

Discussion Paper

on

# Big City Governance

*by*

**FDR** FOUNDATION FOR  
DEMOCRATIC REFORMS

&



*July 2020*

---

## **Foundation for Democratic Reforms**

# 6-3-1187, Flat No. 801 & 806, 8th Floor, Srinivasa Towers,  
Beside ITC Kakatiya Hotel, Begumpet, Hyderabad – 500016, Telangana;  
Phone: +91-40-2341 9949; Fax: +91-40-2341 9948  
Email: [drjploksatta@gmail.com](mailto:drjploksatta@gmail.com) ; [jp@fdrindia.org](mailto:jp@fdrindia.org) ; web: [www.fdrindia.org](http://www.fdrindia.org)

## Table of Contents

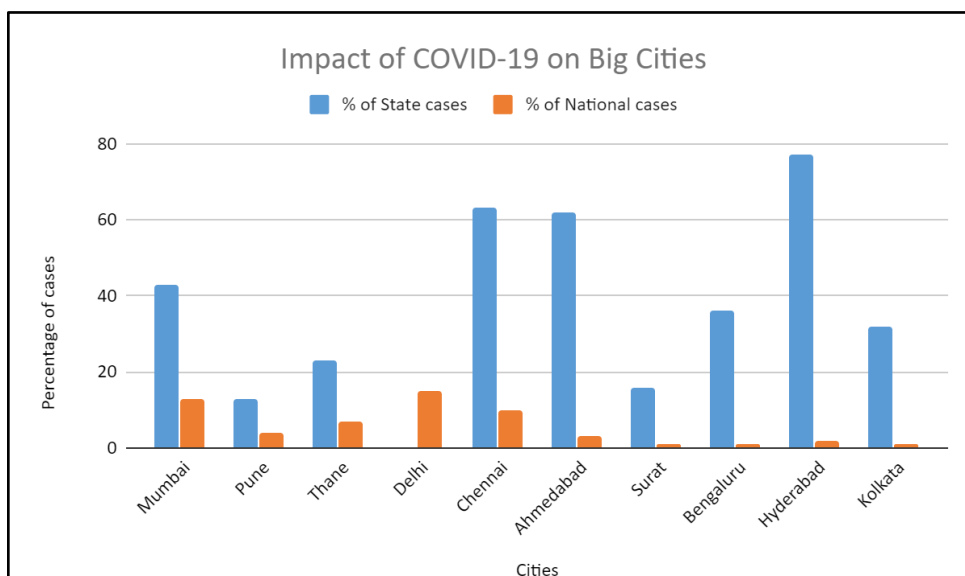
|   |    |
|---|----|
| Introduction  | 3  |
| Rapid Urbanisation  | 4  |
| Cities as economic powerhouse   | 7  |
| Global best practices of empowered local governments                          | 8  |
| New York City's Local Government Structure                                    | 8  |
| London's Local Government Structure   | 9  |
| Seoul's Local Government Structure  | 10 |
| Bangkok's Local Government Structure  | 11 |
| Overview of current weaknesses in big city governance and key recommendations | 12 |
| 1. The 74th Amendment:  | 12 |
| 2. Ceremonial Mayor - Municipal Commissioner as Real Executive:               | 13 |
| 3. Rotational reservation at the executive level:                             | 15 |
| 4. Accountability mechanisms:   | 20 |
| 5. Parastatal organisations:  | 21 |
| 6. Funding to cities:   | 22 |
| 7. People's participation in city governance:                                 | 28 |
| 8. Common cadre for all cities:   | 29 |
| 9. Housing as a key program:  | 30 |
| Conclusion  | 31 |

## Discussion Paper on Big City Governance

### Introduction

SARS CoV-2, originating as an assemblage of mysterious and suspected pneumonia cases, swiftly spread and reached proportions of a global pandemic. Predictably, most of the large cities are the epicentres of the pandemic. It would not be an exaggeration to state that this pandemic is largely an urban, metropolitan malaise. In India, 10 major cities alone account for 57% of the total national cases (Figure 1) and more than 50% of the cases are traced to slums in 12 major cities. Urban economy and livelihoods have been severely disrupted, thereby further compounding the problem of urban governance. The suffering of the migrant workers and the poor in cities should serve as a wake up call to us. The growing crisis of urban governance has been exposed and brought to the forefront of discussion by the pain and suffering inflicted by the pandemic in our big cities. This crisis should be converted into an opportunity to transform governance of the big cities and pave the way for a better future.

**Figure 1: Caseload of major cities as % of national & respective state cases as on July 4th, 2020**

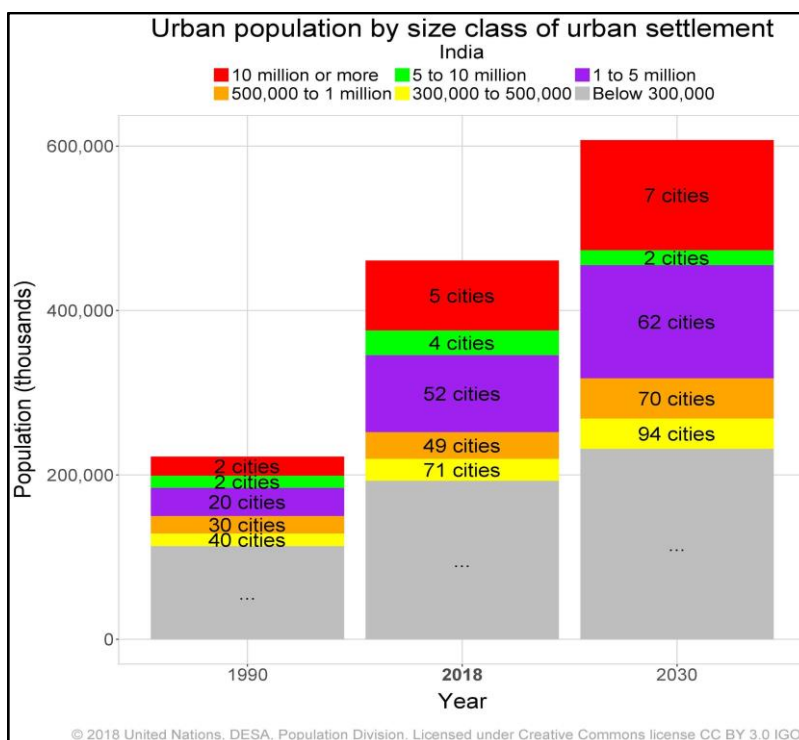


Source: <https://www.covid19india.org/>

## Rapid Urbanisation

Our cities are bulging at the seams. India’s rapidly transforming urban landscape is visible in the growing number of urban agglomerations - with a population of more than 1 million - from 35 in 2001 to 53 in 2011. At present, 31% of total urban India resides in these million plus cities. It is predicted that by the year 2030, the country will have 71 cities with a population of 1 million plus, seven of which will have crossed the 10 million mark<sup>1</sup>.

