



Empowering City Governments

This editorial is based on [“Democratise and Empower City Governments”](#) which was published in The Hindu on 21/01/2022. It talks about the challenges associated with urban local governments and the measures that can be taken to empower them.

For Prelims: Urban Local Governments, Panchayati Raj Institutions, 74th Amendment to the Indian Constitution, 15th Finance Commission, Grants to Urban Local Bodies

For Mains: Challenges to functional autonomies of urban local bodies, Steps that can be taken to empower city governments.

[Urban Local Governments](#) (along with [Panchayati Raj Institutions](#)) have been in existence in India for a long time as units of local government. They were established with the purpose of **democratic decentralisation**.

Even in the Covid-19 pandemic, the **third-tier governments in India played a frontline role** in implementing containment strategies, healthcare, quarantining and testing facilities, organising vaccination camps and maintaining the supply of essential goods and services.

However, with this, their **finances have come under severe strain**, forcing them to cut down expenditures and mobilise funding from various sources.

The **financial empowerment** of these civic bodies via **higher resource availability** is essential to **increase their functional autonomy** and strengthen their governance.

Urban Local Governments

- **Beginning of Urban Empowerment:** The general approach towards urban empowerment has **remained piecemeal** in India.
 - The first intervention to understand ‘the urban’ and plan with a pan-India vision took place in the 1980s when the **National Commission on Urbanisation (1988)** was formed with Charles Correa as its chairperson.
 - However, there were references in the earlier Five Year plans.
- **Other Provisions:** Another important intervention was made by the [74th Amendment to the India Constitution](#) which empowered urban local bodies to perform 18 functions listed in the **12th Schedule**.
 - The [15th Finance Commission](#) report on local bodies emphasised the city governance structures and the need for their financial empowerment.

Challenges

- **Draining Resources:** An RBI survey of 221 municipal corporations (2020-21) 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.
 - [Organisation for Economic Co-operation and Development \(OECD\)](#) data also shows that **India has the lowest property tax collection rate** (property tax to GDP ratio) in the world.
- **Lesser Functional Autonomy:** During the pandemic, the leaders at national, state and district level were seen taking a call on disaster mitigation strategies, however, the **heads of municipal corporations were not included** in this group.
 - Although, under the disaster management plan of action, cities are at the forefront to fight the pandemic, the elected leadership finds no place in them.
 - The old approach of **treating cities as adjuncts of State governments** continues to dominate the policy paradigm.
- **Decline in Grants: Octroi** (a duty levied on various goods entering a town or city) was **one of the major earnings of cities** which was **later replaced by the grants to urban local bodies** (recommended by FC) based on a formula of demographic profile.
 - Previously, while almost 55% of the total revenue expenditure of urban centres was met by octroi, now, the **grant covers only 15% of expenditure**.
 - This has resulted in a **vicious circle of burdening people more with taxes** and further privatisation/outsourcing of the services of the municipalities. The **GST further aggravated the problem**.
- **Structural Issues:** Some of the urban local governments do not have their own building or they exist but **without basic facilities like toilets, drinking water, and electricity connection**.
 - Moreover, there is a **lack of support staff and personnel** in local bodies such as secretaries, junior engineers, computer operators, and data entry operators. This **affects their functioning and delivery of services**.

Way Forward

- **The Three F's for City Governments:** 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**. Without these, functional autonomy would be empty rhetoric.
 - In the **people's plan 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.
 - This paved the way for a new dimension to urban governance. Similar measures in other states are welcomed.
 - Also, leadership in the cities must be elected for a term of five years. In some cities, the term of the mayor is for a year, the **functionaries must be transferred to the cities with a permanent cadre**.
- **Grants from Income Tax Collection:** The Scandinavian countries manage their functions well — from city planning to mobility to waste management by giving a chunk of the income-tax collected from citizens to city governments.
 - If the large urban agglomerates in India could get **a percentage of income tax for managing the affairs of urban places**, it would really help improve their situation.
 - Also, it was earlier recommended to **give 10% of income-tax collected from the cities back to them** as a direct revenue grant from the central government.
- **Need of Behavioural Change for Transformation:** Cities must be treated as **important centres of governance**, where democratic decentralisation can bring in amazing results.
 - There should be **transparency and adequate participation of the people**.
 - Cities should not be considered as entrepreneurship spaces where the sole driving force is to make them competitive to attract investments.
 - They must be considered as **spaces for planned development** by giving **adequate attention to resources**.

Discuss the key challenges that hinder the efficient functioning of the Urban Local Governments and the corresponding measures that can be taken.

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