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## **UNIT 2 URBAN GOVERNANCE: INSITUIONAL AND STRUTURAL FRAMEWORK**

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### **Structure**

- 2.1 Introduction
- 2.2 Urban Governance: Concept and Need
- 2.3 Urban Local Bodies and Municipal Governance in India
- 2.4 Urban Governance in India: Structural Changes and Innovations
- 2.5 Impediments in Improved Governance
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### **2.1 INTRODUCTION**

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Governance, in the modern times, has been becoming an important means for achieving societal development objectives. Although governance improvements are perceived differently in the developed and developing worlds, it is also becoming an area of convergence where both developed and developing societies could learn from experiments and make use of it for transforming respective societies. Governance is a concept which is used in different meanings in different contexts; it varies from narrow structural definition of its management of public affairs by government constituents i.e., legislation, executive and judiciary, to the processes that ensure deliveries, participation, justice, respect of rights, innovation and networking. Urban Governance is derived from the concept of governance in relation to urban areas to be reflective of how the various constituents of public service delivery are organized to increase the welfare of citizens (both current and future).

After reading this unit, you will be able to:

- Define urban governance
- Explain Urban Local Bodies and Municipal Governance in India
- Describe structural changes and innovations in urban governance
- Discuss the impediments of improved urban governance
- Measures to strengthen Urban Governance

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### **2.2 URBAN GOVERNANCE: CONCEPT AND NEED**

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Urban Governance is derived from the concept of governance in relation to urban areas to be reflective of how the various constituents of public service delivery are organized to increase the welfare of citizens (both current and future). It can

only be measured relatively, and somewhat subjectively, how effective the institutions are in terms of the principles of sustainability, decentralization, efficiency, equity, participation, transparency, accountability, civic engagement and citizenship, and security. It requires a periodic strengthening of these aspects of city management in order to ensure service delivery, which is considered achievable through strategies of enabling, participation and capacity building.

The urban or city governance definition and process are essentially those pertaining to governance in general i.e., central to the concept of city governance is the notion that a multitude of actors are involved in the city governance process. However, initiatives towards better governance can come not only due to the pressures of urbanization but also with increasing financial constraints and fragmented responsibilities, which is making many cities to realize now that only a collegiate effort can improve city and its competitiveness, thereby the cities can discover the virtuous circles.

In this context, city governance is more concerned with a network of system of governance rather than government, in which all sectors (public, private and other social organizations) and geographies (cities, regional and national) interact in the decision making process in order to produce an efficient and effectively managed city as well as promoting city at a global level. This perspective has important implications for city strategists, planners, businesses and real estate players, because, once adopted, it involves all of them in a complex and networked process of decision making that can shape and change the future of their city. In fact, the realization of this is leading to the emergence of new networks that create new platforms for discussion and debate on how to make the cities better governed and what resources are required to make it happen.

It is the partnerships which need to be forged and developed in order to improve the overall city governance. However, city governance can be understood not only in the static framework of interactions but also as a dynamic interaction between these major stakeholders and external agencies operating outside the city. Sometimes, these agencies might provide a direction to the change, known as good urban governance. In many ways, urban governments in the developing countries are a classic case for the application of 'good governance' prescription because of:

- multiple government agencies with poor interconnection
- government major provider of services, but often inefficient
- extensive but uneven regulation
- conflicting agency agendas producing regulatory stalemate
- frustration of development opportunities
- widespread evasion of regulation
- considerable scope for corruption

In this session you read about Urban Governance, now answer the questions given in Check Your Progress 1

**Check Your Progress 1**

**Note:** a) Write your answer in about 50 words

b) Check your answer with possible answers given at the end of the unit

1) What are principles of good governance?

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2) How do you measure effective Urban Governance?

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3) Who are the key players in decision making and implementation process of governing the cities?

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**2.3 URBAN LOCAL BODIES AND MUNICIPAL GOVERNANCE IN INDIA**

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Municipal governance in India was first introduced in 1687 when the Madras Municipal Corporation was formed, followed by the creation of the Calcutta Municipal Corporation and the Bombay Municipal Corporation in 1726. In 1850, the Improvements in Towns Act was passed by the Government of India that established a system of councillors and gave them administrative authority. Subsequently, Lord Mayo’s Resolution of 1870 instituted the system of city municipalities and called for the introduction of an elected president to lead them.

In 1882, Lord Ripon’s Resolution of Local Self-Government created the outline and structure of municipal governance in India. It introduced a two-tier system of governance to increase governance efficiency through decentralisation of functions. Based on the 1918 Montague-Chelmsford Report, the Government of India Act 1919 introduced the system of ‘Dyarchy’, where power-sharing arrangements between the state and the local bodies differed, but conformed to the same organisational pattern.

The District Municipalities Act of 1920 transformed the Municipal Councils into elected bodies and granted them powers to flesh out their own budgets. The

Government of India Act 1935 brought local government within the purview of the state or provincial government and granted them enhanced powers.

