services delivery will be established through reforms to major revenue instruments;

- V. Local service and governance will be conducted in a manner that is transparent and accountable to citizens;
- VI. E-governance applications will be introduced in core functions of ULB's/parastatals resulting in reduced cost and time of service delivery processes.

The JNNURM shall provide assistance for infrastructure development in the 63 cities across states in the country. The criteria for selection of the cities has been based on population, state capital, religious historical and tourism importance etc. The following projects are eligible for the mission:

(A) Sub-Mission I

- I. Urban renewal i.e. development of inner city
- II. Water supply and sanitation
- III. Sewerage and solid waste management
- IV. Construction and improvement of drains and storm water drains
- V. Urban transportation including roads, highways express ways, MRTS and metro-projects
- VI. Parking lots and spaces on public private partnership basis
- VII. Development of heritage areas
- VIII. Prevention and rehabilitation of soil erosion and landslides only in case of special category states where such problems are common and
- IX. Preservation of water bodies.

(B) Sub-Mission II

- I. Integrated development of slums, housing and development of infrastructure projects in slums in the identified cities
- II. Projects involving development, improvement, and maintenance of basic services to the urban poor;
- III. Slum improvement and rehabilitation projects
- IV. Projects on water supply, sewerage, drainage, community toilets, and baths etc.
- V. Projects for providing houses at affordable cost for slum dwellers, urban poor, economically weaker sections and lower income group categories
- VI. Construction and improvement of drains and storm water drains
- VII. Environment improvement of slums and solid waste management
- VIII. Street lighting
- IX. Civic amenities, civic community halls, child care centres etc.
- X. Operation and maintenance of assets created under this component.
- XI. Convergence of health, education and social security schemes for the urban poor.

The following components are not admissible under the mission:

- I. Power
- II. Telecom
- III. Health
- IV. Education
- V. Wage employment programme and staff components
- VI. Creation of fresh employment opportunities.

The thrust of the mission is to ensure improvement in urban governance and service delivery so that ULB's become financially sound and

sustainable for undertaking new programmes. The mission has tried emphasis on reforms agenda to be implemented by both the local bodies and state governments. There are two types of reforms: (i) mandatory reforms at the level of ULB's and parastatal agencies; and state level; (ii) optional reforms for states local bodies and parastatal agencies.

Mandatory Reforms

i) For ULB's and Parastatal Agencies

- a) Adoption of modern accrual based double entry accounting system
- b) Introduction of a system of e-governance using IT applications, such as GIS. and MIS for various services
- c) Reforms of property tax through introducing GIS technology
- d) Levy of reasonable user charges
- e) Internal earmarking budget for basic services to the urban poor
- f) provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation.

ii) For State Governments

- a) Implementation of decentralization measures as envisaged in 74th Constitutional Amendment Act
- b) Repeal of ULCRA
- c) Reform of Rent Control Laws
- d) Rationalization of stamp duty to bring it down to not more than 5 per cent
- e) Enactment of Public Discloser Law

- f) Enactment of Community Participation Law
- g) Assigning elected ULB's with city planning function.

Optional Reforms (Common to States, ULB's and Parastatal Agencies)

- a) Revision of bye-laws to streamline the approval process for construction of buildings, development of sites etc.
- b) Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes
- c) Introduction of Property Title Certification system in ULB's
- d) Earmarking at least 20-25 per cent of developed land in all housing projects for EWS and LIG category with a system of cross subsidization.
- e) Introduction of computerized process of registration of land and property
- f) Revision of bye-laws to make rain water harvesting mandatory in all buildings and adoption of water conservation measures
- g) Bye-laws for reuse of recycled water
- h) Reduction in establishment costs by adopting the voluntary Retirement Scheme, not-filling posts falling vacant due to retirement etc.; structural reforms, and encouraging public private partnership.

Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) has been launched in small and medium towns which are not covered under JNNURM. The scheme has been merger of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban

Water Supply Programme (AUWSP). The objectives of the scheme include (i) improving infrastructural facilities and helping to create durable public assets and quality oriented services; (ii) enhancing public private partnership in infrastructural development and; (iii) promoting planned integrated development of towns and cities. The duration of the scheme is also for 7 years beginning from 2005-06. The components covered under the scheme are same as mentioned in the JNNURM. It has equally laid emphasis on reforms both for local bodies and parastatal agencies, as well as state governments. The reform agenda is same as mentioned in the JNNURM.

Integrated Housing & Slum Development Programme (IHSDP) also aims at combining the existing schemes of VAMBAY and NSDP under the new IHSDP scheme for having an integrated approach in ameliorating the conditions of the urban slum dwellers who do not possess adequate shelter and reside in dilapidated conditions. The scheme is applicable to all cities and towns except cities covered under JNNURM. The scheme seeks to enhance public and private investments in housing and infrastructural development in urban areas. The components for assistance under the scheme will include all slum improvement, upgradation, relocation projects including upgradation, new construction of houses and infrastructural facilities, like water supply, and sewerage. The scheme is also reforms linked.

The government of India has allocated Rs. 50,000 crores as central assistance under the JNNURM, UIDSSMT and IHSDP. However, states and local bodies have to provide their share (20 and 10 per cent, respectively) besides mobilization of funds through public private partnership. Out of

total budgetary allocation, Rs. 40,000 crores have been earmarked for JNNURM, Rs. 6000 crores for UIDSSMT and Rs. 4000 crores for IHSDP. The financing and release of funds under these schemes are linked with reforms.

