



## Reforming Urban Governance

*This editorial is based on “[Why our large cities need metropolitan governance](#)” which was published in Hindustan Times on 17/07/2024. This article reflects on present challenges in governing India's largest cities amidst rapid urbanisation. Lack of a cohesive metropolitan governance framework hampers leveraging agglomeration economies and addressing environmental sustainability.*

**For Prelims:** [Urbanisation](#), [Urban governance](#), [Sustainable Development](#), [74th Amendment Constitution Act, 1992](#), [MP/MLA Local Area Development Funds](#), [National Clean Air Programme \(NCAP\)](#), [Housing for All by 2022](#)

**For Mains:** Significance of Urban Governance in Strengthening Federalism and Social Welfare

Over the past three decades, **India** has transformed from a stagnant economy to the **third-largest in the world**. This growth is accompanied by significant [urbanisation](#); **by 2036, 600 million people (40% of the population)** will live in urban areas, up from 31% in 2011. Also, urban areas are projected to contribute nearly **70% to GDP**.

**Proper governance** is essential for managing infrastructure development, ensuring the upkeep of vital systems like **roads, water supply, and sanitation**. Moreover, **effective urban governance** promotes sustainability, fostering environmentally friendly practices to combat pollution and mitigate climate change impacts.

However, cities continue to face challenges such as **poor governance, inadequate infrastructure, and insufficient services**, although there are emerging signs of positive change.

### What is Urban Governance?

- **About:**
  - [Urban governance](#) refers to the systems, processes, and practices through which cities are managed and developed.
    - It encompasses the **decision-making frameworks and institutions** that guide **urban planning, service delivery, and the overall administration of urban areas**.
  - **Effective urban governance** is significant for improving the quality of life for residents, enhancing urban resilience, and **fostering [sustainable development](#)**.
- **Key Elements of Urban Governance Include:**
  - **Stakeholders:** Involves local governments, citizens, businesses, and [non-governmental organisations \(NGOs\)](#).
  - **Policies and Regulations:** Encompasses laws, policies, and regulations that govern land

- use, zoning, housing, transportation, and environmental management.
- **Service Delivery:** Manages essential services like **water supply, waste management, transportation, and public safety**.
- **Participatory Governance:** Encourages citizen involvement in decision-making processes to ensure transparency and accountability.
- **Sustainability:** Focuses on balancing economic growth with social equity and environmental protection.

## What is the Present Mechanism of Urban Governance in India?

- The **74<sup>th</sup> Constitutional Amendment Act 1992** inserted a new Part IX-A into the Constitution and provided for the establishment of **urban local bodies (ULBs)**, including municipal corporations, as institutions of local self-government.
  - It added article 243P to 243ZG and a new twelfth schedule to the Constitution.
  - It empowered the states to devolve the responsibility of **18 functions** including urban planning, regulation of land use, water supply, and slum upgradation to ULBs.
- The **Urban Local Government** consists of **eight types** of Urban local bodies:
  - **Municipal Corporation:** Municipal corporations are usually found in big cities such as Bangalore, Delhi, Mumbai, Kolkata, etc.
  - **Municipality:** The smaller cities have the provision of municipalities, which are often called by other names such as the **municipal council, municipal committee, municipal board**, etc.
  - **Notified Area Committee:** Notified area committees are set up for the fast-developing towns and the towns lacking the basic amenities.
  - **Town Area Committee:** The town area committee is found in the small towns with minimal authority.
  - **Cantonment Board:** It is usually set up for a civilian population living in the cantonment area.
  - **Township:** It is another form of urban government to provide basic facilities to the staff and workers living in the colonies established near the plant.
  - **Port Trust:** They are established in the coastal areas to manage and take care of the port.
  - **Special Purpose Agency:** These agencies undertake the designated activities or specific functions belonging to the municipal corporations or municipalities.