**Figure 2: Urban Population by size class of urban settlement**



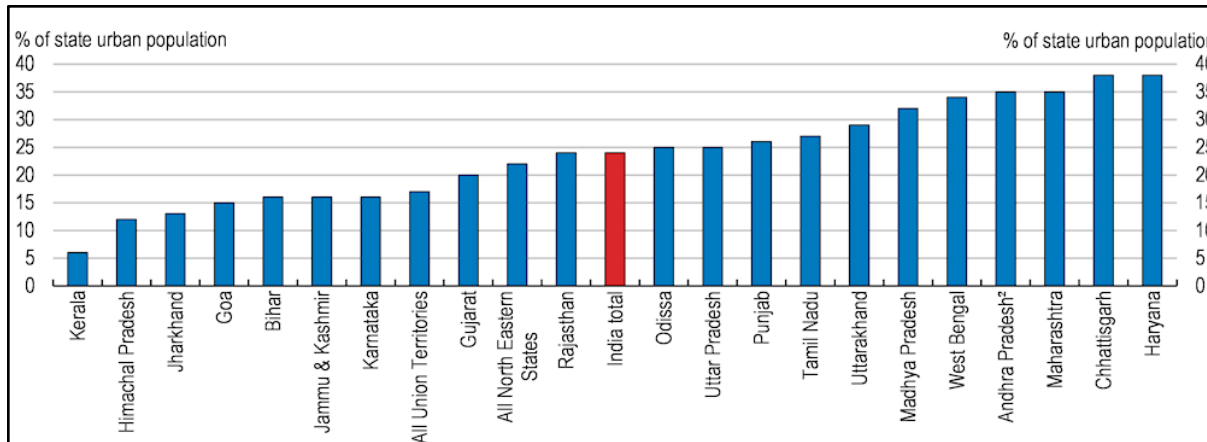
Source: <https://population.un.org/wup/Country-Profiles/>

This rapid urbanisation has brought in a host of civic and administrative challenges, mounting pressure on infrastructure and community resources, which is leading to poorer quality of life in these cities. Migration in India is largely circular, semi-permanent and male dominated. Looking for jobs and having no money in their pockets, most migrants end up living in slums and shanty towns of big cities. As per 2019 OECD Economic Survey, 25% of the total Indian urban population

<sup>1</sup> <https://population.un.org/wup/Country-Profiles/>

lives in slums. The disparity across states is large, ranging from 6% of the urban population in slums in Kerala to more than 35% in Andhra Pradesh, Chhattisgarh, Haryana and Maharashtra<sup>2</sup>.

**Figure 3 shows the population living in slums per state, 2012**



Source: OECD Economic Survey 2019

Cities like Mumbai are reeling under pressure. Of 28.3 lakh households in Greater Mumbai, 11.36 lakh households reside in slums. Census 2011 data reveals a marked fall in the percentage share of slum population, from 54% in 2001 to 42% in 2011. While the share of slum population may have fallen between 2001 and 2011, 42% households continue to live in ‘inhuman’ conditions<sup>3</sup>. Thus, nearly 12 lakh formal dwelling units are required in Mumbai city alone to house the existing slum and homeless population. At the national level, according to a report of a technical committee to the Ministry of Housing and Urban Poverty Alleviation (MHUPA)<sup>4</sup>, India’s urban housing shortage is estimated at nearly 18.78 million households in 2012. Besides those living in obsolescent houses, 80 percent of these households are living in congested houses and are in need of new houses. The report also highlights that nearly one million households are living in non-serviceable kutcha houses, while over half a million households are in homeless conditions.

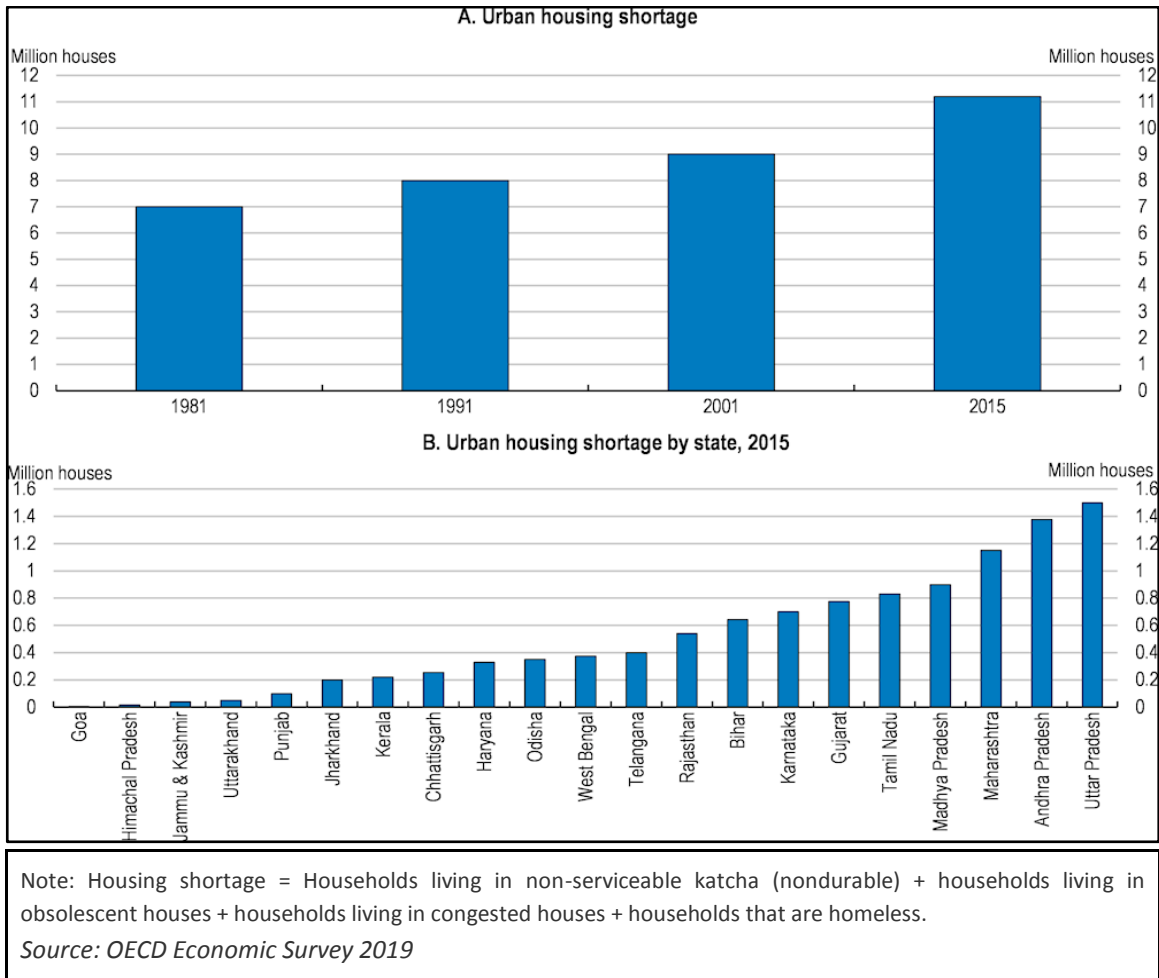
<sup>2</sup> “OECD Economic Surveys: India”, Organisation for Economic Cooperation and Development, 2019 <https://www.oecd-ilibrary.org/sites/f798cf84-en/index.html?itemId=/content/component/f798cf84-en>

