



Revitalizing India's Local Governance

This editorial is based on “[Modest means: Time to strengthen and reimagine India's local bodies](#)” which was published in Business Standard on 14/11/2024. The article brings into picture the challenges faced by municipal corporations, which generate 60% of India's GDP but receive only 0.6% in revenue. It emphasizes the need for greater fiscal powers and autonomy to ensure effective local governance and accountability.

For Prelims: [Municipal corporation](#), [Property tax](#), [Seventh Schedule](#), [Article 243G](#), [73rd Constitutional Amendment](#), [Balwantrai Mehta's 1957 Report](#), Ashok Mehta Committee, [Central Finance Commission](#), [15th Finance Commission](#), [Smart Cities Mission](#), [National Rural Livelihood Mission](#), [Self Help Groups](#), [Common Services Centers](#), [Biological Diversity \(Amendment\) Act, 2023](#),

For Mains: Current Structure of Local Governance in India, Role of Local Bodies Play in Strengthening Development, Major Challenges Confronting Local Bodies.

The RBI's report on [municipal corporation finances](#) underscores a critical urbanization challenge: **despite generating 60% of India's GDP and housing half the population by 2050**, municipal corporations command only **0.6% of GDP in revenue receipts**. They rely heavily on grants and underutilize revenue sources like [property tax](#). Notably, **10 municipal corporations account for 60% of revenues**, highlighting resource disparities. Without full devolution of the **3Fs (Functions, Finances, Functionaries)**, [grassroots governance](#) remains weak. Strengthening fiscal powers and autonomy is essential for better local governance and accountability.

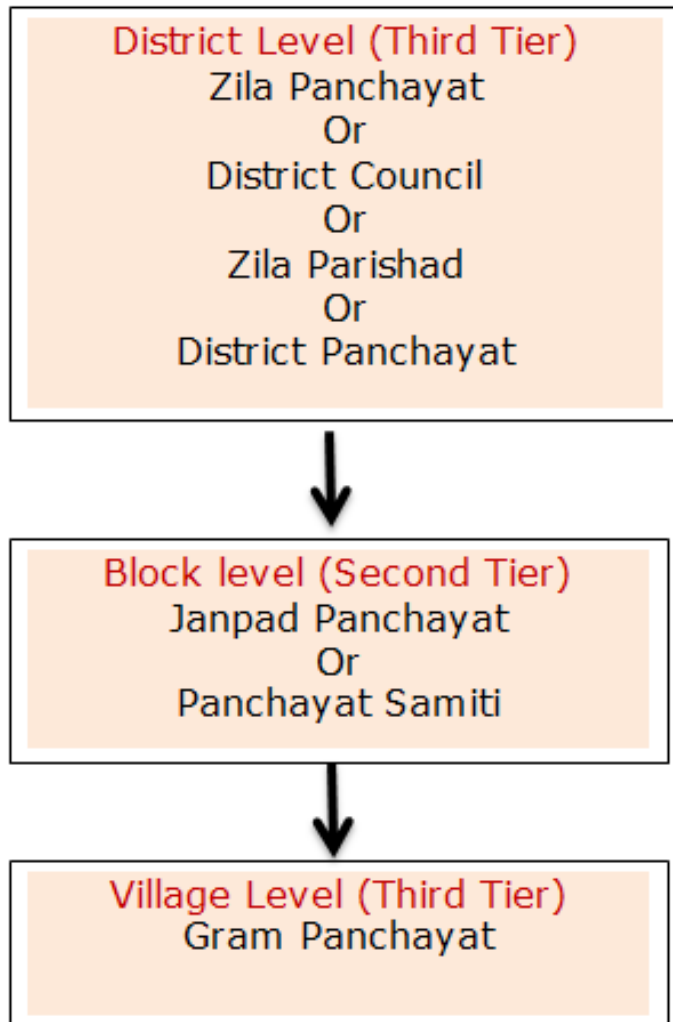
What is the Current Structure of Local Governance in India?