## What Steps Have Been Taken to Improve Urban Governance?

- **Smart Cities Mission (SCM):**
  - It is a **Centrally Sponsored Scheme**, launched in 2015, to transform **100 cities** to provide the necessary core infrastructure and clean and sustainable environment to enable a decent quality of life to their citizens through the application of "**Smart Solutions**".
  - It aimed to improve the **quality of life for citizens** through **sustainable and inclusive development**.
- **Allocation of Funds for Pollution Control:**
  - In December 2023, 131 million plus/non-attainment cities (cities exceeding **National Ambient Air Quality Standards (NAAQS)**, consecutively for five years) have been identified and accordingly **City Specific Clean Air Action Plans** have been prepared along with **fund allocation** for these cities to **improve the air quality**.
- **Pradhan Mantri Awas Yojana (PMAY):**
  - It falls under the Government's mission - **Housing for All by 2022** for urban housing being implemented by the **Ministry of Housing and Urban Affairs (MoHUA)**.
  - It makes **home loans affordable for the urban poor** by providing a subsidy on the Interest Rate of a home loan during repayment by way of EMI.
- **Swachh Bharat Mission-Urban (SBM-U):**
  - It was launched in 2014, by the **Ministry of Housing and Urban Affairs** as a national campaign to **promote cleanliness, sanitation, and proper waste management** in urban areas.
- **Urban Platform for Delivery of Online Governance (UPYOG):**

- It is the national reference platform created for the **delivery of municipal services online**, which utilises the National Urban Innovation Stack principles.
- **AMRUT Scheme:**
  - [Atal Mission for Rejuvenation and Urban Transformation \(AMRUT\) Mission](#) was launched in 2014 to ensure that every household has access to a tap with the assured supply of water and a sewerage connection.

## What are the Challenges in Urban Governance?

- **Lack of Autonomy:**
  - Urban governance is part of the **state list** under the **Indian Constitution**. Thus, the **administrative framework and regulation** of ULBs varies across states.
  - Also, experts have highlighted that ULBs across the country **lack autonomy** in city management and several city-level functions are managed by **parastatals** (managed by and accountable to the state).
- **Draining Financial Resources:**
  - As per the **OECD**, India has the **world's lowest property tax collection rate** (property tax to GDP ratio).
    - An **RBI survey (2020-21)** of 221 municipal corporations revealed that more than 70% of these corporations saw a decline in revenues while in contrast, their **expenditure rose by almost 71.2%**.
  - The RBI report also highlights the limited coverage of **property tax** and its failure in shoring up municipal corporation revenues.
  - **Several taxation powers** have also not been devolved to these bodies, leading to stressed municipal finances.
    - With taxes being main revenue sources the income generated is inadequate relative to their responsibilities.
- **Multiplicity of Agencies:**
  - The creation of **special-purpose agencies** under direct state supervision, without accountability to urban local governments, complicates governance.
  - Municipal bodies are required to fund these agencies without having control over them, as seen with entities like the **State Transport Corporation and the Water Supply Department**.
  - Also, parallel agencies and schemes, such as [MP/MLA Local Area Development Funds](#), undermine the financial autonomy of local governments, distorting the intended federal structure and complicating urban governance and service delivery.
- **Unplanned Urbanisation:**
  - Without **proper planning**, municipal services struggle to meet the growing needs of the population, both in quality and quantity.
  - The administrative capacity of local bodies is limited, leading to **poor land use, inadequate housing development, slum mushrooming, unauthorised colonies and inadequate amenities like water supply, sewage, electricity and traffic congestion**.
  - **For example: Delhi has 1,799 unauthorised colonies**, and water pipelines have been laid and commissioned in 1,638, with work underway or set to begin for a further 48.
- **Environment Concerns:**
  - **High pollution levels and poor waste management** in urban cities are one of the major nuisance for residents.
    - Urban India produces about **42.0 million tons** of municipal solid waste annually that is **1.15 lakh metric tons per day (TPD)**, out of which **72%** is generated in **423 tier-I cities like Bengaluru, Delhi, Chennai, Hyderabad etc**.
    - As per a recent study, **45%** of [National Clean Air Programme \(NCAP\)](#) cities showed a rise in **PM2.5** during summer 2024.
  - The declining urban environment negatively impacts **public health and productivity**, reducing overall quality of life.
- **Low Public Participation:**
  - Despite relatively **high literacy and educational levels**, city residents often show limited interest in the workings of urban government bodies.
  - Also, **people's participation** in waste management and pollution control is lacking.