<sup>3</sup> “The State of Affordable Housing in Mumbai”, Praja Foundation, November 2014 [https://www.praja.org/praja\\_docs/praja\\_downloads/Report%20on%20The%20State%20of%20Affordable%20Housing%20in%20Mumbai.pdf](https://www.praja.org/praja_docs/praja_downloads/Report%20on%20The%20State%20of%20Affordable%20Housing%20in%20Mumbai.pdf)

<sup>4</sup> “Bridging the Urban Housing Shortage in India”, KPMG India and National Real Estate Development Council, 2012 <http://www.naredco.in/notification/pdfs/Urban-housing-shortage-in-India.pdf>

Uttar Pradesh has a housing shortage of over 3 million homes followed by Maharashtra (1.97 mn), West Bengal (1.33 mn), Andhra Pradesh (1.27 mn) and Tamil Nadu (1.25 mn). By the year 2030, more than 40% of the Indian population will live in urban India, as against the current figure of 34%, which is likely to create a demand for 25 million additional affordable housing units according to a report by *RICS and Knight Frank*<sup>5</sup>.

**Figure 4 shows the urban housing shortage, 2015**



<sup>5</sup> “Brick by brick- Moving towards ‘Housing for All’”, Royal Institution of Chartered Surveyors and Knight Frank, 30 July 2019 <https://content.knightfrank.com/research/1714/documents/en/affordability-index-brick-by-brick-moving-towards-housing-for-all-6555.pdf>

## Cities as economic powerhouse

Cities are engines of economic growth of the country. Every year millions of people migrate to cities in search of economic opportunities and better education and healthcare facilities. Currently, 54 cities alone contribute around 40% to the nation's GDP<sup>6</sup>. It is projected that urban centres contribution would amount to 70% by the year 2030<sup>7</sup>. According to a study by Oxford Economics, all the top 10 fastest growing cities, by GDP growth between 2019 - 2035, are in India<sup>8</sup>. Owing to the economic potential of the cities, it is estimated that by 2030, 70% of new employment will be generated in cities which will be twice as productive as equivalent jobs in the rural areas. The need for massive investment in cities is thus evident. One estimate puts the numbers at 1.2 trillion USD capital investment required to meet the projected demand in cities alone. In this context, it is instructive to examine the functioning of urban governments in India.

It is well recognised across the world that the state and federal governments should play an enabling role and should empower cities to govern themselves with appropriate safeguards. Governance functions should be carried out closest to citizens in the smallest unit possible, and only those functions that cannot be discharged locally should be handled at state and national levels. In India, we continue to function in a highly centralised setup, where most of the power and authority is with the state government. The 74th amendment imposed an elaborate, rigid structure of local governments, with very little effective empowerment. Despite good intentions, the local governments have not been able to promote people's participation, improve delivery or enforce accountability. Local government empowerment and devolution of resources is critical in today's India. In a centralized system, people do not understand the price paid by competitive populism and many short term freebies offered at the cost of long term prosperity. If a sizable

---

<sup>6</sup> "India's economic geography in 2025: states, clusters and cities", *McKinsey & Company*, 2014  
<http://www.governancenow.com/files/Indias%20economic%20geography%20in%202025%20States%20clusters%20and%20cities.pdf>

<sup>7</sup> Confederation of Indian Industry,  
<https://www.cii.in/sectors.aspx?enc=prvePUj2bdMtgTmvPwwisYH+5EnGjvGXO9hLECVtUNtoz3TzLW8nZchXA7a5U/wj>

<sup>8</sup> Wood, Johnny. "The 10 fastest-growing cities in the world are all in India". *Weforum.org*. 19 Dec. 2018,  
<https://www.weforum.org/agenda/2018/12/all-of-the-world-s-top-10-cities-with-the-fastest-growing-economies-will-be-in-india/>

