

# CSB IAS ACADEMY

THE ROAD MAP TO MUSSORRIE...

MAINS Impact- 2025 – 18/11/2024

## URBAN LOCAL BODIES

### SYLLABUS:

GS 2 > Polity > Local Governance

### REFERENCE NEWS:

- Recently, the **Comptroller and Auditor General of India (CAG)** released a comprehensive audit report highlighting critical issues in the implementation of the **74th Constitutional Amendment Act (CAA)** across urban local bodies (ULBs) in 18 states.
- The findings reveal significant gaps in **resources, expenditure, staffing, and devolution of functions**, three decades after the amendment aimed at empowering ULBs came into effect.
- The audit covered 393 ULBs across 18 states, namely Andhra Pradesh, Assam, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Tripura, and Uttarakhand, catering to a population of 241 million.

### KEY FINDINGS OF THE CAG AUDIT REPORT:

- **Resource-Expenditure Gap**
  - ULBs in these 18 states face a **42% gap between resources and expenditures**.
  - Only **32% of revenue** is generated internally by ULBs, with the rest coming from Union and state governments.
  - Realization of property tax stood at **56% of the demand**, indicating inefficiencies in revenue collection.
- **Expenditure Allocation**
  - Only **29% of ULB expenditure** is allocated to programmatic and developmental activities.
  - The remaining majority goes towards administrative and other operational costs.
- **Staffing and Recruitment**
  - **37% average vacancy** against sanctioned staff strength across ULBs.
  - Urban bodies in **16 states lack autonomy** in recruitment, further hampering their operational efficiency.
- **Devolution of Functions**
  - Of the **18 functions** mandated by the 74th Amendment, an average of **17 functions** has been devolved.
  - However, only **4 functions** are devolved with complete autonomy.
  - **Urban planning and fire services** remain the least devolved functions by law.
  - **Nine states**, including Chhattisgarh, Haryana, Jharkhand, and Maharashtra, have devolved all 18 functions.
- **Weak Compliance with the 74th Amendment**

- The report flagged a lack of “in-spirit” compliance with the amendment’s provisions.
- Urban local bodies are rarely involved in critical functions like planning, undermining their role in governance.

### **CONSTITUTIONAL PROVISIONS FOR URBAN LOCAL BODIES (ULBS) IN INDIA**

- The **74th Constitutional Amendment Act, 1992**, is the cornerstone of urban governance in India.
- It introduced **Part IX-A to the Constitution**, encompassing **Articles 243P to 243ZG**, and provided the framework for the constitution, governance, and powers of Urban Local Bodies (ULBs).
- Additionally, it added the **Twelfth Schedule, listing 18 functional items** to be delegated to ULBs, ensuring a uniform structure for urban governance across the country.
- **Types of ULBs:**
  - Article **243Q** mandates the constitution of the following three types of ULBs:
    - **Nagar Panchayat:** For areas in transition from rural to urban.
    - **Municipal Council:** For smaller urban areas.
    - **Municipal Corporation:** For larger urban areas.
- **Powers and Responsibilities:**
  - **Article 243W** empowers state legislatures to assign functions, authority, and responsibilities to ULBs concerning:
    - Urban planning, including town planning.
    - Regulation of land use and construction.
    - Public health, sanitation, water supply, and waste management.
    - Urban poverty alleviation and slum improvement.
    - Safeguarding the interests of weaker sections.

### **SIGNIFICANCE OF URBAN LOCAL BODIES (ULBS)**

- **Decentralized Governance:** ULBs promote grassroots democracy by empowering local communities to participate in decision-making, ensuring policies align with local needs.
- **Efficient Service Delivery:** They are responsible for essential services such as water supply, sanitation, waste management, urban transport, and public health, directly impacting citizens' quality of life.
- **Urban Planning and Development:** ULBs play a key role in urban planning, regulating land use, and ensuring sustainable development of cities to accommodate growing populations.
- **Economic Growth:** By providing infrastructure and fostering investment, ULBs contribute to economic growth and employment generation in urban areas.
- **Implementation of National Programs:** ULBs act as implementing agencies for flagship schemes like Smart Cities Mission, AMRUT, and Swachh Bharat Abhiyan, translating national goals into local action.
- **Social Equity and Inclusion:** ULBs focus on urban poverty alleviation, slum improvement, and safeguarding weaker sections, ensuring equitable development across all strata of society.