In the context of growing cities and urbanization, there is need for effective governance. Urban governance is no more limited to the provision of infrastructure and operation of civic services. The traditional approaches of urban governance are proved to be inappropriate and restrictive. Good urban governance is called for which is characterized by sustainability, equity, efficiency, transparency, accountability, civic engagement, security development of partnerships, etc. There is a need for prudent and efficient financial and asset management to increase their capacity to facilitate market borrowings for investment in urban development. In view of the emerging challenges of urban development, Government of India launched JNNURM with three interrelated and complimentary components i.e. governance, infrastructure development and provision of basic services to poor. Implementation of governance reforms like enactment of community participation and public disclosure laws, earmarking of funds for poverty alleviation by local bodies, levy and collection of user charges, simplification of procedures etc. in identified areas is a precondition for accessing funds under JNNURM.

It is estimated that over a seven year period (2005-12), the urban local bodies would require a total investment of Rs. 120536 crores. This includes investment in basic infrastructure and services i.e. annual fund requirements

in the tune of Rs. 17219.5 crores. The larger amount of funding is required for larger cities above one million population (Table - 20).

Table - 20
Urban Sector Investment Requirement

(Rs. crores)			
Category	Number of cities	Investment Requirement (over 7 years starting 2005-06)	Annual Funds Requirement
Cities with over 4 million Population	7 (11.11)	57,143 (47.41)	8163.3 (47.41)
Cities with 1-4 million Population	28 (44.44)	57,143 (47.41)	8613.3 (47.41)
Selected cities with less than one million Population	28 (44.44)	6,250 (5.18)	892.9 (5.18)
Total	63 (100.00)	1,20,536 (100.00)	17,219.5 (100.00)

Source: Ministry of Urban Development, Government of India, Delhi, 2007

The Government of India has proposed substantial assistance through JNNURM over the seven years period. During the period, funds will be provided for proposals that would meet the Mission's requirements. Under JNNURM financial assistance will be made available to the urban local bodies and parastatal agencies, which could deploy these funds for implementing the projects themselves or through the special purpose vehicles that may be expected to be set up. Assistance under the Mission is additional central assistance, which would be provided as grant to the implementing agencies. Further, assistance from JNNURM is expected to facilitate further investment in the urban sector.

One of the objectives of Mission is to facilitate and ensure participatory urban development to contribute to sustainability. The

community development programmes by the cities are the result of stakeholder consultations. One of the mandatory reforms for the participation of the community of stakeholders is decision making and governance at ward and sub-ward level. The projects under Community Participation Fund are eligible to a maximum funding of Rs. 10 lakhs and there should be a community contribution of 10 per cent which may be relaxed to 5 per cent in case of projects involving the poor.

The JNNURM is under implementation for over two years and the Mission has made substantial progress over the period. All the Mission cities have formulated city development plans which were appraised and approved by the Ministry, 58 cities signed MOA; with the Ministry for implementation of reforms several projects have been approved and their implementation is in different stages of progress in the Mission cities. As on 30th September, 2007, 248 projects with values of Rs. 21403 crores were sanctioned in 46 cities of 22 states (Table - 21). Most of the projects were from the states of Gujarat, Andhra Pradesh, Maharashtra, and Tamil Nadu. The share of Project values was reported highest in Maharashtra (29.88 per cent) followed by Gujarat (11.67 per cent), Andhra Pradesh (10.53 per cent) and Tamil Nadu (9.92 per cent).

Table - 21
Projects Sanctioned Under JNNURM
(As on 30th September 2007)

State	Projects	Value (Rs. crores)	Percentage
Andhra Pradesh	33	2253.91	10.53
Arunachal Pradesh	02	89.19	0.42
Assam	01	35.16	0.16

Bihar	01	36.95	0.17
Chandigarh	02	56.98	0.27
Chattisgarh	01	303.64	1.42
Gujarat	44	2497.69	11.67
Haryana	03	210.97	0.99
Himachal Pradesh	02	26.13	0.12
Jammu & Kashmir	02	262.15	1.22
Karnataka	30	1654.62	7.73
Kerala	06	680.05	3.18
Madhya Pradesh	13	987.99	4.61
Maharashtra	47	6396.19	29.88
Manipur	01	25.80	0.12
Orissa	02	504.93	2.36
Pondicherry	01	203.40	0.95
Punjab	02	328.83	1.54
Rajasthan	06	474.53	2.21
Tamil Nadu	22	2123.00	9.92
Uttar Pradesh	09	988.06	4.62
West Bengal	19	1263.80	5.90
Total	248	21,403.80	100.00

Source: Ministry of Urban Development, Government of India, New Delhi, 2007

Out of total projects sanctioned, most of the projects were related with water supply (29.84 per cent) followed by Roads/Flyovers (18.95 per cent) and Sewerage (18.15 per cent). The share of value involved in the sanctioned projects was reported high in case of water supply (33.02 per cent) followed by sewerage (26.45 per cent) and drainage/storm water drains (12.28 per cent) (Table - 22).