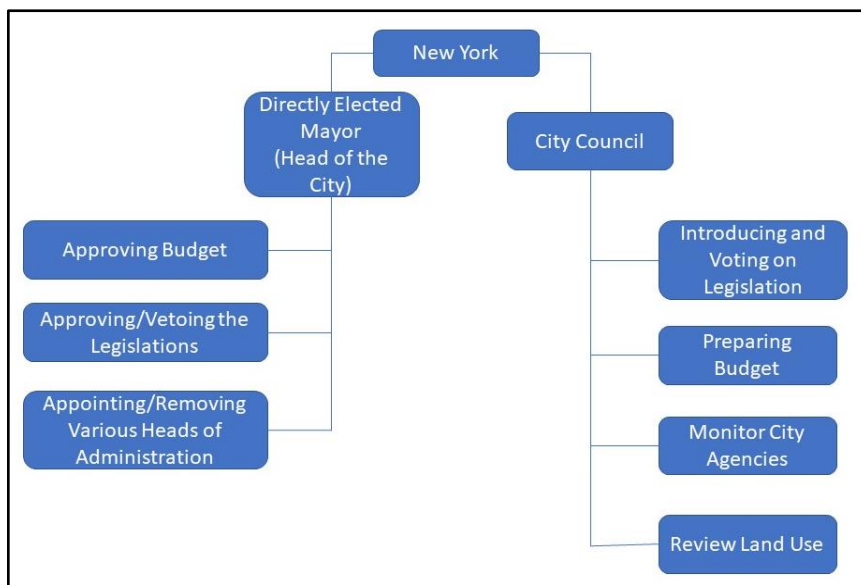
share of resources is transferred to the local community and utilized at the local level, people understand that resources are always limited, and choices should be made to maximize public good. When the local government is in charge, the citizens understand the link between their vote and the services received, holding the government to account which in turn helps improve the quality of the democracy. Also, the more local the government and service delivery are, the sharper the people’s voice and the greater the accountability.

### Global best practices of empowered local governments

The governance structure and practices of four global cities - New York, London, Seoul and Bangkok - are summarised below to serve as a guide to identify what works best for us.

#### New York City’s Local Government Structure

Figure 5 describes the structure of New York City’s local government



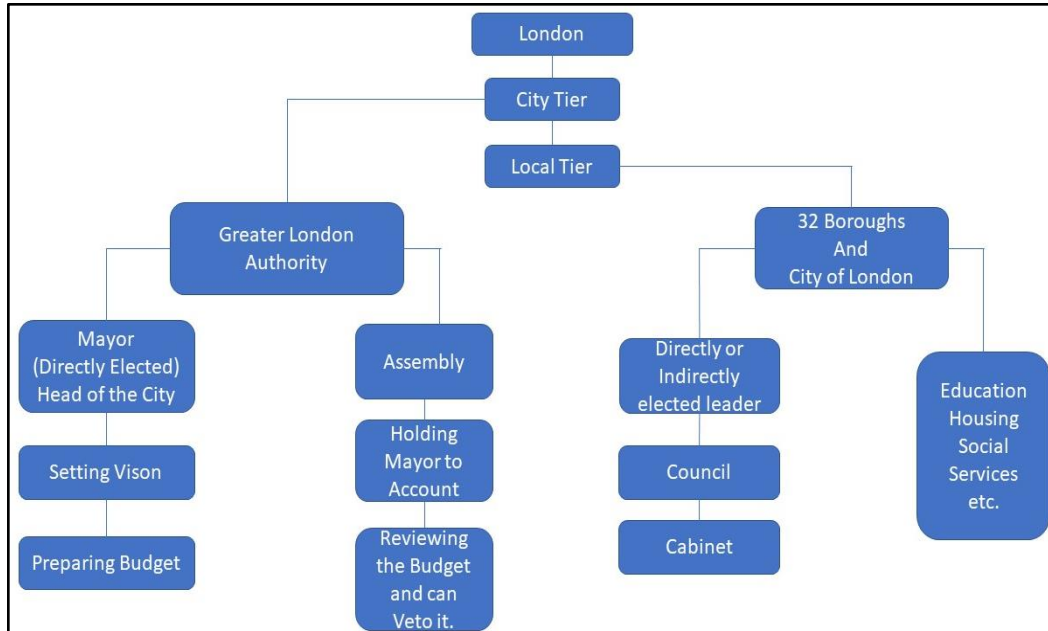
The mayor appoints numerous officials, including commissioners, who head city departments, along with deputy mayors to oversee major offices. The mayor is limited to two consecutive four year terms in office. The council is a separate lawmaking body and serves as a check against the mayor and is an equal partner in how the city is run. Members of the council are limited to three terms in the council with two consecutive four year terms. The council conducts public hearings



on the proposed legislation.

### London’s Local Government Structure

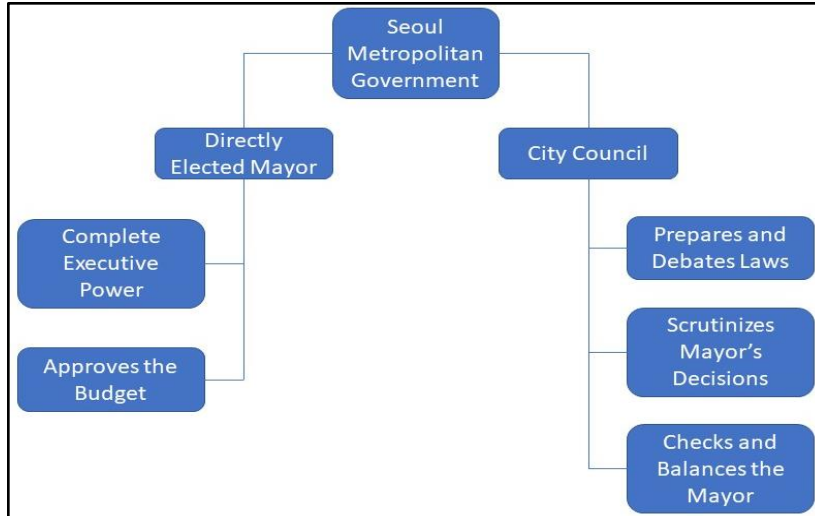
Figure 6 describes the structure of London’s local government



The mayor has an executive role, whereas assembly members act as scrutineers, keeping the mayor in check. Each borough further has a directly/indirectly elected leader to execute projects on ground and deliver services. The mayor sets the overall vision for London. He has a duty to create plans and policies for the capital covering: arts & culture, business & economy, environment, fire, health, housing and land, planning, policing & crime, regeneration, sport, transport, youth. There is some overlap in functions between the city and boroughs, but broadly, the mayor plans and borough councils roll out the operations.