The following types of urban local bodies are found in India:

- 1) **Municipal Corporation** – Municipal Corporation is established by the Act of state government for the big cities of states and by the Act of Parliament for the big cities of Union Territories. A corporation has three authorities. First is the corporation council headed by the Mayor, who is assisted by the Deputy Mayor. The councillors and Mayor are directly elected by the people. Council is a deliberative and legislative organ of the corporation. Second organ of the corporation are the standing committees to deal with various activities like health, education, public works and are empowered to take decisions in their respective fields. The third authority of the corporation is the Municipal Commissioner, who is a government officer and is responsible for the implementation of the decisions taken by the council and standing committees.
- 2) **Municipalities** – They are setup by the Acts of state legislature for the administration of small cities or towns. It also has three authorities. First the municipal council is the legislative branch of the municipality, and is headed by the Chairman, who in turn is assisted by a Deputy Chairman. The standing committees facilitate the work of municipality in various fields such as health, taxation finance etc. The third authority of the municipality is the Chief Municipal Officer, who is appointed by the state government and is responsible for the general administration of the municipality.
- 3) **Notified Area Committee** – This may be created either in a town which is fast developing or which may not fulfill the conditions for the creation of a municipality. It is known as Notified Area Committee because it is created through a notification of the state government published in the official gazette. It is not a statutory body and all its members and chairman are nominated by the government. It performs similar functions as performed by a municipality.
- 4) **Town Area Committee** – It is created by a separate Act of state government for the administration of small towns. It performs a limited number of functions like street lighting, drainage, etc. As provided in the Act, it may be wholly elected or totally nominated or partly elected or partly nominated body.
- 5) **Cantonment Boards** – They are established to perform municipal functions for civilian population living in cantonment or military areas. Its noticeable feature is that it is created and works under the central Act of 1924 under the administrative control of Ministry of Defence. There are three types of Cantonment Boards depending upon the number of civilian population in the Cantonment Area. It consists of partly elected and partly nominated members. The members are elected for a three year term. The military officer commanding the cantonment station is the ex officio chairman of the Cantonment Board.
- 6) **Townships** – Townships are established by a public sector undertaking as its housing colony to provide civil amenities to its employees living in township. It has no elected members and its affairs are managed by a Town Administrator appointed by the public sector undertaking.

- 7) **Port Trusts** – Such urban bodies are established by an Act of the Parliament to manage and protect ports and to provide civic amenities to the port area. It is headed by an official appointed by the central government. It has both elected and nominated members.
- 8) **Special Purpose Agencies** – The state governments establish some special purpose agencies to perform some specific functions of municipalities. They function as separate bodies not under the control of municipalities. They may be created either by an act of State Legislature or by an order of the executive. Some of these agencies are Housing Board, Water Supply Undertaking, Electricity Supply Undertakings, Urban Development Authorities, etc.

### 2.3.1 The 74<sup>th</sup> Constitution Amendment Act of 1992 and Urban Local Bodies

Prior to 1992, Indian local governments did not have a constitutional status but only a statutory status under state law. Therefore, the governance of urban areas was directly under the control of the state government. This changed with the enactment of the 74th Constitution Amendment Act, 1992. For the first time in the history of urban governance, Urban Local Bodies (ULBs) were granted a constitutional position as the third tier of government.

These bodies were given a constitutional outline for conducting regular elections, powers and financial devolution. The Amendment assigned local bodies with the responsibility of providing basic services.

Urban Local Bodies (ULBs) are classified depending on the population:

- Nagar Panchayats: for ‘rurban’ areas
- Municipal Councils: for smaller urban areas
- Municipal Corporations: for metropolitan areas

*“In many States local bodies have become weak and ineffective on account of a variety of reasons, including the failure to hold regular elections, prolonged supersessions and inadequate devolution of powers and functions. As a result, Urban Local Bodies are not able to perform effectively as vibrant democratic units of self-government.”*

Municipalities were designed to incorporate elected representatives, experts and the Municipal Chairperson. They were awarded a five-year term with re-election scheduled for within 6 months of dilution. Towards this, a state-level Election Commission was established.

The 74th Constitution Amendment Act also sought to institute the Directive Principle of decentralisation in the urban context. ULBs were granted powers and responsibilities in terms of preparation of plans, implementation of development schemes, and administration of taxes. A state level Finance Commission was established to review the finances of ULBs falling within its purview.

In addition to these three tiers of local government, two other important organisational structures — the District Planning Committee and the Metropolitan Planning Committee— have been created under the Constitution. The 74<sup>th</sup> Constitution Amendment Act also added the ‘Twelfth Schedule’ to the Constitution. The Schedule (Article 243W) enumerates the functional responsibilities that the municipalities are meant to shoulder.