Table - 22
Nature of Projects Sanctioned

Sector	Projects	Percentage	Value (Rs. cores)	Percentage
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Water Supply	74	29.84	7067.98	33.02
Sewerage	45	18.15	5660.82	26.45
Drainage/Storm Water Drains	33	13.31	2527.71	12.28
Solid Waste Management	23	9.27	1187.07	5.55
Mass Rapid Transport System	11	4.43	2427.41	11.34
Roads/Flyovers/RoB	47	18.95	1995.18	9.32
Other Urban Transport	08	3.22	270.47	126
Urban Renewal	06	2.42	124.03	0.58
Heritage Development	01	0.48	43.13	0.20
Total	248	100.00	21403.80	100.00

Source: Ministry of Urban Development, Government of India, New Delhi, 2007.

Status of Urban Reforms

Central and State Governments as well as ULB's have made efforts to improve the organization and working of the local governments. During the last two decades, the reform process in the urban sector has been intensive. 74th Constitutional Amendment Act is itself a major reform effort to strengthen urban administration. Ministry of Urban Development, Government of India initiated several reforms, including urban Reforms Incentive Fund (URIF), City Challenge Fund etc. The URIF itself consisted of several reforms like repeal of ULCPA, rationalization of stamp duty and rent control laws, implementation of commercial accounting, simplification of procedures, etc. Some state Governments like Tamil Nadu, Andhra Pradesh, Karnataka, Uttar Pradesh and Gujarat also initiated reforms through issues of municipal bonds, introduction of e-governance, double entry accounting system, streamlining and simplification of issue of building permission and introduction of self assessment system of property taxation. However, most of these reforms were ad-hoc and project based. The

JNNURM synthesized these reforms initiatives and designed a package to be implemented at the state and local levels. The reforms under JNNURM aim at strengthening urban governments and to decentralize and devolve functions, finances, and functionaries to them in order as enable them to function to self governing institutions.

The Constitution Act, 1992 is an important initiative of the Government of India to strengthen municipal governance and to provide them constitutional status. The important provisions of the Act include constitution of three types of municipalities, devolution of functional and financial powers, adequate representation of weaker sections and women, regular and fair conduct of elections, constitution of ward committees, District Planning Committees, Metropolitan Planning Committees, State Finance and Election Commissions. Table 23 shows the status of implementation of decentralization measures as per 74th Constitutional Amendment Act in states. All the States amended their municipal Acts and Laws in conformity with the constitutional provisions. There are variations between the states in the constitution and working of ward committees, DPC', and MPC's as seen in the table.

Table - 23
Implementation of Decentralization Measures as per 74th
Constitutional Amendment Act

State	Ward Committees	District Planning Committees	Metropolitan Planning Committees
Andhra Pradesh	Y	Y	N
Assam	N	Y	N
Chhattisgarh	Y	Y	N
Gujarat	Y	N	N

Haryana	N	N	N
Himachal Pradesh	N	Y	NA
Karnataka	Y	Y	N
Kerala	Y	Y	N
Madhya Pradesh	Y	Y	N
Maharashtra	Y	Y	N
Manipur	N	N	N
Nagaland	N	Y	N
Orissa	Y	Y	N
Punjab	Y	N	N
Rajasthan	Y	Y	N
Chennai	Y	Y	N
Uttarakhand	Y	N	NA
Uttar Pradesh	Y	N	N

Source: Ministry of Urban Development, Government of India, New Delhi, 2007

Implementation of state level municipal reforms is shown in table 24.

Table - 24
State Level Municipal Reforms

Reforms	States which have accomplished reforms
74th CAA (Transfer of 12th Schedule Functions)	Bihar, Chhattisgarh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Tripura, West Bengal.
74th CAA (Constitution of DPC)	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, West Bengal.
74th CAA (Constitution of MPC) Transfer-City Planning Function	Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal.
Transfer Water Supply and Sanitation	Chandigarh, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal.
Reforms in Rent Control	Nagaland, Rajasthan.
Stamp Duty Rationalization	Maharashtra, Sikkim.

to 5 per cent.	
Repeal of ULCRA	Assam, Bihar, Chandigarh, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Punjab, Orissa, Rajasthan, Sikkim, Tamil Nadu, West Bengal.
Enactment of Public Disclose Law	Gujarat

Source: Centre for Good Governance, Hyderabad, 2007

Bihar has already implemented the Modern Municipal Act with the transfer of functions under 12th Schedule. While Chhattisgarh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Tripura, and West Bengal have transferred functions under 12th Schedule of 74th Constitutional Amendment Act. DPC's have been constituted in Andhra Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and West Bengal. Only West Bengal has constituted Metropolitan Planning Committees. Similarly, only Gujarat has introduced Public Disclosure Law. While most states have made enabling acts to constitute District Planning Committees, they have not been actually constituted in all states and where constituted are not functional. In Assam, Karnataka, Kerala, Rajasthan and West Bengal, the state laws envisage the DPC as a part of the Zilla Parishad. The Chairperson of the Parishad is also designated as Chairperson of the DPC. In Madhya Pradesh, a Minister of the state Government is the chairperson of the DPC and is expected to had and guide district planning with the help of the district administration. The Chairperson of the Zilla Parishad is a Vice Chairman. Gujarat and Maharashtra have long had District Planning and Development Committees with a Minister of the state Government as the Chairperson. Thus, designation of a Minister as the President of DPC virtually makes it an