- **About:** Local bodies are **institutions of self-governance** responsible for planning, development, and administration in **rural (Panchayats) and urban (Municipalities)** areas.
 - They play a critical role as **regulators, service providers, welfare agents, and facilitators** of development at the grassroots level.
- **Constitutional Framework:** Local government is a **State subject** under the [Seventh Schedule \(List II\) of the Constitution](#).
 - [Article 243G](#) provides for the devolution of powers to local bodies, making them key players in delivering infrastructure and services.
- **Evolution of Local Bodies:**
 - Originated during British rule, Panchayati Raj was envisioned by Mahatma Gandhi as **"Gram Swaraj" (village self-governance)**.
 - Early efforts like the **1952 Community Development Programme** failed due to lack of public participation.
 - [Balwantrai Mehta's 1957](#) report advocated village-level organizations for implementing government schemes.

- The **Ashok Mehta Committee (1977)** emphasized empowering Panchayats, leading to "**Second Generation Panchayats.**"
- The **73rd Constitutional Amendment (1992)** institutionalized Panchayati Raj as the third tier of governance, granting powers for economic and social development planning over 29 subjects listed in the Eleventh Schedule.

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Structure of Panchayati Raj System (Different Level of Panchayati Raj System)



▪ Funding Sources for Panchayats:

- Local body grants recommended by the **Central Finance Commission**.
- Funds from **centrally-sponsored schemes**.
- State government allocations via **State Finance Commissions**.

What Role do Local Bodies Play in Strengthening Development in India?

- **Financial Decentralization and Resource Management:** The **15th Finance Commission** has allocated **Rs 4.36 lakh crore to local bodies for 2021-26**, marking a significant increase in their financial autonomy.
 - Municipal corporations are **increasingly exploring innovative financing methods**, with **Indore Municipal Corporation raising Rs 244 crore** through green bonds in 2022 for solar projects.
 - Property tax reforms, like **Bengaluru's GIS-based system implemented in 2023**, have shown potential to increase revenue.

- **Urban Planning and Infrastructure Development:** Local bodies are spearheading transformation through initiatives like the [Smart Cities Mission](#), with **100 cities** implementing projects worth Rs 2.05 lakh crore.
 - Municipalities are adopting climate-resilient infrastructure planning, exemplified by **Surat's flood management system**.
 - Innovative projects like **Indore's waste-to-energy plant**, showcase local bodies' capacity for sustainable development.
- **Social Welfare and Public Service Delivery:** Gram panchayats have played a crucial role in **MGNREGA implementation**, generating a total of 293.70 crore person days in FY 2022-23.
 - Local bodies' involvement in health infrastructure proved vital during **Covid-19**, with urban local bodies managing vaccination centers.
 - The convergence of schemes like [National Rural Livelihood Mission](#) through **panchayats** has helped form more than **90 lakh Self Help Groups**.
- **Environmental Sustainability and Climate Action:** Urban local bodies are leading climate action through initiatives like **India's first solar city Diu achieving 100% daytime solar power**.
 - Municipalities are increasingly adopting **green building codes**, with **Hyderabad mandating rainwater harvesting** in new constructions.
- **Participatory Democracy and Citizen Engagement:** The 50% reservation for women in local bodies has enhanced women representation at grassroot level.
 - Elected women representatives constitute **45.6% of total Panchayati Raj Institution representatives. (RBI report)**
 - **Participatory budgeting initiatives, like in Pune**, are strengthening democratic processes.
 - The **Area Sabha system, implemented in cities like Chennai**, has created neighborhood-level democratic units.
 - Gram Sabhas have achieved **85% attendance in key decisions**.
- **Economic Development and Livelihood Generation:** Through the PM SVANidhi scheme, municipalities have facilitated **more than 65.75 lakh loans, benefiting over 50 lakh street vendors**.
 - [Common Services Centers \(CSC\)](#) has launched the **Yogyata mobile phone application** to provide vocational educational and skill enhancement opportunities to youth.

What are the Major Challenges Confronting Local Bodies in India?