**Table 3.1: Main Characteristics of Urban Local Governments**

Type of Municipality	Rationale for Constitution and Brief Characteristics	
	Before 1992	After 1992
Municipal Corporation	<ul style="list-style-type: none"> <li>Established in metropolitan areas or big cities</li> <li>Wider functions and larger powers than councils, enjoy more autonomy and have larger revenue resources</li> <li>Separation of deliberative from executive functions and vesting of all executive powers in an appointed authority who is independent of the elected body.</li> </ul>	<ul style="list-style-type: none"> <li>Constituted in “large urban areas”*</li> </ul>
Municipal Committee/ Council	<ul style="list-style-type: none"> <li>Most popular form of local government in urban areas</li> <li>Set up in cities and large towns</li> <li>Extent of State control is relatively larger than corporations</li> </ul>	<ul style="list-style-type: none"> <li>Constituted in “small urban areas”*</li> </ul>
<i>Nagar Panchayat</i>	<ul style="list-style-type: none"> <li>Constituted after 1992</li> </ul>	<ul style="list-style-type: none"> <li>Constituted in “areas in transition from rural to urban”*</li> </ul>
Notified Area Committee	<ul style="list-style-type: none"> <li>Set up by State government in medium and small towns</li> <li>Created for areas which do not fulfill conditions for constitution of councils but are otherwise important.</li> <li>Also created for newly developing towns or areas where industries are being established.</li> <li>All members including chairman are nominated by State government and not elected.</li> </ul>	Abolished
Town Area Committee	<ul style="list-style-type: none"> <li>Semi-municipal authority constituted for small towns.</li> <li>Members are either wholly nominated or wholly elected, or partly nominated and partly elected.</li> </ul>	Abolished

**Source:** Report of the Committee of Ministers Constituted by the Central Council of Local Self Government (1963); Government of India (1966); Sachdeva, Pardeep (1993); Constitutional Provisions Relating to Village Panchayats and Municipalities in India (1999).

**Note:** \*A “large urban area”, a “small urban area” and a “transitional area” are defined as such area “as the Governor may, having regard to the population of the area, the density of the population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities, the economic importance of such other factors as the Governor may deem fit, specify by public notification” (Constitutional Provisions Relating to Village Panchayats and Municipalities in India, 1999).

The number of municipalities (i.e., municipal corporations, municipal councils and *nagar panchayats*) differs from State to State. It is obvious that States with a large number of urban areas have a higher number of municipalities. There are some States where municipal corporations and/or *nagar panchayats* do not exist. This is due to the fact that the urban areas in such States do not fulfil the conditions for the constitution of a particular type of local government.

Municipalities are constituted by the State governments, which specifies the class to which a municipality shall belong in accordance with the provisions of the municipal Act. For this purpose, size of the urban population is the main criterion. However, in some States consideration is also given to other criteria, such as location of the urban area and the per capita income.

**Table 3.2: Criteria for Constitution of Municipalities in some States**

Name of State	Type of Municipality and Criteria		
	Municipal Corporation	Municipal Council	Nagar Panchayat
Haryana	Population of 300,000 or more	Population of more than 50,000 and not exceeding 500,000	Population of not more than 50,000
Rajasthan	Population of 500,000 or more	Population of more than 100,000 and not exceeding 500,000	<p><b>Class II:</b> Located at District Headquarter; population of 50,000 or more and not exceeding 100,000; per capita income of Rs. 200 or more</p> <p><b>Class III:</b> Population of 25,000 or more and not exceeding 50,000; population of less than 25,000 and per capita income of Rs. 150</p> <p><b>Class IV:</b> Population of less than 25,000</p>

*Source: Municipal Law in Rajasthan, Vol. II (2005: 549-50); The Haryana Municipal Act, 1973 (2005: 47); United Provinces Municipalities Act, 1916 (2004).*

**Note:** In Rajasthan, *Nagar Panchayats* (also known as Municipal Boards) have been further classified as Class II, III, and IV municipalities; Municipal Corporations and Municipal Councils are referred to as Class I municipalities.

### 2.3.2 Municipal Legislation

Urban local governments are governed by the provisions of the State municipal Acts. Every State has its own municipal Act. The State legislature is empowered by the central government to decide on the structure, functions and powers to be entrusted to the local governments. Although the content and format of various State municipal Acts is more or less uniform, there are striking differences in the provisions for devolution of powers, functions and funds to local governments

since this is determined by the condition of both the State and the local government. The system is regulated by enactments passed from time to time by State legislatures. Furthermore, municipalities possess powers to draft local byelaws on various provisions for the furtherance of municipal administration. This is due to the fact that each urban area has its own distinct character. The byelaws are sent to the State legislature for approval. The municipal Act is, therefore, a comprehensive guiding legal document for the local government officials and the elected representatives, and byelaws are framed to further clarify the administrative procedures.

In every State, two different types of Acts are generally in use – one for the Municipal Corporations and a common Act for the Municipal Councils and *Nagar Panchayats*. In a few States where several municipal corporations exist, the legislature has framed municipal Acts especially for some corporations. The remaining corporations in the State are governed by a common municipal corporations Act.

### 2.3.3 Composition of Municipalities

There have been significant changes in the composition of municipalities since their constitution. In the ancient period, municipal administration was in the hands of the ruling class or the ruling government and their subordinate offices and departments. Urban citizens were not happy with the prevailing ‘centralized approach’, which was characterized by excessive bureaucracy. It was gradually realized that because local governments were formed for the welfare of the urban citizens, it was necessary to involve them. This thinking paved the way for citizen’s participation in municipal affairs. A select number of urban citizens are now chosen by holding elections to municipalities. For this purpose the municipal area is divided into several wards delineated on the basis of population. There is a contest for the seat/post of councilors in municipalities among the eligible voters at the ward level. One person from each ward is elected to the post of councilor. Elections are also held for the post of a mayor in municipal corporations and a chairperson (also known as a president/chairman) in municipal councils and *nagar panchayats*.