extension of the state Government and goes against the spirit of constitution. In Rajasthan, DPC's have been formed in all districts with the President of the Zilla Parishad as the Chairperson and the Chief Planning Officer of the Zilla Parishad as the Secretary. In Uttar Pradesh and Karnataka, the DPC's have been set up but they are not functional (Table - 25). The DPC's have been constituted in 10 states viz. Bihar, Chhattisgarh, Haryana, Karnataka, Kerala, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, and West Bengal. The number of members' of DPC's varies between states. They generally comprise the Minister in-charge of the district Mayor of Corporation, Chairperson of Council, Chairpersons of Zilla Parishad/Panchayat, elected members of local bodies, special invitees, nominated members, divisional commissioners, deputy commissioners, district collectors, district planning officer, etc.

Table -25
Composition of District Planning Committees

State	Total Members	Elected Members	Nominated Members	Chairperson	Secretary
Kerala	15	12	03	President of Zilla Parishad	DM
Madhya Pradesh	15-25	Four fifths	one fifth	Minister nominated by State Government	DM
Maharashtra	30-50	Four fifths	one fifth	Minister nominated by State Government	DM
West Bengal	10-100 (depending on size of district)	Four fifths	one fifth	President of Zilla Parishad	Chief Planning Officer of Zilla

					Parishad
Rajasthan	25	20	5	Minister nominated by State Government	CDO of Distt.
Uttar Pradesh	20-40	Four fifths	one fifth	Minister nominated by state government	CEO of ZP
Karnataka	-	Four fifths	one fifth	President of the Zilla Parishad	CEO of Zilla Parishad
Tamil Nadu	-	Four fifths	one fifth	Collection , Zilla Parishad, President Vice Chairman	CEO of Distt. Panchayat

Source: Centre for Good Governance, Hyderabad, 2007

Metropolitan cities are the engines of growth. Urban transport water supply, waste management, public health etc. require metropolitan level planning, implementation and coordination. Constitution of a Metropolitan Committee is a constitutional requirement, however, except West Bengal, no state has setup MPC's. In the composition for MPC it is envisaged that one third of its members are to be elected by and from amongst the elected representatives of urban and rural local bodies in the metropolitan areas. The Kolkata Metropolitan Planning Committee comprise 60 members, including Chief Minister of state, Minister in charge of Municipal Affairs and urban development, elected members of local bodies and nominated members of the 60 members, 2/3rd members are elected and 1/3rd are nominated. Chief Minister of the state is the Chairman of the Committee and the Minister incharge of Municipal Affairs and Urban Development

Department of the state is the Vice Chairman of the Committee. As per the 74th Constitutional Amendment Act, Wards Committees have to be formed in all urban local bodies with more than three lakhs population to bring greater decentralization of functions. The constitution of Wards Committees varies considerably in states. In states like Kerala and West Bengal, Wards Committees are constituted for each Ward and in others for a group of wards. In Kerala, there is a Ward Committee for every ward with the Councillor as Chairman. The Committee consists of about 50 persons nominated by the Chairperson of the Municipality in consultation with the Councillor and drawn from residents association, NGO', CBO', etc. The functional domain of ULBs as per the 12th Schedule of 74th Constitution Amendment Act is given in table 26. Gujarat, Maharashtra, Uttarakhand are defaulters in transferring functions to ULBs as per schedule.

Table - 26
Functional Domain of ULB's as per 12th Schedule

State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Andhra Pradesh	y	y	y*	y	y	y	-	y**	y**	y	y	y	y	y	y	y	y	y
Chhatis-garh	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Gujarat	y	-	-	-	y	y	-	-	-	-	-	-	-	-	-	-	-	-
Karnataka	y	y	y	y	y	y	y	y(P)	y	y	y	y	y	y	y	y	y	y
Kerala	y	y	y	y	y(P)	y	y	y	y	y	y	y	y	y	y	y	y	y
Maharashtra	y	-	-	-	y	y	-	-	-	-	-	-	-	-	-	-	-	-
Orissa	y(P)	N	y	y(P)	N	y	N	N	N	y	y	y	y	y	y	y	y	y
Tamil Nadu	N	y	y	y	y	y	N	y*	y*	y	y	y	y	y	y*	y	y	y
Uttar Pradesh	y(P)	y(P)	N	y(P)	y(P)	y(P)	N	y(P)	y(P)	y(P)	y(P)	y	y	y	y	y	y	y
Uttarakhand	y	y	y	-	y	-	y	y	y	-	-	-	y	-	-	-	-	-
Madhya Pradesh	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Haryana	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Assam	y	y	y	y	y	y	N	N	N	y	y	y	y	y	y	y	y	y

Manipur	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Rajasthan	N	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Jammu & Kashmir	y	y	y	y	y	y	y	N	y	y	y	y	y	y	y	y	y	y
Nagaland	N	y	y	N	N	y	N	y	y	y	N	y	y	y	y	y	y	y
Punjab	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
Himachal Pradesh	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y

Source: Ministry of Urban Development, Government of India, New Delhi, 2007

y = Assigned to Municipalities

N = Not assigned to Municipalities

P = Partly

* = Data varies within cities in the state

** = Services transferred only by executive order.

Cities which have accomplished reforms are shown in Table 27. E-governance has been set up in Hyderabad, Vishakhapattanam, Raipur, Vijayawada, Bhopal, Coimbatore and Madurai, Double entry accounting system has been introduced in Indore, Jaipur, Coimbatore, Madurai, Nagpur, Bhubaneshwar, Chennai, and Kolkata. Chandigarh, and Madurai have introduced property title certification system in ULB's while Ahmadabad, Vadodara and Bhopal have revised building bye laws for streamlining the approval process. Similarly, Shimla, Jaipur, Coimbatore, Madurai, Chennai, and Vijayawada have introduced computerized process of registration of land and property.