## Seoul's Local Government Structure

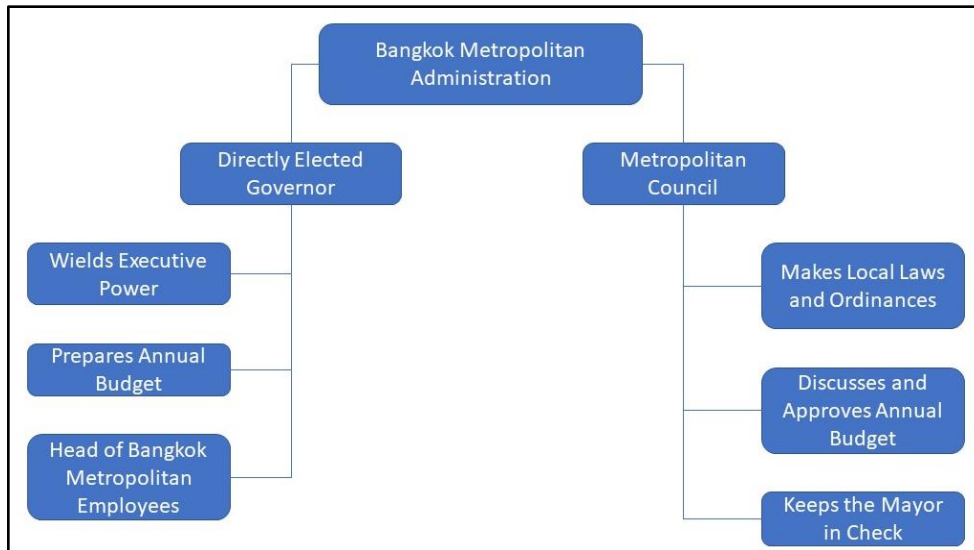
Figure 7 describes the structure of Seoul's local government



The Seoul Metropolitan Government has one mayor and three vice mayors, two of them are responsible for administrative affairs and the other for political affairs. There are standing committees and special committees to look after specific aspects of administration. The Seoul Institute (SI) is the main think-tank for the city, established in 1992 by the Seoul Metropolitan Government. The SI supports the policy-making processes of the municipal administration by conducting intensive research and cooperating with domestic and foreign research institutes.

## Bangkok's Local Government Structure

Figure 8 describes the structure of Bangkok's local government



The governor is the chief executive of the city and controls all administration and prepares the annual budget. He appoints four deputy governors to assist him in administration and an advisory council to give inputs.

The common thread amongst all the four cities is that they possess strong, empowered local governments that function autonomously. Mayors are directly elected and are vested with executive powers and functions. Funding is also regular and sustainable through grants and tax collection at the local level. Therefore, the mayor-in-council model with extensive powers for governance of cities is growing in popularity across the world. We in India too need to decentralise power and empower local governments functionally and fiscally with appropriate safeguards to prevent abuse of power. Such a model will improve service delivery, allow people's participation in governance, enhance accountability and ensure better and more prudent allocation of resources.

## **Overview of current weaknesses in big city governance and key recommendations**

### **1. The 74th Amendment:**

The 74th Amendment to the Constitution in 1993 made the formation and elections of urban local governments mandatory. Elections are conducted periodically, sometimes on the intervention of the courts to enforce the constitutional provisions. As is the case in state assembly and national elections, there is intense political competition and rigorous campaigns in local elections. However, the elected city governments have very little role in managing the city and they remain titular bodies in most cases. The constitutional provisions have not been able to promote people's participation, improve delivery or enforce accountability. Under this amendment, it is mandatory to create municipalities, to hold regular elections, to have a State Election Commission and State Finance Commission. However, in the absence of constitutionally mandated entrustment of responsibilities and functions, local governments are at the mercy of the state legislatures. It is left to the state governments to devolve functions and more often than not, the states are wary of parting with their powers and functions. The Twelfth Schedule of the constitution is merely recommendatory and many state laws have violated the spirit of the constitution by not devolving the functions mentioned under it to the local governments. These provisions do not have the force of the Seventh Schedule, which clearly demarcates the functional jurisdiction of the Union and States. It is therefore necessary to clearly demarcate the functions of city governments constitutionally on par with the Seventh Schedule to make them democratic, accountable and effective. In order to have a vibrant democratic unit of self-government, it is essential to devolve functions and strengthen the fiscal health of cities, while ensuring proper monitoring by the state and effective accountability.

## 2. Ceremonial Mayor - Municipal Commissioner as Real Executive:

The 74th Amendment does not specify the responsibilities and powers of the city government, or the tenure and manner of election of city government, or the tenure and manner of election of the Mayor. The states have varying models of indirect or direct election, and often with rotating mayors with a short tenure. But in all states, the elected city government and the mayor have very little real authority. All power is exercised by the Municipal Commissioner, a civil servant appointed by the state government, who is the de facto head of the city government. The commissioner exercises most executive powers such as formulating the annual budget, fixing tax rates and user charges, determining municipal expenditure and finalising projects and awarding contracts<sup>9</sup>. All executive power is vested with the commissioner, who is only accountable to the state government. Although the mayor is considered to be the elected head of the city, they have no real authority, performing primarily ceremonial functions. Weak mayoral systems give minimal role to the elected city government in the development, planning and operation of cities. Owing to such an arrangement, mayors and councillors end up ventilating grievances or performing the role of the opposition. Gridlock between the commissioner and the elected local representatives is frequent, leading to mismanagement and inefficient governance. The third tier of elected government has become perfunctory. Moreover, city corporations see frequent change in commissioners<sup>10</sup>. This uncertainty of the tenure and direct control by the state make the nature of the commissioner's performance, barring few exceptions, routine, rather than visionary<sup>11</sup>. Municipal Commissioners being unelected, do not possess local democratic legitimacy, and are delinked from the will of the people.