The State government departments are responsible for the organisation of municipal elections. Besides, the State government appointed staff and persons nominated by the State government, citizen’s representatives have become a part of the local government. Whereas the appointed staffs are trained to handle their duties, citizens’ representatives are more aware of the quality of life at the ward level. The effort of the government has been on maintaining a balance in the distribution of power between the officials and the non-officials and on establishing a democratic form of local government. To enable wider participation in municipal affairs, seats in local governments are reserved for some sections of the society. In addition to the appointed, nominated and the elected functionaries, ex-officio persons are also affiliated to the local government. A typical composition of an urban local government is shown below:



**Table 3.3: Composition of Urban Local Governments**

Category	Type of Municipality	
	Municipal Corporation	Municipal Council/ Nagar Panchayat
Elected Members	<ul style="list-style-type: none"> <li>• Mayor; Deputy Mayor</li> <li>• Councillors/Elected Ward Representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson/President; Vice-President</li> <li>• Councillors/Elected Ward Representatives</li> </ul>
Ward Representatives	<ul style="list-style-type: none"> <li>• MPs</li> <li>• MLAs</li> <li>• MLCs</li> </ul>	<ul style="list-style-type: none"> <li>• MPs</li> <li>• MLAs</li> <li>• MLCs</li> </ul>
Ex-officio Members		
Appointed Staff	<ul style="list-style-type: none"> <li>• Municipal Commissioner</li> <li>• Subordinate Staff</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Officer</li> <li>• Subordinate Staff</li> </ul>
Nominated Members	<ul style="list-style-type: none"> <li>• Selected Citizens</li> </ul>	<ul style="list-style-type: none"> <li>• Selected Citizens</li> </ul>

*Source: State Municipal Acts.*

- Notes:**
- i) Elected Members: There is one seat of Mayor/President, Deputy Mayor/Vice-President in a municipality; there are as many councillors as the number of wards in a municipality.
  - ii) Ex-officio Members: MP – Member of Parliament; MLA – Member of Legislative Assembly; MLC – Member of Legislative Council.
  - iii) Appointed Staff: There is one position of Municipal Commissioner/Executive Officer in a municipality; the various sub-committees of a municipality are run by the subordinate staff in association with the elected members and the Municipal Commissioner/Executive Officer. Such staffs do not have the right to vote in the meetings of the municipality.
  - iv) Nominated Members: A certain number of persons having special knowledge or experience in municipal administration are nominated by the State government. Such members do not have the right to vote in the meetings of the municipality.

**Box 3.1 : Reservation of Seats in Municipalities (Article 243 – T)**

- 1) Seats shall be reserved for the **SCs and STs** in every Municipality and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Municipality as the population of the SCs in the Municipal area or of the STs in the Municipal area bears to the total population of that area and such seats may be allotted by rotation to different constituencies in a Municipality.
- 2) Not less than one-third of the total number of seats reserved under clause (1) shall be reserved for **women belonging to the SCs or as the case may be, the STs.**
- 3) Not less than one-third (including the number of seats reserved for women belonging to the SCs and the STs) of the total number of seats to be filled by direct election in every Municipality shall be reserved for **women** and such seats may be allotted by rotation to different constituencies in a Municipality.

- 4) The offices of **Chairpersons** in the Municipalities shall be reserved for the SCs, the STs and women in such manner as the Legislature of a State may, by law, provide.
- 5) The reservation of seats under clauses (1) and (2) and the reservation of offices of Chairpersons (other than the reservation for women) under clause (4) shall cease to have effect on the expiration of the period specified in Article 334.
- 6) Nothing in this Part shall prevent the Legislature of a State from making any provision for reservation of seats in any Municipality or offices of Chairpersons in the Municipalities in favour of **backward class** of citizens.

Today, there are around 5161 ULBs with Municipal Corporations, Municipal Councils and Nagar Panchayats, besides Cantonment Boards.

### 2.3.4 Duties of Municipalities

The basic objective of an urban local government has changed from the maintenance of law and order in the early years to the promotion of the welfare of the community in recent times. The State municipal Acts provide an exhaustive list of functions, which are classified into obligatory and optional or discretionary functions. The former have to be necessarily performed by the local government and for which sufficient provision in the budget has to be made. Failure to perform any of these functions may compel the State government to supersede a municipality. Discretionary functions may be taken up depending upon the availability of funds. Municipal functions listed in the State municipal Acts generally fall in the following broad categories: (a) public health and sanitation; (b) medical relief; (c) public works; (d) education; (e) development; and (f) administrative .