- **Inadequate Financial Resources:** Local bodies lack financial independence, relying heavily on state and central transfers, which are often delayed or conditional.
 - According to the RBI's 2022 report, **urban local bodies (ULBs) generated only 0.6% of GDP** as their own-source revenue (OSR), far below Brazil's 7%.
 - Limited capacity to **levy and collect taxes further exacerbates the issue**
 - The **15th Finance Commission granted ₹4.36 lakh crore** to local bodies for **2021-26**, but timely utilization remains a concern.
 - Also, **State Finance Commissions** are not established in a timely manner. This delay hinders the effective distribution of resources and proper fiscal planning at the state level.
- **Functional Challenges and Political Interference:** Frequent political interference undermines the functioning of local bodies, disrupting their autonomy and accountability.
 - State governments often **dissolve elected councils prematurely or delay local elections**, as seen in **Maharashtra**, where all 27 municipal corporations operated without elected bodies in 2023.
 - Additionally, party politics influence local decision-making, sidelining public welfare.
 - Karnataka's government notice of dismissal to **Belagavi Municipal Corporation** in 2023 highlights this interference.
 - Such actions not only weaken local democracy but also **delay critical urban reforms like waste management**.
- **Capacity Building and Human Resource Deficiency:** Local bodies suffer from severe **understaffing, lack of technical expertise, and inadequate training of existing staff**.
 - This affects their ability to plan, implement projects, and utilize modern technology for

- governance. The absence of specialized departments hampers efficient service delivery.
- A 2023 study found that municipal corporations have **35% vacant positions**.
 - **Urbanization and Infrastructure Stress:** Rapid **urbanization** has overwhelmed local bodies, straining their ability to provide essential services like housing, water, and sanitation.
 - Slum households constitute **17% of the total urban population**. At the same time, there are 11 million vacant homes across urban India. (**Observer Research Foundation**)
 - In Bengaluru, the **2022 floods exposed the failure of urban local bodies** to manage encroachments on drainage channels.
 - Similarly, slums in Mumbai face chronic water shortages, reflecting poor urban planning. Without proactive planning, local bodies struggle to meet the needs of rapidly growing populations.
 - **Environmental Management Challenges:** Managing waste and pollution remains a critical challenge for local bodies, with significant gaps in compliance and infrastructure.
 - The **Ministry of Environment, Forest and Climate Change** estimates that only **75-80% of the total municipal waste** gets collected and **only 22-28%** of this is processed and treated, and landfill sites like **Ghazipur in Delhi continue to grow**.
 - Poor waste management also exacerbates air pollution; for instance, **stubble burning in Punjab and Haryana** persists due to weak enforcement at the local level.
 - **Community Participation and Accountability:** Despite constitutional provisions, community participation in governance remains minimal, weakening local accountability.
 - A recent study states that as of January 2023, **only 8 of 16 states with notified ward committee rules** reported active committees.
 - Local bodies often fail to utilize mechanisms like **Gram Sabhas effectively (partially due to reduced powers under Biological Diversity (Amendment) Act, 2023)**, resulting in top-down decision-making.
 - **Coordination with Multiple Agencies:** Local bodies often struggle with overlapping jurisdictions and poor coordination with **parastatal agencies or Special Purpose Vehicles**.
 - Multiple authorities handling similar functions leads to inefficiency and delays in project implementation. Planning becomes complicated due to a fragmented institutional framework.
 - For instance, the **Delhi Development Authority (DDA) and Municipal Corporation of Delhi (MCD)** often face coordination issues when it comes to urban planning, land acquisition, and infrastructure projects.

What Measures can be Adopted to Empower Local Bodies in India?