The State Finance Commissions (SFC's) have attempted a detailed review of the financial position of ULB's and local level issues of governance and made recommendations to overcome the prevailing constraints confronting ULB's. Bihar is an exception, where the report could not be submitted due to various reasons. Most of the states have accepted recommendations of SFC's. In some states the SFC's have given importance

to devolution of functions, functionaries and powers alongwith transfer of funds. Integration of city planning and delivery functions is expected to bring about the process of planning and delivery of all urban infrastructure provision and management functions and services coverage with the functions of ULB's. In the management of city, several state government agencies and parastatals play a very significant role along with local bodies. Often these organizations work independent of the ULB's. Thus, 74th Constitutional Amendment Act envisages, transferring the function of local bodies as listed in 12th Schedule. The performance of functions and delivery of services by different organizations continues even after 15 years of enactment of the 74th Constitutional Amendment Act. Therefore, the JNNURM incorporated a reform making it mandatory for the integration of city planning and delivery functions. The local bodies are expected to play a critical role in decision making in relation to these functions while other parastatals should be integrated with the local bodies. Presently, eight states have transferred city planning functions to ULBs.

Rent control is imposing a ceiling on rents in housing markets. Rent control refers to laws that limit the amounts of rent and the amounts that rent can be increased. It prevents the landlords from charging exorbitant rents and evicting. Housing is a state subject and enactment and enforcement of the rent control legislations is the responsibility of the concerned state government. In view of the increasing importance of rent control, reform has been identified as one of the mandatory reforms at the state level. Assam, Bihar, Chandigarh, Chhatisgarh, Gujarat, Haryana, Madhya Pradesh, Punjab, Orissa, Rajasthan, Sikkim, Tamil Nadu and West Bengal have

initiated the repealing of Urban Land Ceiling Rent Act. While Nagaland and Rajasthan have started reforming in rent control.

The stamp duty framework has not kept pace with changes. Laws relating to rates of stamp duties, registration charges etc. were initially governed by the main objectives of revenue mobilization, without considering the market needs. The maximum stamp duty rate levied in most developed countries ward-wise is in the range of 1-4 per cent, however, in some states of India, it is in double digit. Thus, there is urgent need to rationalize it, only Maharastra and Sikkim have rationalized stamp duty upto 5 per cent while other states could not initiate the reform.

Reforms to streamline administration, mobilize resources, improve efficiency in service delivery, provision of basic services to the poor, etc. have been on the priority list and are being undertaken both by state and local governments. The JNNURM has also identified administrative reforms as critical and need to be achieved during the mission period. The administrative reforms include right sizing the personnel structure, reducing establishment expenditure, capacity building of institutions and individuals, providing longer tenure to senior functionaries etc. Importantly, structural reforms were also planned under the Mission. These include institutional strengthening, citizen charters, e-governance, charges in planning process encouraging partnership, participatory processes etc. E-governance, Public Private Partnership initiatives, application of GIS in resource mobilization etc. have been taken in some of the local bodies. Significantly, in most cases citizen must have access to proper information on municipal affairs. As a result they do not follow proper procedures in their access to

functionaries for redressal of problems to overcome these constraints. Citizen charters are useful in discriminating information and educating citizens. Public Disclosure Law along-with the provisions of Right to Information Act may also be useful instrument to ensure public participation in civic affairs. Only Gujarat has enacted Public Director Law while rest of the states does not have such type of arrangement. Moreover, Report Card System is also important mechanism to get feedback regarding the quality and coverage of services and improving governance, however it is limited in operation.

Table - 27
Cities Having Accomplished Reforms

Reforms	Cities/States
Mandatory Reforms	
E-governance set up	Hyderabad, Vishakhapatnam, Raipur, Vijayawada, Bhopal, Coimbatore, Madurai
Shift to Double Entry Accounting	Indore, Jaipur, Coimbatore, Madurai, Nagpur, Bhubaneshwar, Chennai, Kolkata
Property Tax (85% coverage)	Vijayawada, Chandigarh, Agra, Allahabad, Lucknow, Vishakhapatnam, Chennai
Property Tax (90% collection efficiency)	Vijayawada, Chandigarh, Agra, Allahabad, Lucknow, Vishakhapatnam, Chennai
100% cost Recovery of O&M for water supply	Chennai, Vishakhapatnam
100% cost Recovery for Solid Waste Management	Vishakhapatnam
Internal Earmarking of Funds for Services to Urban Poor	Hyderabad, Vijayawada, Vishakhapatnam, Chandigarh, Raipur, Ahmadabad, Surat, Vadodara, Nagpur, Nanded, Nashik, Pune, Mumbai, Kohima,