- **Climate Resilience:** They play a crucial role in addressing urban environmental challenges, such as waste management, air quality improvement, and disaster preparedness, contributing to climate resilience.

### **CHALLENGES ASSOCIATED WITH URBAN LOCAL BODIES (ULBS) IN INDIA:**

#### **FUNDS:**

- **Financial Constraints:**
  - ULBs rely heavily on grants from state and central governments, with limited capacity to generate their own revenue.
  - For instance, the recent **CAG audit report noted that only 32% of ULBs' total revenue is self-generated**, with the remaining 68% coming from government transfers.
- **Resource-Expenditure Gap:**
  - **For instance**, the recent **CAG Audit Report on 18 states** noted that **42% of ULBs** faced a significant gap between available resources and actual expenditure, highlighting systemic inefficiencies.
- **Low Property Tax Collection:**
  - Property tax is a major revenue source for ULBs; however, its collection efficiency is low.
  - **For instance**, the CAG audit report found that ULBs are **only able to realize 56% of their total property tax demand**.
- **Reduced Revenue in the GST Era:**
  - The introduction of GST has significantly curtailed the independent revenue-generation capacity of ULBs by subsuming taxes such as sales tax, octroi, and entertainment taxes.
  - **For instance**, the Municipal Corporation of Greater Mumbai (MCGM) faced a ₹7,000 crore (35%) revenue loss due to the elimination of octroi taxes under GST.

#### **FUNCTIONS:**

- **Improper Devolution of Functions:**
  - Most ULBs lack decision-making power due to financial and administrative control by state governments.
  - **For instance**, the CAG audit report highlighted that **only 4 out of 18 functions have been effectively devolved to ULBs with complete autonomy**.
- **Inadequate Infrastructure:**
  - Insufficient infrastructure for water supply, sanitation, and waste management.
  - **For instance**, According to the **2018 Swachh Bharat Urban Report**, only 35% of ULBs could ensure 100% waste segregation at the source.
- **Non-Functional District Planning Committees (DPCs):**
  - The lack of functional District Planning Committees (DPCs), which are mandated to consolidate and integrate development plans from panchayats and ULBs, remains a significant challenge.

- **For instance**, a study by the India Development Review found that **DPCs are inactive in 9 states**, while in 15 states, they have failed to prepare integrated development plans effectively.
- **Multiplicity of Agencies:**
  - Overlapping responsibilities between municipal corporations and **parastatal agencies** (e.g., development authorities, water boards).

**Parastatal agencies** are state-controlled bodies performing specific functions like water supply, urban development, and transport, limiting ULBs' autonomy.

- **For example**, in **Delhi**, both ULBs and the Delhi Jal Board manage water supply, leading to accountability gaps, as noted in the **2022 CAG report**.

### FUNCTIONARIES:

- **Shortage of Personnel:**
  - ULBs often face a dearth of qualified staff for urban planning, sanitation, and waste management.
  - **For instance**, the CAG audit report found that ULBs have an **average vacancy rate of 37%**, severely affecting their capacity to function effectively.
  - Also, a **2021 NITI Aayog report** highlighted that **40% of ULBs do not have trained urban planners**, impacting urban development projects.
- **Delays in Elections:**
  - States often delay municipal elections, leaving ULBs under administrative control.
  - **For instance**, **municipal elections in Bengaluru** were delayed by three years (2019-2022), impacting local governance.
- **Criminalization in ULBs:**
  - The increasing selection of corporators with criminal backgrounds undermines the integrity and effectiveness of Urban Local Bodies.
- **Challenges to Women's Political Empowerment:**
  - The rise of the **"Corporator Pati/Mayor Pati" syndrome** has hindered the true empowerment of women in urban governance.

The **"Corporator Pati/Mayor Pati" syndrome** refers to the practice where women elected as corporators or mayors in Urban Local Bodies (ULBs) are nominally in power, but their male relatives—often husbands—exercise the actual authority.