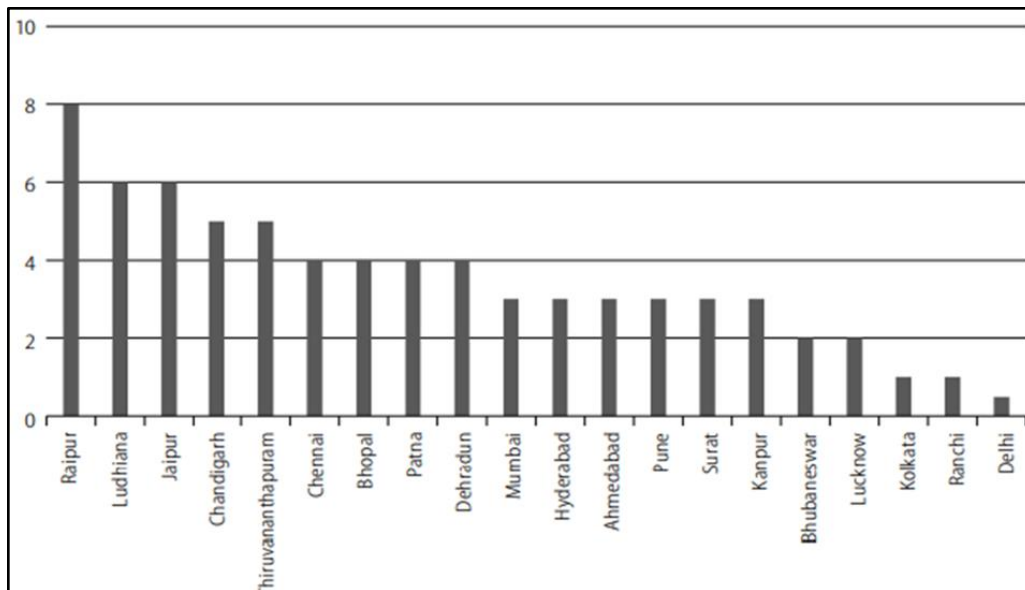
---

<sup>9</sup> Jha., Ramanath, "Strengthening Municipal Leadership in India: The Potential of Directly Elected Mayors with Executive Powers", Observer Research Foundation, 2018. [https://www.orfonline.org/wp-content/uploads/2018/09/ORF\\_Occasional\\_Paper\\_168\\_Municipal\\_Leadership.pdf](https://www.orfonline.org/wp-content/uploads/2018/09/ORF_Occasional_Paper_168_Municipal_Leadership.pdf)

<sup>10</sup> Kumar., Niraj, "Directly Elected Mayors: A step towards Democratic Urban Governance", Economic and political weekly, 2019.

<sup>11</sup> Kumar., Niraj, "Directly Elected Mayors: A step towards Democratic Urban Governance", Economic and political weekly, 2019.

**Figure 9 shows the frequent change in the number of commissioners in the last 5 years**



*Source: Paper called “Directly Elected Mayors” by Niraj Kumar*

The manner of elections of the mayor varies from state to state. While there is a direct election by the people in a few states, most states provide for the elected council to choose the mayor. In the states where the mayor is directly elected, the enabling municipal laws favour a weak mayoral system. Madhya Pradesh, for example, follows direct election of the mayor, however, the mayor does not have executive powers because according to section 69(3) of the Madhya Pradesh Municipal Corporation Act 1956, executive powers are vested in the hands of the commissioner<sup>12</sup>. Similarly, the Municipal Corporation Act 1959 of Uttar Pradesh provides that subject to general control and direction of mayor, the executive powers must vest in the commissioner<sup>13</sup>. States such as Andhra Pradesh, Rajasthan, Himachal Pradesh and Tamil Nadu also experimented with direct election of mayors, but switched over to indirect elections with change of governments at the state level. Hence, mechanisms to elect a strong mayor with assured tenure, genuine empowerment and the opportunity to be reelected, will nurture and promote strong local leadership committed to the city’s future. A strong local leader with a

<sup>12</sup> Jha., Ramanath, “Strengthening Municipal Leadership in India: The Potential of Directly Elected Mayors with Executive Powers”, Observer Research Foundation, 2018. [https://www.orfonline.org/wp-content/uploads/2018/09/ORF\\_Occasional\\_Paper\\_168\\_Municipal\\_Leadership.pdf](https://www.orfonline.org/wp-content/uploads/2018/09/ORF_Occasional_Paper_168_Municipal_Leadership.pdf)

<sup>13</sup> *ibid.*

popular mandate, record of service and legitimacy will be able to take decisions that are beneficial to the city at large and will also be able to bring all the stakeholders together for the growth and balanced development of the city.

### **3. Rotational reservation at the executive level:**

Currently, Article 243T(4) of the Constitution states that the office of chairpersons shall be reserved for SC, ST and women in such a manner as the legislature of a state may, by law, provide. In most states there are also reservations for economically and socially backward classes (OBCs). Thus there are six classes of reservation - SC, ST and OBC, with half of the offices reserved for women candidates under each category. Among the unreserved offices too, 50% are reserved for women. Thus in effect, there are eight categories of quotas in real practice, making the field of choice very narrow. This narrow field of choice and the inevitable need for rotation of reservations has made leadership development impossible. Even the capable leaders who emerge in the system wither away soon, as they have no opportunity to be reelected because of the rotation of reservation. About 75% of the offices are reserved and almost all offices are rotated in the next round of election. On an average, it takes four election cycles for the same category of eligibility for the contest to be repeated again. Due to this rotational reservation at the executive level, a leader who may have credibility, public trust, knowledge, skills and the zeal to deliver does not have a chance to contest again or be reelected. As a result, the post-1993 phase, local governments, despite their constitutional status, did not allow emergence and growth of many leaders in our democracy.

British India saw significant changes for the first time in 1882, when Lord Rippon, the then Governor General, instituted representation to Indians in municipalities and local governments to manage their affairs. This laid way for democratic and representative participation of Indians in local governance. Later in 1919, with the government of India Act, some of the executive powers that were vested with British Officers were transferred to local governments to be more responsive to their residents. The local bodies and governance structures of pre-independent India provided fertile grounds for leadership development. Most of the stalwarts and tall leaders

of the Independence movement emerged from their local bodies tenure. These leaders grew in stature and provided national leadership in the Independence movement. Later, they played an invaluable role in advancing democratic institutions and laying the foundation for overall development in Independent India.

**Leaders who emerged from the grassroots pre-independence/pre-1947:**

| S.No | Name                              | Local Leadership                           | State and National Leadership   |
|------|-----------------------------------|--|---|
| 1.   | Shri. Chakravathi Rajagopalachari | Chairman of Salem Municipality in 1917     | Last Governor General, Union Cabinet Minister and Chief Minister of Madras Presidency |
| 2.   | Shri. Pt. Jawaharlal Nehru        | Chairman Allahabad Municipal Board in 1923 | First Prime Minister of India   |
| 3.   | Shri. Vallabhbhai Patel           | Ahmedabad Municipal President in 1924      | First Deputy Prime Minister and Home Minister of India                                |
| 4.   | Shri. Chittaranjan Das            | Mayor of Calcutta in 1924                  | Towering leader of freedom struggle   |
| 5.   | Shri. Subhashchandra Bose         | Mayor of Calcutta in 1930                  | President of Indian National Congress   |
| 6.   | Shri. Rajendra Prasad             | Mayor of Patna in 1936                     | First President of India  |
| 7    | Shri. Tanguturi Prakasham         | Municipal Chairman, Rajahmundry 1904       | Premier of Madras Province, Chief Minister of Andhra 1946-47                          |
| 8    | Shri. Ferozshah Mehta             | Municipal Commissioner of Mumbai 1873      | Indian National Congress President, Towering leader of independence movement          |

A similar trend of nurturing leadership at local and grassroot levels continued in Independent India. Several leaders that headed states as Chief Ministers and members of the Union Cabinet had their beginnings in local governance - rural or urban. These leaders nurtured by local governments and enriched by grassroots experience, emerged as credible, tall and effective



leaders at state and national levels. A partial list of leaders that emerged from local governments and grew to national stature is provided below.