	Jaipur, Ajmer, Coimbatore, Madurai, Jabalpur, Bhopal, Indore, Allahabad, Varanasi, Kanpur, Mathura, Agra, Lucknow
Optional Reforms	
Introduction of Property Title Certification System in ULB's	Chandigarh, Madurai
Revision of Building Bye-Laws- Streamlining the Approval Process	Ahmadabad, Vadodara, Bhopal
Revision of Building Bye-Laws - Mandatory Rainwater Harvesting in all buildings	Faridabad, Shimla, Kochin, Thiruvananthapuram, Bangalore, Nagpur, Chennai, Agra, Allahabad, Kanpur, Lucknow, Mathura, Meerut, Varanasi, Vijayawada, Bhopal
Earmarking 25 per cent developed land in all Housing Projects for EWS/LIG	Ajmer
Bye laws on Reuse of Recycled Water	Chandigarh
Introduction of Computerized Process of Registration of Land and Property	Shimla, Jaipur, Coimbatore, Madurai, Chennai, Vijayawada

Source: Centre for Good Governance, Hyderabad, 2007

Public Financial Management and Accountability

Improved public financial management and accountability environment is crucial for effective urban governance. The increasing urbanization and dynamics of urban development require higher capital investment and better management of resources. The recent legislations,

policies and programmes such as JNNURM, IHSDP, UIDSSMT, Right to Information Act, Public Disclosure Law, Community Participation Law, Modern Municipal Act, 74th Constitutional Amendment Act, etc. have placed greater responsibility on urban local bodies to become more accountable for management and use of public money. The Government of India recognizes the need to make urban local bodies self-reliant and responsive. In India, urban governance is a state-level subject. Governance includes both the administration of urban areas as well as the requirements of control and transparency on public spending.

The 74th Constitution (Amendment) Act, 1992 recognizes urban local bodies on the third tier of government in India and envisages that they be made autonomous through devolution of resources, powers and functions. With respect to public financial management, the 11th Finance Commission recommended that Comptroller and Auditor General of India be entrusted with technical guidance and supervision of ULB's audit in all states having implemented 74th Constitutional Amendment Act. Under this support, C&AG has proposed accounting and auditing formats for urban local bodies. Presently, only 18 states have given full entrustment of technical guidance and supervision to C&AG.

The Ministry of Urban Development, Government of India formulated a Model Municipal Law in 2003 to serve as a template for states to revise their municipal legal framework. Key provisions of the law include:

1. Acknowledgement of role and recommendations of State Finance Commission in municipal finances;

2. A form of administrative receivership for cities that default in performance of their duties;
3. Mandatory framing of ULB debt limitation policy;
4. Development of standards municipal accounting manual and practices;
5. Creation of municipal accounts committee and preparation of annual financial statements;
6. Mandatory requirement for urban local bodies to prepare inventory of all municipal assets;
7. Encouragement for urban local bodies to prepare their own development plans; and
8. Enabling private sector participation in the construction, financing and delivery of urban services.

The Right to Information Act, 2005 has also implications for public accountability system in India. It requires government bodies to provide information sought on its operations within specified timeframe. It also promotes disclosure of certain information by government bodies. Urban Local Government Disclosure Bill, 2006 envisages to enhance transparency and accountability in local government functioning. Each local body is required to maintain adequate records and make disclosure of key information at regular intervals to the public. Disclosure of information (both related to financial and services matters) may be made through newspapers, internet, notice boards, ward offices, public hearings, group meetings, etc. Bill also envisages voluntary sharing of information by the ULB's and it is a step forward from the RTI Act, 2005.

In order to mobilize resources and financial management by ULB's, certain Municipal Bonds and Pooled Financing has been introduced, the Ahmadabad Municipal Corporation is the pioneer in launching municipal bonds in 1998. There after, several corporations have issued municipal bonds. The Government of India has also supported these initiatives by exempting the interest earned on such bonds from income tax and prescribing guidelines for tax free municipal bonds. However, smaller local bodies are unable to access the capital market on their own. In 2006, the Government of India proposed development of a Pooled Finance Development Fund to institutionalize the support to smaller urban local bodies in this process. This improved the Public Finance Management and Accountability environment in the smaller urban local bodies through introducing the processes of updated accounts, improved financial planning, and sound reporting practices.

A task force was appointed in 2001 under chairmanship of the Deputy C&AG to develop an accounting system and process to be followed by the urban local bodies for better financial recording and reporting. Based on the recommendations of the Task Force, the Government of India initiated development of a National Municipal Accounting Manual for conversion of ULB accounting to double entry accrual based accounting in 2005. Some states, including Karnataka, Andhra Pradesh, Gujarat and West Bengal have already adopted the double entry accounting system.