- **Bureaucratic Dominance:**
  - **State-appointed municipal commissioners** often overshadow elected mayors, reducing their role to ceremonial positions in cash-rich corporations.

### FUNCTIONALITY:

- **Corruption Issues:**

- Corruption scandals, such as irregularities in contract awards by the Municipal Corporation of Delhi (MCD), have significantly hampered the effectiveness of ULBs.
- Furthermore, only 11 out of 35 states/UTs have enacted Public Disclosure Laws, which are critical for ensuring transparency in urban governance.
- **Urban Poverty and Slums:**
  - ULBs lack resources and planning to address housing and basic service requirements for slum dwellers.
  - For example, a study by Participatory Research in Asia **PRIA (2022)** found that in Mumbai, 62% of slum households lacked access to safe drinking water.
- **Climate challenges:**
  - ULBs are ill-equipped to manage **urban flooding, heatwaves, and other climate challenges.**
  - For example, the **CAG Audit on Chennai Floods (2015)** revealed that poor maintenance of drainage systems contributed to severe urban flooding.

### **WAY FORWARD:**

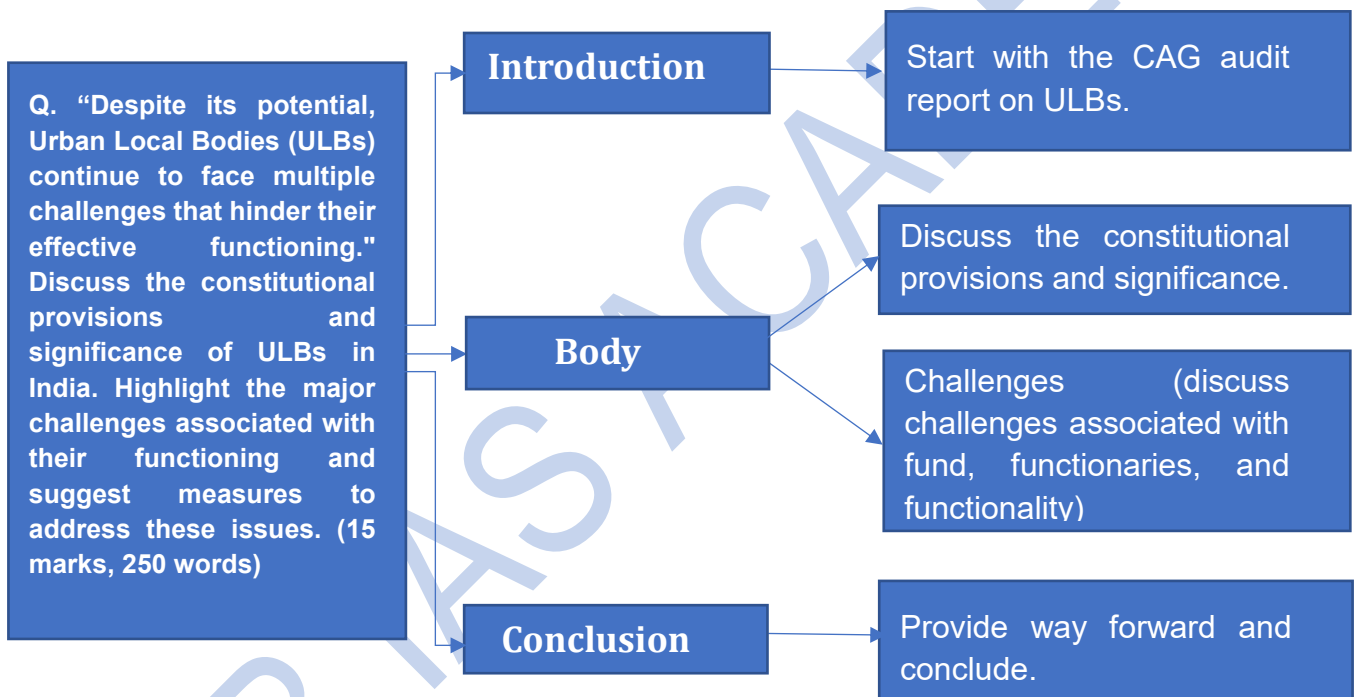
- **Enhance Financial Autonomy:** ULBs must be empowered to generate more revenue independently through wider taxation powers such as land-use taxes, local property taxes, and user fees. Improving property tax collection through GIS-based mapping can enhance efficiency. The central and state governments should revisit the GST framework to compensate for the loss of traditional ULB revenue sources.
- **Ensure Proper Devolution of Powers:** The full implementation of the 74th Constitutional Amendment must be prioritized by transferring all 18 functions listed in the Twelfth Schedule to ULBs. Functional District Planning Committees should be established to integrate development plans and address coordination gaps.
- **Build Institutional and Administrative Capacity:** Staffing shortages should be addressed by filling vacancies, especially in critical areas like urban planning and engineering. Regular training programs for both municipal staff and elected representatives can improve governance and service delivery. Empowering elected officials by reducing bureaucratic control is necessary to enhance accountability.
- **Promote Democratic Governance:** Timely elections should be ensured to uphold the democratic ethos of ULBs. Preventing criminalization in local governance by enforcing stricter eligibility criteria and promoting gender equality by addressing the "Corporator Pati/Mayor Pati" syndrome will strengthen ULB leadership.
- **Strengthen Infrastructure and Service Delivery:** Investments should be made in water supply, sanitation, public transport, and waste management to enhance service delivery. Scientific waste disposal practices and slum redevelopment projects should be prioritized to improve urban living standards. Climate-resilient urban planning, including heat action plans and better drainage systems, is vital to mitigate environmental challenges.
- **Foster Coordination and Integrated Planning:** Clear roles and responsibilities between ULBs and parastatal agencies must be established to avoid duplication and ensure accountability. Technology-driven urban planning tools like GIS can facilitate cohesive development plans. Effective collaboration between central, state, and local governments can align urban policies with local needs.