## What Should be Way Forward?

- **The Three F's for Urban Governance:**
  - The functional autonomy of city governments must be allowed and this should happen with three F's: the transfer of '**functions, finances and functionaries**' to city governments.
  - **For example:** In the **People's Planning model of Kerala**, **40%** of the State's plan budget was for local bodies (directly) with a transfer of important subjects such as planning, etc, which paved the way for a new dimension to urban governance.
- **Investing in Infrastructure:**
  - As per World Bank, India needs to invest an average of **\$55 billion (1.2% of GDP)** annually for infrastructure.
  - **Central and state governments** currently finance **72%** of urban projects, while commercial financing accounts for **only 5%**. **Private capital** must play a significant role in funding urban infrastructure.
- **Strengthening Municipal Revenue:**
  - The **Scandinavian countries** manage their functions well from city planning and mobility to waste management by giving a chunk of the income-tax collected from citizens to urban governments.
  - **Finance Commissions** have recognised the need to augment property tax revenue to improve municipal finances.
  - **For example:** The **12th Finance Commission** encouraged the use of the **Geographical Information System (GIS)** and digitisation to improve property tax administration.
- **Strategic Property Management:**
  - Local bodies often hold underutilised properties. These can be monetised through **public-private partnerships (PPP)** for developing commercial spaces, markets, or parking lots.
  - **For Example:** The **World Bank** recommends PPPs as a tool for local governments to access financing and expertise for infrastructure development.
    - The **14th Finance Commission** recommended that municipalities be enabled to levy vacant land tax.
- **Capacity Building for Urban Local Bodies (ULBs):**
  - **Capacity building** is a process that involves value added instruction. It involves both **institutional capacity-building**, as well as **human capacity-building**.
  - ULBs need to **develop their capacity** and focus on executing bankable projects.
- **Municipal Bond and Social Stock Exchange (SSE):**
  - A **municipal bond** is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools.
  - **Social Stock Exchange (SSE)** allows social enterprises, which focus on social impact alongside profit generation, to raise capital.
  - Developing the **municipal bond market and SSE** could attract investment towards initiatives that address local needs while generating revenue for the local body.
- **Need of Behavioural Change for Transformation:**
  - Cities must be treated as important centres of governance, where **democratic decentralisation and people's participation** can bring in amazing results.
  - **For example- Indore model of waste management**, which is a decentralised and people driven model, can bring significant changes.

### **Drishti Mains Question:**

Evaluate the role of urban governance in achieving sustainable urban development in India. Discuss the key challenges faced and measures needed to enhance the effectiveness of urban governance for inclusive growth and environmental sustainability.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### **Prelims:**



**Q. The Constitution (Seventy-Third Amendment) Act, 1992, which aims at promoting the Panchayati Raj Institutions in the country provides for which of the following? (2011)**

1. Constitution of District Planning Committees.
2. State Election Commissions to conduct all panchayat elections.
3. Establishment of State Finance Commissions.

**Select the correct answer using the codes given below:**

- (a) 1 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Ans: c**

**Mains:**

**Q.** Do government's schemes for up-lifting vulnerable and backward communities by protecting required social resources for them, lead to their exclusion in establishing businesses in urban economies? **(2014)**

**Q.** Discuss the recommendations of the 13th Finance Commission which have been a departure from the previous commissions for strengthening the local government finances. **(2013)**

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