Interestingly, in order to accelerate the process of urban reforms, the Government of India decided to provide reform linked financial assistance to states. In 2002, the Government set up an Urban Reform Incentive Fund

(URIF) with an initial outlay of Rs. 500 crores per year. The URIF was designed to provide incentives for reforms in state and local government, including repeal of the Urban Land Ceiling Act, rationalization of stamp duty reform of rent control laws, introduction of computerized registration, reform of property tax, levy of user charges and adoption of double entry accounting system. JNNURM is also designed for integrated and planned development of 63 selected cities with focus on asset creation and management, efficiency in urban infrastructure and services delivery, community participation, and accountability. JNNURM has a central outlay of Rs. 50,000 crore for a seven year period. The programme requires a tri party Memorandum of Agreement between ULB's the State Government and the Central Government that clearly identifies Public Finance Management and Accountability Reforms, among others, and a timeline for achieving the same at all levels. The reforms include modern and transparent budgeting system, shift to double entry accounting system, improved asset management, e-governance, updated financial management systems, enhanced property tax collection efficiency, enactment of Public Disclosure Law and Community Participation Law, levy of reasonable user charges, process reengineering for monitoring, financial operating plan under city development plans and credit rating (Chart-9).

Chart - 9
Urban Reforms in India

Year	Policy Intervention	Link with PFMA Context
1985	7th Five Year Plan	Policy recommendations for revitalization of civic bodies; reform of municipal administration; constitution of State Finance

		Commission's; and constitutional status for local government.
1988	National Commission on Urbanization	Link between urbanization and economic growth explicitly acknowledge. Reiteration of the need for decentralized urban growth and emphasis on the role of local governments.
1991-92	New Economic Policy	Autonomy of local governments seen necessary for deregulation and privatization of provision and maintenance of urban infrastructure and basis services.
1992	74th Constitutional Amendment Act	Devolution of powers (political, administrative and fiscal) to urban local bodies for functioning as 'independent institutions of self government'
1992-97	Formation of State Finance Commissions	To correct fiscal disabilities imbalances of local bodies and improve their financial situation and review financial position of urban local bodies and make recommendations regarding distribution of taxes, revenue-sharing arrangements, grant-in-aid system, etc.
1998	First Municipal Bond (Ahmedabad Municipal Corporation)	Landmark initiative followed by issue of guidelines for issuing tax free municipal bonds in February 2001 and increase in the limit from Rs. 2,000 million in 2001-02 in Rs. 5,000 million in 2002-03.
2000	11th Central Finance Commission	Recommend measures for augmentation of resources of states so that they can supplement resources of local bodies. Also recommended C&AG involvement in providing technical guidance and supervision to local bodies.
2000	The Transparency in Public Procurement Act	Karnataka was the first state to pass this legislation followed by Tamil Nadu
2002	Urban Reforms Incentive Fund	Policy initiative aimed to encourage reforms in urban local bodies (covered some PEMA areas like accounting, budgets, etc.)
	Supreme Court Judgment on Solid Waste	Highlight the issue of accountability of executives in urban local bodies for service delivery. Instituted reforms in accounts for

	Management	greater transparency and better management of service costs.
	C&AG Task Force	Took the initiative to formulate policy guidelines on municipal accounting reforms through Double Entry Accrual-based accounting
	Pooled Finance	Precedence set by Tamil Nadu for smaller urban local bodies to raise funds from capital markets.
2003	Model Municipal Law	Template for states to revise their municipal legal framework. Key focus on improving state oversight of municipal finances through SFC recommendations
2005	Right to Information Act	Government of India initiative towards transparency and accountability. Adopted by most of the states.
	National Municipal Accounting Manual	Guidelines to the states/urban local bodies for accounting reforms on Double Entry Accrual System
	Launch of JNNURM and UIDSSMT	Reforms-driven, fast track mission for planned development of identified cities with focus on efficiency in urban infrastructure and services delivery, community participation, and accountability of local governments towards citizens.
2005-2010	12th Central Finance Commission	Recommends enactment of fiscal responsibility legislation at state level, which is likely to improve budget preparation, execution and monitoring situation in urban local bodies
2006	ULG Disclosure Act	Provide for transparency and accountability in the functioning of urban local bodies

Source: World Bank, 2007

A study of World Bank (2007) has highlighted that the main constraints to strong public finance arrangement and accountability in urban local bodies are the weak legal framework, low demand for accountability,

lack of incentive for complaints or penalty for non compliance with existing rules, and limited use of available guidelines. The strengthened ULB budgeting process needs to include realistic and participatory framework for budget estimation and establishment of appropriate linkages with parastatal organizations and metropolitan plans. Similarly, effecting implementation of National Municipal Accounting Manual for accrual accounting and auditing of accounts of ULBs through technical guidance and supervision is called for.

Conclusion

India has a long tradition of urban local bodies dating back to 1688 when the Madras Corporation was constituted as the first Corporation in South Asia. This was followed by the Calcutta and Bombay Municipal Corporation in 1726. It provided the powers of governance to the local elite. These groups were set in place by virtue of their social standing, rather than via democratic elections. This was important to ensure political control and transfer of resources. Secondly decentralization enacted participation of community and control of functions pertaining to municipal governance. The elected representatives replaced managers. This brought opportunities for greater democracy and enhanced the role of local representatives. The institutional changes were made to effect comprehensive planning, however most large scale funding for infrastructure and other capital intensive works are routed through parastatal agencies. The burden of repayment of both

capital and interest falls onto ULBs. A regime of parastatal organizations also reduces possibilities for public authorities especially ULB's to use economic sources. A regime of parastatal not only road blocks livelihood creation efforts but increases the dependence of local bodies on higher levels of government. Thus, ULB's need to regain the developmental terrain that has been encroached by higher level institutions. UNDP has been an active partner of national governments of the world over in promoting decentralized governance. In India, the UN System has adopted the United Nations Development Assistance Framework (UNDAF) with strengthening decentralization as one of the two key priorities, with the other being promotion of gender equality. Decentralization is thus the underlying strategy for all UN agencies in India.