**CONCLUSION:**

- Empowering ULBs with financial independence, administrative capacity, and functional autonomy is critical to achieving sustainable urban governance. Addressing inefficiencies through timely reforms and implementing the recommendations of the CAG report can enable ULBs to meet the growing demands of urbanization while improving the quality of life for urban residents.

**PRACTICE QUESTION:**

**Q. “Despite its potential, Urban Local Bodies (ULBs) continue to face multiple challenges that hinder their effective functioning.” Discuss the constitutional provisions and significance of ULBs in India. Highlight the major challenges associated with their functioning and suggest measures to address these issues. (15 marks, 250 words)**

**APPROACH:****MODEL ANSWER:**

The 74th Constitutional Amendment Act (CAA), 1992, was a landmark reform to strengthen urban governance through Urban Local Bodies (ULBs). However, the **Comptroller and Auditor General (CAG) Report on ULBs in 18 states**, covering 393 ULBs catering to a population of 241 million, highlighted significant gaps in resource mobilization, staffing, and functional devolution, underscoring the persistent challenges even after three decades of the amendment.

**Constitutional Provisions for ULBs**

- **Part IX-A of the Constitution:** Introduced under the 74th CAA, this encompasses **Articles 243P to 243ZG**, defining the structure, powers, and responsibilities of ULBs.
- **Types of ULBs (Article 243Q):**
  - **Nagar Panchayat:** Transitional rural-urban areas.

- **Municipal Council:** Smaller urban areas.
- **Municipal Corporation:** Larger urban areas.
- **Twelfth Schedule:** Lists 18 functional responsibilities, including urban planning, water supply, public health, and slum improvement.
- **Article 243W:** Empowers state legislatures to devolve powers, ensuring local governance aligns with urban needs.

### Significance of ULBs

1. **Decentralized Governance:** Enables grassroots democracy, allowing local participation in policymaking.
2. **Efficient Service Delivery:** Responsible for water supply, waste management, and public transport, directly impacting citizens' quality of life.
3. **Urban Planning and Development:** Addresses issues like housing and sustainable land use.
4. **Economic Growth:** Facilitates investments and infrastructure development, contributing to job creation.
5. **Implementation of Flagship Schemes:** ULBs implement programs like **AMRUT** and **Swachh Bharat Mission**, translating national goals into local action.
6. **Social Equity:** Focuses on slum improvement and safeguarding weaker sections, promoting inclusive growth.
7. **Climate Resilience:** Addresses urban flooding, air quality, and waste management challenges, critical for sustainable urbanization.