**Table 3.4: Functions of Urban Local Governments**

S.No.	Category	Description
1	Public Health and Sanitation	Water supply, public vaccination, control of diseases, prevention of pollution, collection & disposal of rubbish, maintenance of sewers, etc.
2	Medical Relief	Establishment & maintenance of health institutions, etc.
3	Public Works	Construction & maintenance of streets, bridges, etc., control & regulation of building activity, street lighting, tree plantations, etc.
4	Education	Establishment & maintenance of educational institutions, etc.
5	Development	Construction & maintenance of markets, shopping centres, drinking water standposts, wells, parks, gardens, etc.; preparation of comprehensive plans for development & growth of town, etc.
6	Administrative	Preparation of annual reports, maintenance & development of municipal property, regulation of traffic, registration of births & deaths, etc.

*Source: Government of India (1966: 20-23); Municipal Acts of various States.*

Furthermore, the Seventy-Fourth Amendment Act, 1992 provides that State legislatures may endow municipalities with 18 functions. Whereas many of these functions (such as urban planning, water supply, sanitation, slum improvement, etc.) were already listed in the municipal Acts of most States, certain new functions have been included, namely planning for economic and social development; urban forestry, protection of the environment and promotion of ecological aspects; safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded; urban poverty alleviation; and promotion of cultural, educational and aesthetic aspects. It is understood that the listing of the 18 functions has been done to ensure that State governments give priority to at least those functions that are of importance to every urban area. In most State municipal Acts, the list of 18 functions has been inserted.

**Box 3.2: Powers, Authority and Responsibilities of Municipalities (Article 243 – W)**

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow:

- a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to:
  - i) the preparation of plans for economic development and social justice;
  - ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the **Twelfth Schedule**;
- b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

**Twelfth Schedule**

- 1) Urban planning, including town planning;
- 2) Regulation of land-use and construction 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 the environment and promotion of ecological aspects;
- 9) Safeguarding the interests of weaker sections of society, including the handicapped & mentally retarded;
- 10) Slum improvement and upgradation;
- 11) Urban poverty alleviation;

- 12) Provision of urban amenities and facilities, such as parks, gardens, playgrounds;
- 13) Promotion of cultural, educational and aesthetic aspects;
- 14) Burials and burial grounds; cremations, cremation grounds and electric crematoriums;
- 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; and
- 18) Regulation of slaughterhouses and tanneries.

*Source: Constitutional Provisions Relating to Village Panchayats and Municipalities in India*

### **2.3.5 Division of Powers - Elected, Nominated and Administrative**

The 74<sup>th</sup> Constitution Amendment Act provides the outline for elected and nominated councillors. The number of elected councillors varies according to the population of an area. Nominated councillors are to be selected by the elected councillors for their expertise in municipal administration. However, they are not granted voting rights.

#### **The municipal corporation – organisational Structures**

The 74<sup>th</sup> Constitution Amendment Act does not specify any specific organisational structure for municipal administration in India. This is an issue for state legislation and the structure differs from state to state.

The Ministry of Urban Development drafted a Model Municipal Law, 2003 which was circulated to state governments. The rationale for the lack of a centrally administered Municipal Model is that local bodies need to be flexible to respond better to local requirements. As detailed below, two broad models are commonly in use.

##### **i) Commissioner system**

###### **The mayor**

The Mayor in the Municipal Corporation is typically chosen through indirect elections by the councillors among themselves, for a term of one year, which is renewable. The Mayor does not have executive authority. Councillors and Committee Councillors act as a committee. The most powerful committee is the standing committee, which functions as the steering board exercising executive, supervisory, financial and personnel powers. It is composed of elected members varying in number between seven and sixteen through a system of proportional representation of councillors.

###### **The Executive**

The Municipal Commissioner acts as the Chief Executive Officer and head of the executive arm of the Municipal Corporation. All executive powers are vested in the Municipal Commissioner. The powers of the Commissioner are provided by the statute and delegated the Standing Committee.

**ii) Mayor in council model**

This form of city governance is similar to a cabinet government and follows the framework of state and national governments. This model consists of a Mayor and a cabinet, with individual portfolios, chosen from among the elected councillors. The Municipal Commissioner acts as the Principal under the supervision of the Mayor who is the Chief Executive Officer.

Although the above “model” structure may seem relatively simple, in reality, urban governance is a confusing mix of multiple agencies. Some are new while others are legacies of older regimes; some are answerable to local government while others to state level or even national government.

In this session you have been read about the Municipal System in India, now answer the questions given in Check Your Progress 2.

**Check Your Progress 2**

**Note:** a) Write your answer in about 50 words

b) Check your answer with possible answers given at the end of the unit

1) What are main components of 74<sup>th</sup> Constotution Amendment Act ,1992?

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2) What are the duties of municipality?

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**2.4 URBAN GOVERNANCE IN INDIA:  
STRUCTURAL CHANGES AND INNOVATIONS**

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India has been experiencing several changes in the political and economic space, which have some implications to governance and, so also, to urban governance. India had followed mixed economic model with public sector leading the economy and public spending determining the welfare of the society. There was a significant deviation in this approach through economic policy reforms in 1991 that were brought as a necessity to make India emerge as a strong economy in line with competition from other countries. With this added pressure on services, in addition to the pressures from rapid urbanization gripping the country in 1980s, markets emerged as important institution in the wider allocation of resources, in their ability to mop-up and bring-in private resources in economic activities and in representing the needs (and aspirations) of growing consumer class in cities.