- **Legal Framework Strengthening:** State municipal legislations need comprehensive revision to empower local bodies with greater autonomy and authority.
 - Following **L M Singhvi Committee recommendations**, dedicated tribunals should be established to handle local body disputes quickly.
 - Clear **delineation of functions between state and local bodies** needs legal backing through detailed activity mapping.
 - Enforcement powers of local bodies need strengthening especially in areas of **planning violations and revenue collection**.
 - Legal frameworks for **municipal borrowing and alternative financing** need establishment.
- **Financial Empowerment:** A comprehensive **municipal finance management system** must be established with **digital integration and modern property tax reforms** using GIS and market-linked rates.
 - Developing municipal bond markets and enabling direct market borrowing with credit rating mechanisms can create new funding channels.
 - **L M Singhvi Committee's recommendation** for stronger financial powers should be implemented through **state finance commissions and regular fiscal devolution**.
 - Local bodies should be empowered to **generate their own revenue through diverse sources like betterment levy, impact fees, and land monetization**.
 - **Kerala's decentralization model** successfully incorporates Panchayati Raj Institutions (PRIs) into state-level planning, ensuring grassroots participation in governance, can be replicated in other states too.
- **Administrative Reforms:** Following **GVK Rao Committee's** emphasis

on **professionalization**, a specialized urban administrative service cadre should be established with permanent technical staffing including urban planners and specialists.

- **Performance-based staff assessment and promotion systems** need implementation to ensure accountability and efficiency.
- **Regular capacity building and training programs** should be mandated for all levels of staff through dedicated institutions.
- E-governance platforms should **streamline administrative processes while enabling transparency and reducing corruption.**
- **Planning Authority Enhancement:** Local bodies need **planning autonomy within state guidelines**, with mandatory long-term master plans that undergo regular updates.
 - Strengthening **Metropolitan Planning Committees** with real powers will enable coordinated regional development.
 - Integration of **ward-level plans into city development plans** ensures bottom-up planning aligned with **Balwant Rai Mehta Committee's vision.**
 - Dedicated **planning cells in each municipality staffed with professional planners** will enhance planning quality and implementation.
- **Technology Integration:** Comprehensive digital platforms should integrate all municipal services with **real-time monitoring systems for service delivery and revenue collection.**
 - Smart infrastructure management solutions including **IoT sensors and automated systems** should be implemented for efficient asset management
 - Digital payment and collection systems need universal implementation to improve financial efficiency and transparency.
 - **SwachhAI** should be implemented in a steadfast manner.
 - Citizen engagement platforms with grievance redressal mechanisms should be mandatory.
- **Participatory Governance:** Ward committees need strengthening with real powers and budgets, implementing **L M Singhvi Committee's vision of grassroots democracy.**
 - Participatory budgeting mechanisms should be **mandatory with fixed percentage** allocation for ward-level decisions along with using **blockchain technology for transparent budgeting.**
 - Citizen monitoring of projects through digital platforms and **social audits needs to be institutionalized.** Regular ward sabhas and area sabhas should be mandated with online streaming for transparency.
- **Environmental Management:** Mandatory **climate action plans for all urban local bodies** need to be backed by dedicated funding and implementation mechanisms.
 - Integrated **waste management systems with waste-to-energy conversion** should be standardized across cities.
 - Environmental monitoring cells with **real-time air quality data and pollution control** measures need establishment.
 - Green infrastructure development **including urban forests and water conservation should be mandatory.** Sustainable urban planning guidelines need to be integrated into all development plans.

Conclusion:

Strengthening **India's local governance requires enhanced fiscal autonomy, administrative reforms, and robust legal frameworks** to empower local bodies. Empowering local bodies through **democratic decentralization will drive effective urban and rural development.** Active citizen participation and technology integration can foster greater transparency and accountability.

Drishti Mains Question:

Local bodies in India face significant challenges in governance due to the inadequate devolution of the 3Fs (Functions, Finances, and Functionaries). How can the devolution of powers, resources, and personnel be strengthened to improve the functioning of local governance?

Prelims

Q. Local self-government can be best explained as an exercise in (2017)

- (a) Federalism
- (b) Democratic decentralisation
- (c) Administrative delegation
- (d) Direct democracy

Ans: (b)

Q. The fundamental object of the Panchayati Raj system is to ensure which among the following? (2015)

1. People's participation in development
2. Political accountability
3. Democratic decentralisation
4. Financial mobilisation

Select the correct answer using the code given below

- (a) 1, 2 and 3 only
- (b) 2 and 4 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4

Ans: (c)

Mains:

Q. Do government 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)