### Challenges Associated with ULBs

#### 1. Financial Constraints

- **Dependence on Transfers:** ULBs generate only **32% of their revenue**, relying heavily on state and central grants (**CAG Report**).
- **Resource-Expenditure Gap:** A **42% shortfall** in resources versus expenditure indicates systemic inefficiencies.
- **Property Tax Realization:** ULBs collect only **56% of their total property tax demand**, reflecting poor revenue mobilization.
- **Impact of GST:** The introduction of GST subsumed local taxes, leading to significant losses.
  - **Example:** The Municipal Corporation of Greater Mumbai lost ₹7,000 crore (35%) in revenue due to the elimination of octroi taxes.

#### 2. Functional Gaps

- **Improper Devolution of Functions:** While 17 of 18 functions under the Twelfth Schedule have been devolved, only **4 are fully autonomous**, limiting ULBs' authority in critical areas like urban planning and fire services.
- **Inadequate Infrastructure:** Only **35% of ULBs** ensure 100% waste segregation (**Swachh Bharat Urban Report, 2018**).
- **Non-functional District Planning Committees (DPCs):**
  - **Inactive in 9 states**, while **15 states fail to prepare integrated plans** (India Development Review).

- **Multiplicity of Agencies:** Overlapping jurisdictions with parastatal agencies dilute accountability.
  - **Example:** In Delhi, the Delhi Jal Board and ULBs both manage water supply, creating gaps (**CAG Report, 2022**).

### 3. Functionary Challenges

- **Staffing Issues:** ULBs face **37% vacancy rates**, with **40% lacking trained urban planners** (NITI Aayog, 2021).
- **Delayed Elections:** Municipal elections are often postponed, leaving ULBs under administrative control.
  - **Example:** Bengaluru municipal elections were delayed by **three years (2019–2022)**.
- **Criminalization and Gender Inequality:** Criminal backgrounds of corporators and the "Corporator Pati/Mayor Pati" syndrome undermine governance.
- **Bureaucratic Dominance:** State-appointed commissioners overshadow elected officials, reducing mayors to ceremonial roles.

### 4. Functionality challenges

- **Corruption:** Irregularities in contract awards and fund utilization, as seen in the **MCD corruption case**, undermine efficiency.
- **Urban Poverty and Slums:** ULBs struggle to provide basic services to slum dwellers.
  - **Example:** In Mumbai, **62% of slum households lack access to safe drinking water (PRIA, 2022)**.
- **Climate Challenges:** Poor preparedness for urban flooding and heatwaves exacerbates vulnerabilities.
  - **Example:** The **Chennai Floods, 2015**, were worsened by inadequate drainage maintenance (**CAG Report**).

### Way Forward

1. **Enhance Financial Autonomy:** Broaden taxation powers (e.g., land-use and property taxes). Improve collection efficiency through GIS-based mapping.
2. **Strengthen Functional Devolution:** Fully implement the 74th Amendment, transferring all 18 functions with autonomy. Activate and empower District Planning Committees.
3. **Address Staffing Shortages:** Fill vacancies and provide training to municipal staff. Strengthen accountability through Public Disclosure Laws.
4. **Promote Democratic Governance:** Ensure timely elections and stricter eligibility criteria for corporators.
5. **Build Climate Resilience:** Develop climate-adaptive infrastructure to mitigate flooding and heat-related risks.
6. **Foster Collaboration:** Define clear roles for ULBs and parastatal agencies to streamline governance.

Despite constitutional provisions, ULBs face persistent challenges in achieving their full potential. Addressing issues of financial dependency, functional autonomy, and operational inefficiencies is critical for empowering ULBs. Implementing the recommendations of the CAG report and strengthening local governance will ensure sustainable urban development and improve the quality of life for urban citizens.