There are at least three important reasons why a focus on decentralization in India can provide only a partial account of local governance. This is because, decentralization is minimalist in its conception and design. Second, the achievement of an adequately robust form of decentralization remains a project beset with many difficulties, both institutional as well as social and political. Finally, there are enormous regional variations in the way in which decentralization has been designed and implemented and a comparison of states show variations. Theoretically, the normative appeal of arguments for local democracy has resided in the belief that the quality of political participation will be substantially transformed only when people together to collectively debate and deliberate on issues of common concerns and are provided with decision making powers to give effect to their shared concerns. Local democracy thus, become a way of enabling both participation and deliberations. In India the

imperative for decentralization was political rather than administrative, which may suggest why the administrative aspects have received less than attention.

The list of any programme of decentralization is arguably the actual powers and functions that are devolved to the institutions of local government and the authority they enjoy in the exercise of these. The function at and financial devolution to local bodies show a mis-match. The limited fiscal autonomy of local bodies renders them excessively dependent on the central and state governments. The planning process is similarly encumbered. The constitutional amendment had envisaged a multi tiered and participatory planning process. A District Planning Committee was supposed to be constituted in every district to draft the development plans for the district as a whole, but there are only seven states in which it has been constituted in all districts.

The purpose and design of decentralization in India was driven by two objectives, first, democratization through representation and voice for disadvantaged groups; and second effective, because of more participatory, development. There remain serious constraints on the realization and institutionalization of both these goals. Insufficient devolution of functions, excessive dependence on state and central governments, and the dominance of mainstream administrative departments and functions are among the factors contributing to the poor performance of the local self governments. Resource constraints exacerbate the dependence on state agencies and administrative structures. Elected members often behave like contractors, while the poor are excluded from political participation. There is pressure to

distribute the funds equally between all members, who decide which schemes to implement and to which contractor the work shall be awarded.

Lack of transparency and accountability is among the many interrelated problems in the local bodies. There are multiple challenges to accountability in local government. Despite political decentralization, there is limited administrative decentralization often leading to an overwhelming presence in local governance. The role of the bureaucracy and elected members is an integrated one involving planning and implementation. The bureaucracy plays an advisory role in planning and has a major role in the implementation of development works. The representatives have a critical role in planning, but only a supervisory role in implementation. The lack of experience of the representatives has led to an excessive dependence of the representatives on the officials.

The devolution of administrative and financial powers from the state to the civic bodies and further down to ward committees has been widely considered as axiomatic to the promotion of good urban governance. The importance of participation and transparency has assured added significance in the light of a visible change in popular perception about how governance should be re-engineered. There is now growing belief that all administrative action should be people centered rather than rule centered outward looking rather than inward looking, inclusive rather than exclusive. One of the encouraging features of urban life is the rise of civil societies and NGO's and their urge to increasingly participate in affairs of their cities. NGO's can play a healthy role in cities by leading strength to the voice and demands of the less privileged. They are likely to participate in implementation of urban

development projects and promoting participation of poor and serving their interests. Transparency in municipal governance requires fundamental change in access of information and e-governance. The development of an appropriate, transparency code of conduct for elected representation and management has also been recommend as a bench mark for public behaviour. Such code would set the guidelines on how city managers need to conduct themselves and what standards should expect of their city representatives and managers.

Suggestions

Development of a common knowledge base and data inventory for decentralization which would pave the way for joint programming and convergence of various initiatives is imperative.

Inter-linkage of gender and decentralization initiatives.

Training programmes for women representatives in ULB's should be organized.

Support for networks of woman in ULB's and community organizations is essential.

Support to district planning through development of manuals, modules and workshops is called for.

Linkage with State Finance Commission in effecting financial devolution is suggested.

Linkage with NGO's and civil societies as development agents for effective decentralized governance is imperative.

Development of data base and information system for decentralized planning and implementation is essential.

Creating a legal institutional framework aimed at enabling the municipalities to function as institutions of self government and implement plans for economic development and social empowerment is imperative.

Reforming budgeting accounting and auditing procedures is essential in order to promote accountability on the part of municipal officials and to decentralize budget management to operational levels.

A transparent system of municipal accountability and disclose to the public and the higher levels of government through laws and regulations should be ensured.

Thrust of urban development policy under the decentralized regime should be towards promoting balanced regional development. The states must ensure that the autonomy of the local bodies and their capacity to take up routine activities is achieved.

Financial institutions like HUDCO must pursue their schemes to provide concessional funds for infrastructural investment in backward regions, particularly in small and medium towns and arrange substantial funds for infrastructure development.

Efforts should be taken to constitute and function District Planning Committees and Metropolitan Planning Committees and coordinate their functioning with the existing parastatals.

Our approach for devolution of funds to local bodies should comprise five cardinal principles or Panchtatva, abbreviated as PEACE. It

stands for (i) political feasibility; (ii) equity; (iii) adequacy, (iv) computational transparency, and (v) efficiency.

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