## 2.4.1 Legal Provision relating to Municipal Governance

74th Constitutional Amendment Act in 1992 sought to give a new lease of life to municipal bodies by identifying them as the third tier of urban governance. The Amendment Act focused on devolving additional functions to the municipal bodies and urging the state governments to assign them more taxation powers commensurate to their additional responsibilities. These are as follows:

### i) Municipal elections and functioning of ward committees

As per a study conducted by the NIUA (National Institute of Urban Affairs), municipal elections have been held by most of the states. Nine states have constituted ward committees to ensure representation from each ward in the decision-making process. However, ward committees are functional only in Tamil Nadu and Kerala. In fact, Kerala is the only state where the ward committees are functioning successfully in each and every ward and in towns having population above 1 lakh.

### ii) Transferring of functional responsibilities

Most of the states have incorporated provision in the Municipal Acts for the devolution of power to the municipal bodies. However, the extent of functions devolved differs from state to state. The states of Kerala, West Bengal, and Tamil Nadu have in fact assigned some additional responsibilities apart from those mentioned in the 12th Schedule.

### iii) State finance commission and financial reforms

The finance commissions constituted in various states of India have attempted a detailed review of the financial position of the municipal bodies. Most states have constituted two SFCs (state finance commissions) so far.

### iv) Constitution and functioning of DPCs and MPCs

The DPCs (district planning committees) were constituted with a view to achieving integrated regional planning. It was envisaged that the DPCs would prepare draft development plans, including spatial plan for the district, and would integrate the common interest of the rural and urban areas within the district. Their role would also be advisory to the local bodies in preparation of development plans and their effective implementation. Coordination and monitoring of implementation of district development plans and allocation of resources to local bodies for planning and implementation of local-level projects contained in the district development plans would be another area of intervention by the DPCs.

MPCs (metropolitan planning committees) were to be constituted in every metropolitan area. The purpose was to accord constitutional recognition to metro-regional planning with a view to augmenting investment in economic activities and infrastructure, by putting in spatial planning inputs. MPCs would be responsible for functions such as preparation of draft development plan for the metropolitan areas, spatial coordination of plans prepared by the municipalities and panchayats in the metro area, and recommending modifications in the local area plan. The MPCs would also advise local bodies in preparation of development plans and, thereafter, monitor effective implementation of approved development plan of the region.

It is widely held in the public finance literature that the Act, however, did not address the mobilization of resources to cover financial requirements of service provision but, rather, exacerbated it by the addition of new functions. Yet, as noted earlier, cities have not done enough in terms of improving governance modes and building governance structures that can anticipate changes and prepare themselves for the same. The capacity of many local governments to plan and manage their cities is limited and, as a result, they are not able to meet the challenges of increasing demands.

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## 2.5 IMPEDIMENTS IN IMPROVED URBAN GOVERNANCE

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Urban governance and management have predominantly been the constitutional domain of state governments. The municipal bodies have been functioning under state governments, which have been delegating authority, powers, and functions to them through state legislative enactment. These local institutions of urban government have become weak over the years due to a host of factors, including encroachment on traditional and legitimate municipal functions by creating parastatals and urban development authorities, weak executive system, fragile fiscal health, and inadequate staffing and expertise in municipal management .

### i) Issues in decentralization

As discussed in the earlier section on implementation of the 74th Constitutional Amendment, states have incorporated provisions in their Municipal Acts for transferring additional functions to the municipal body, but the extent of functions transferred differs from state to state. Further, the performance of Municipal Bodies in undertaking these functions varies from city to city even in the same state. Discussions with stakeholders brought out that capacity and resource constraints of municipal bodies are the major reasons for this difference in their performance. While the larger municipal corporations still have access to funds, the smaller municipal councils are financially very weak. Further, the devolution of functions to the municipal bodies is also affected by the fact that in some cities, the parastatals, which traditionally delivered certain basic functions, have not been dismantled. As a result, they continue to perform certain functions that may have legally been passed on to the municipal bodies. The continued existence of the parastatals has led to overlaps and often conflicts in the roles and responsibilities of each agency involved in municipal governance. In such a scenario it becomes difficult for the citizens to hold any particular agency responsible for inadequate service delivery.

### ii) Financial impediments

The ULBs are financially weak, and while there is provision to levy and collect adequate user charges, such provisions are not fully utilized. Many municipal bodies are running into deficits and are heavily dependant on government grants. The state budgetary allocations have, however, been drying up for most states, and it is being realized that the traditional system of funding based on plan and budgetary allocations will only reduce in the future.

### iii) Operational capacity issues

Most ULBs face problems due to lack of capacity, improper staffing patterns, and lack of standardization. They do not have the institutional, operational, educational, and legal capability to develop commercially viable infrastructure projects, mobilize resources for the projects, and implement them. Lack of adequate training is the main impediment in introducing new technologies and management styles in the working of the municipal corporations. E-governance initiatives, accounting reforms, and in fact, even private participation all require a certain level of training of the staff on IT systems, accounting norms, and so on.