**Leaders who emerged from the grassroots post-independence/pre-1991:**

| S.No | Name                       | Local Leadership                         | State and National Leadership                                   |
|------|----------------------------|--|---|
| 1    | Shri. J. Vengal Rao        | Khamman Council Chairman                 | Chief Minister, Andhra Pradesh & Union Cabinet Minister 1973-78 |
| 2    | Shri. K. Bramhananda Reddy | District Board President 1940s           | Chief Minister, Andhra Pradesh & Union Cabinet Minister 1964-71 |
| 3    | Shri. B D Jatti            | Town Municipality President 1940-45      | Chief Minister, Karnataka & Governor and Vice President 1958-62 |
| 4    | Shri. R Gundu Rao          | Town Municipality President              | Chief Minister, Karnataka 1980-83                               |
| 5    | Shri. H.D. Deve Gowda      | Taluk Development Board Member 1953-1962 | Chief Minister, Karnataka and Prime Minister 1996-96            |
| 6    | Shri. Dharam Singh         | Municipal Councillor 1967                | Chief Minister, Karnataka 2004-2006                             |
| 7    | Shri. B.S Yediyurappa      | Town Municipal President 1975            | Chief Minister, Karnataka 2007; 2008-2011; 2018-present         |
| 8    | Shri. Vijay Rupani         | Municipal Corporator 1987                | Chief Minister, Gujarat 2016-present                            |
| 9    | Shri. Shiv Charan Mathur   | Municipal Board Chairman 1956-57         | Chief Minister, Rajasthan 1981-85; 1988-89                      |
| 10.  | Shri. Sikander Bhakt       | Municipal Councillor 1952                | Union Cabinet Minister 2002-2004                                |
| 11.  | Shri. V. Muraleedharan     | Taluk President 1978                     | Union Cabinet Minister  |
| 12.  | Shri. Digvijay Singh       | Nagar Palika President 1969-1971         | Chief Minister, Madhya Pradesh 1993-2003                        |

| S.No | Name                         | Local Leadership               | State and National Leadership  |
|------|------------------------------|--------------------------------|--|
| 13.  | Shri. Shanta Kumar           | Gram Panchayat Member<br>1963  | Chief Minister, Himachal Pradesh 1977-80, 1990-92                                    |
| 14.  | Shri. Binodanand Jha         | Municipal Member 1924-27       | Chief Minister, Bihar 1961-63  |
| 15.  | Shri. Kailash Vijayvargia    | Municipal Corporator 1983-1988 | Chief Minister, Madhya Pradesh 2013-2016   |
| 16.  | Shri. Prakash Singh Badal    | Village Sarpanch 1947          | Chief Minister, Punjab & Union Cabinet Minister 1970-71, 1977-80, 1997-2002, 2007-17 |
| 17.  | Shri. Beant Singh            | Village Sarpanch 1959          | Chief Minister, Punjab 1992-95   |
| 18.  | Shri. Sudhakar Rao Naik      | Village Sarpanch               | Chief Minister, Maharashtra & Governor 1994-1995                                     |
| 19.  | Shri. Manohar Joshi          | Mumbai Mayor 1976-1977         | Chief Minister, Maharashtra & Lok Sabha Speaker 1995-1999                            |
| 20.  | Shri. Narayan Rane           | Municipal Councillor           | Chief Minister, Maharashtra 1999   |
| 21.  | Shri. Vilas Rao Deshmukh     | Village Sarpanch 1974-1976     | Chief Minister, Maharashtra & Union Cabinet Minister 1999-2003, 2004-2008            |
| 22.  | Shri. Harish Rawat           | Gram Pradhan 1972              | Chief Minister, Uttarakhand & Union Cabinet Minister 2014-17                         |
| 23.  | Shri. Bhajan Lal             | Village Sarpanch               | Chief Minister, Haryana & Union Cabinet Minister 1979-85, 1991-96                    |
| 24.  | Shri. K. Vijayabhaskar Reddy | Zilla Parishad Chairman        | Chief Minister, Andhra Pradesh & Union Cabinet Minister 1982-83, 1992-94             |
| 25.  | Shri. H.K.L. Bhagat          | Delhi Mayor                    | Union Cabinet Minister   |
| 26.  | Shri. Chagan Bhujbal         | Mumbai Mayor                   | Deputy Chief Minister,   |

| S.No | Name             | Local Leadership       | State and National Leadership |
|------|------------------|------------------------|-------------------------------|
|      |                  |                        | Maharashtra 2008-2010         |
| 27.  | Shri. S.K. Patil | Mumbai Mayor 1949-1952 | Union Cabinet Minister        |

However, after the enactment of the 74th amendment, there are very few leaders who could be nurtured by the local governance. The rotational system with narrow reservation has substantially reduced opportunities for emergence and sustenance of leaders. Even in the short list of the current crop of leaders who served as leaders of city governments, two of them - MK Stalin and Rita Bahuguna Joshi - owe their rise more to their family connections than to local government experience. This short list dramatically illustrates the failure of the current constitutional scheme of local governments in recruiting, nurturing and developing leaders in our democracy.