### iv) Insufficient public participation

The urban governance system lacks people's involvement in the decision-making process. While there is little effort on part of the municipal bodies to include people in the process, the problem gets compounded by the fact that there is very little awareness amongst citizens themselves on their role in the governance process.

### v) Issues in transparency and accountability

The lack of transparency and accountability in the working of urban local bodies has already been brought out in the earlier discussions on the Municipal Disclosure Law. The main impediment towards achieving transparency and accountability is not the lack of understanding on the need for the same but the lack of means to achieve the same. Most ULBs are severely capacity constrained both in terms of funds and manpower. In such a scenario, it becomes difficult to put in places systems that would enhance accountability. In fact, the root cause of the problem of inefficient service delivery is the capacity constraints of ULBs.

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## 2.6 MEASURES TO STRENGTHEN URBAN GOVERNANCE

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The Planning Commission of India constituted a Working Group on Urban Governance for formulation of 12<sup>th</sup> Five Year Plan. Some of the recommendations of the committee for strengthening urban governance are as follows:

- 1) **Standardizing the classification of ULBs:** The states should adopt standard norms for classification of ULBs. It would be advisable that all the municipalities should be reclassified into three categories: Municipal Corporation for large urban areas of 5 lakh and more population; Municipal Council for urban areas of 1 lakh to 5 lakh population and Nagar Panchayat for towns below 1 lakh population.
- 2) **Strengthening Ward Committees:** There is wide variation in the functioning of ward committees across the state. Although, the legal provisions for the constitution of a Wards Committees have been made in most of the states, the actual spirit of the Amendment is diffused. Hence, constitution of ward committees and their functioning needs to be incentivized. Further, there is a need to establish area sabhas and to create the linkage between area sabhas and ward committees so as to ensure that accountability and participatory processes became a reality.

- 3) **Strengthening Metropolitan Planning Committees:** The 74<sup>th</sup> Amendment specific establishment of a Metropolitan Planning Committee (MPC) for preparing development plans at the metropolitan level. However, MPCs are yet to evolve as per the spirit of the constitutional amendment. Only a few states have initiated creation of such entities. The central government needs to support the state government in this respect.
- 4) **Empowerment of political office bearers:** The Mayors or Chairpersons of the ULBs should be accountable to people and need to have power and tenure commensurate with this objective. The local conditions should determine whether the cities should adopt a “Mayor in Council” system or an “Executive Mayor” system. In addition, there is a critical need for building the capacity of the political executive specifically in areas such as sensitization vis-à-vis the need for reforms, service level benchmarks, etc.
- 5) **Convergence of functions of Parastatals/State Bodies with Local Bodies:** Historically, due to poor staffing and technical capabilities of the Local Bodies, a number of Para-Statal Bodies were created for providing services listed in the 12<sup>th</sup> Schedule. Consequently, a large number of parastatals, including Development Authorities, Water Supply & Sewerage Boards, Slum Housing & Development Boards, PWD etc. have been performing various functions which could have been vested with the Local Bodies in accordance with the mandate of the 74<sup>th</sup> Amendment. The multiplicity agencies providing various services in the Urban Sector has led to overlapping, ambiguity and wastage of resources. Over and above that, the parastatal bodies are not elected Bodies and are not directly answerable to the citizens. There is a need for activity mapping for these bodies.
- 6) **Framework for Governance of Mega Cities:** The problems of megacities are admittedly complex. The large scale of interventions required for core services such as water supply, sanitation and roads, leads to formidable administrative challenges. This is made more complex as trunk services historically have not been mapped or digitized, unregulated use of vacant lands have lead to haphazard growth, proliferation of slums, unauthorized construction and encroachment. Therefore, the challenge before the mega cities is how to ensure good municipal administration keeping in view such large complexities. There is a need for creating a governance system for these cities.
- 7) **Strengthening the Organisational Capacities:** The poor quality of urban managers is one of the major reasons for sub optimal urban administration. The manpower available in most of the urban local bodies is not equipped with the necessary technical and planning skills to meet the growing urban challenges. There is an urgent need for increased investment, financial management and audits in local bodies. Thus, creation of a municipal cadre is essential.
- 8) **Regulatory Mechanisms for Delivery of Basic Urban Services:** An Independent Urban service Regulator is the need of the hour as the current paradigm of service provider deciding service levels and tariff is outdated. The regulator would monitor provision of service as well as tariff regime and ensure transparency and efficiency.

- 9) **Public Private Partnership:** PPPs which are structured around a robust revenue model (including user charges, targeted subsidies, and viability gap funding) and offer a good prospect of return on investment can contribute to systemic gains and better management of urban services. The State governments should bring out a legislative framework to address the entire gamut of issues in implementation of PPP Projects and develop clear policies with regard to identification of projects which can be developed and implemented on PPP basis, delivery processes, project development, approval and implementation process, guiding principles of contract management, etc.
- 10) **Accountability and Citizen Participation:** A more interactive and participative framework should be followed by ULBs to ensure greater accountability to the citizens. Citizen Report cards, like the one prepared by the Public Affairs centre in Bengaluru, need to be replicated across all cities.
- 11) **Use of E-Governance and Technology for Improvement of Delivery of Services and Need for Database:** The information Technology (IT) can play an important role in improving governance. With municipal administration becoming increasingly complex, the benefits of IT adoption are becoming more and more visible across several municipalities. The tools of IT and E-Governance should be strengthened and adopted in all the ULBs and for this, whatever skill upgradation is required, should be done.

In this session you read about the lacunas of urban governance and steps required to strengthen them, now answer the questions given in the Check Your Progress 3

### Check Your Progress 3

**Note:** a) Write your answer in about 50 words

b) Check your answer with possible answers given at the end of the unit

- 1) What are the impediments in improved urban governance?

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- 2) What are the broad aims of implementing e-governance in municipalities?

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## 2.7 LET US SUM UP

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The phenomenon of urbanization, globalization and liberalization are increasing pressure on service delivery in the cities of developing countries that are engulfed by vast number of problems. Unfortunately, most of the cities are ill equipped to tackle the problems and pressures because either they gave inadequate thought about the trajectories of city growth or because they did not plan and allocate resources to do it; even otherwise, there are inefficiencies built-in through traditional designs of institutions of service delivery made on political and bureaucratic forces. This is leading to government failures in service delivery, which can be addressed by institutional innovations under partnership mode (apart from governance reforms) to steer urban governance in right direction. However, policy reforms are also needed so that right kinds of incentives prevail for nurturing new institutions.

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## 2.8 KEYWORDS

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Governance, Partnership, Management, Network, Municipal, Organisational, Efficiency, Urban, Reform, Accountability, Participation

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## 2.10 CECK YOUR PROGRESS POSSIBLE ANSWERS

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### Check Your Progress 1

- 1) What are principles of good governance?  
A) (a) Participation (b) Rule of Law (c) Transparency (d) Responsiveness (e) Consensus orientation (f) Equity, Efficiency and Effectiveness (g) Accountability (h) Strategic Vision
- 2) How do you measure effective Urban Governance?

Urban Governance is derived from the concept of governance in relation to urban areas to be reflective of how the various constituents of public service delivery are organized to increase the welfare of citizens (both current and future). It can be measured relatively, and somewhat subjectively, how effective the institutions are in terms of the principles of sustainability, decentralization, efficiency, equity, participation, transparency, accountability, civic engagement and citizenship, and security.

- 3) Who are the key players in decision making and implementation process of governing the cities?

There are two key players involved in the decision-making and implementing process, and also of the institutional structures that support them.

The decision makers can be categorized into two broad categories:

**Government:** This includes in a federal state the Union, State and Local Governments .

**Civil Society:** This includes community groups, the urban poor, NGO's, business establishments, and the media. Effective governance at the last mile, in a healthy democracy is dependent on the participation of citizens and the capacity of local governments to govern efficiently.

### Check Your Progress 2

- 1) What are main components of 74<sup>th</sup> Constotution Amendment Act ,1992?

The 74th Constitution Amendment Act also sought to institute the Directive Principle of decentralisation in the urban context. ULBs were granted powers and responsibilities in terms of preparation of plans, implementation of development schemes, and administration of taxes. A state level Finance Commission was established to review the finances of ULBs falling within its purview. In addition to these three tiers of local government, two other important organisational structures — the District Planning Committee and the Metropolitan Planning Committee— have been created under the Constitution. The 74<sup>th</sup> Constitution Amendment Act also added the 'Twelfth Schedule' to the Constitution. The Schedule (Article 243W) enumerates the functional responsibilities that the municipalities are meant to shoulder.

- 2) What are the duties of municipality?

The State municipal Acts provide an exhaustive list of functions, which are classified into obligatory and optional or discretionary functions. The former have to be necessarily performed by the local government and for which sufficient provision in the budget has to be made. Discretionary functions may be taken up depending upon the availability of funds. Municipal functions listed in the State municipal Acts generally fall in the following broad categories: (a) public health and sanitation; (b) medical relief; (c) public works; (d) education; (e) development; and (f) administrative .

### Check Your Progress 3

- 1) What are the impediments in improved urban governance?

#### *Issues in decentralization*

The devolution of functions to the municipal bodies is also affected by the fact that in some cities, the parastatals, which traditionally delivered certain basic functions, have not been dismantled. As a result, they continue to perform certain functions that may have legally been passed on to the municipal bodies.

#### *Financial impediments*

The ULBs are financially weak, and while there is provision to levy and collect adequate user.,charges, such provisions are not fully utilized, *Operational capacity issues*

Lack of adequate training is the main impediment in introducing new technologies and management styles in the working of the municipal corporations. *Insufficient public participation*

The urban governance system lacks people's involvement in the decision-making process.

*Issues in transparency and accountability*

The main impediment towards achieving transparency and accountability is not the lack of understanding on the need for the same but the lack of means to achieve the same.

2) What are the broad aims of implementing e-governance in municipalities?

Focus on clearly identified citizen services that would be covered with clearly laid down service levels and outcomes to be achieved.

- Improve efficiency and effectiveness in interaction between local government and its citizens and other stakeholders.
- Improve quality of internal local government operations and management information systems to support and stimulate good governance.
- Bring about transparency and accountability in urban local body operations.
- Help improve reach of the delivery of services to citizens.