**Leaders who emerged from the grassroots post 74th amendment in 1992:**

| No. | Name                      | Local Leadership             | State and National Leadership                                |
|-----|---------------------------|------------------------------|--|
| 1.  | Shri. Devendra Fadnavis   | Nagpur Mayor<br>1997 - 2001  | Chief Minister, Maharashtra 2014 - 2019                      |
| 2.  | Shri. M K. Stalin*        | Chennai Mayor<br>1996-2002   | Deputy Chief Minister, Tamil Nadu<br>2009-2011               |
| 3.  | Smt. Rita Bahuguna Joshi* | Allahabad Mayor<br>1995-2000 | Uttar Pradesh Minister and Member of<br>Parliament 2012-2019 |
| 4.  | Shri. Dinesh Sharma       | Lucknow Mayor<br>2006-17     | Deputy Chief Minister, Uttar Pradesh<br>2017-present         |

As can be seen from the above names of prominent leaders, cities have acted as a nurturing ground and springboard for leaders for more than a century. However, this does not seem to be the case post the 74th amendment. Our current model has essentially failed to deliver effective leadership. Rotational reservation serves as a hindrance to developing and nurturing leadership. The weak and transient leadership cannot be assertive enough and lacks incentive to perform

better, which is detrimental to good governance. It is imperative for India to have a conducive environment for growth of leadership from the grassroots.

In order to allow emergence of strong, capable and credible leadership on a sustained basis in city governments, reservations should be applicable at the council or corporator level for the representative bodies, but not for the office of the mayor. Mayor may be elected directly by the people or indirectly by the corporator/council. But whatever be the manner of election, the following conditions should be fulfilled.

- All voters should be eligible to seek the office of mayor, once elected, the mayor should have a five-year term of office.
- The mayor should be able to seek reelection without hindrance.
- All subjects under the Twelfth Schedule should be entrusted to the city government along with the concerned personnel.
- Mayor should have all the power to be able to function effectively as the chief executive and leader of the city government.
- The municipal commissioner should be appointed in consultation with, and with prior consent of, the elected mayor.
- Once appointed, the municipal commissioner should have a guaranteed three-year tenure, and should be accountable to the mayor.

#### **4. Accountability mechanisms:**

In general our governance apparatus is tardy, inefficient and largely unaccountable. The purpose of local governments is defeated if the same administrative malaise that plague centralised systems becomes endemic at the local level too. Local empowerment should not be synonymous with localised corruption or abuse of office. Various mechanisms should be employed to improve service delivery, reduce corruption, enhance outcomes and enforce accountability in local governments.

- Citizen charters are particularly suitable to local governments as there is no major policy analysis or discretion involved in local service delivery. Therefore, comprehensive

charters covering all deliverable, predictable services should be institutionalised and enforced in city governments. The charter should specify finite, reasonable timelines for each service, and a clear, transparent, accessible mechanism should be in place to redress grievances and pay compensation to the citizen for delay in service delivery.

- An independent ombudsman should be constituted for every city government with a tenure of not less than five years, within the framework of Lokpal and Lokayukta institutions. The ombudsman will enforce citizen charters, and will have all the necessary powers to enquire into complaints of corruption and abuse of power, and will have the power to remove offenders from their office or impose other suitable penalties against those who are found guilty - elected or appointed.
- The state government should create a formal institutional mechanism for every city through which the city governments and state officials meet regularly to facilitate review and monitoring by the state, and coordination and resolution of pending issues pertaining to the city.

### **5. Parastatal organisations:**

The Twelfth Schedule of the Constitution delegates 18 functions such as town planning, water supply, public health, sanitation, waste management, slum improvement etc. to municipalities. However, many of these local functions are performed by parastatal organisations directly controlled by the State government. In Bengaluru, for example, the municipal corporation performs limited local functions of solid waste management, maintenance of roads and street lights, regulation of building construction, primary education, primary health services, operating municipal markets along with a few other obligatory and discretionary roles. However, water supply and sewerage, ordinarily a municipal function, is the responsibility of a parastatal - Bengaluru Water Supply and Sewerage Board and land use planning is handled by another parastatal - Bengaluru Development Authority. Karnataka Slum Clearance Board, a state outfit, is responsible for rehabilitation of all declared slum areas in Bengaluru. Such parastatals exist all over India and perform work that is supposed to be carried out by local governments. In almost all states, city government has no role in public transport. However, the people hold the local

government accountable in cases of non-delivery of services, despite having absolutely no control over these areas of services. Thus authority and responsibility are delinked, resulting in poor services, lack of accountability and a system of alibis and excuses for non-performance. It is imperative that local governments are empowered adequately to enable them to discharge their local responsibilities. Only then will democratic accountability be effective and real. Therefore all parastatals entrusted with the responsibility of delivering city services covered in the Twelfth Schedule should function under the overall supervision, guidance and monitoring of the city government, and be fully accountable to the city government. Execution of large projects will obviously involve effective coordination between the city and the state, and the coordination mechanism as suggested in the section on accountability will serve that purpose.

#### **6. Funding to cities:**

Indian city governments are amongst the weakest in the world in terms of fiscal autonomy and also their capacity to deliver civic infrastructure and services to meet the demands of growing urbanisation and rapid economic growth. This is because the constitutional provisions for devolution in India have been very weak and the provisions that exist have not been implemented. For instance, the Union Finance Commission recommends an aggregate fund transfer to the local governments, which is ad-hoc and inconsistent. The deficiency in funding is exacerbated as part of the funds are given for a specified scheme, leaving little space for discretion in fund utilisation as per local needs. The Fifteenth Finance Commission has recommended differential grants (FY 2020-21) for fifty million-plus urban agglomerations/cities, excluding Delhi and Srinagar, and (b) all other cities and towns with less than one million population. In the case of million plus cities, the grants are tied to improving air quality and sanitation.

In general, the share of revenue transferred by the State government to local governments is also very low. For instance, fund devolution by the Telangana state government as part of State Finance Commission to the urban local governments is a paltry ~0.8% as a share of state's tax revenue (Table 1).

| <b>Table 1: Devolution from Telangana State Government to Local Governments</b> |                            |                              |
|---|----------------------------|------------------------------|
| <b>Components</b>   | <b>RE 18-19 (in Crore)</b> | <b>BE 2019-20 (in Crore)</b> |
| Total Telangana Budget  | 174454                     | 146492                       |
| Telangana's Tax Revenue   | 73752                      | 69329                        |
| Telangana's Revenue (Tax + Own Non-Tax)   | 82726                      | 85204                        |
| State Finance Commission (FC) transfers   | 621.47                     | 521.73                       |
| 14th Finance Commission (FC) transfers  | 772.73                     | 1036.98                      |
| <b>State FC transfer as % of Telangana Tax Revenue</b>                          | <b>0.84%</b>               | <b>0.75%</b>                 |
| <b>Per capita State FC transfer (in Rs.)</b>                                    | <b>457</b>                 | <b>384</b>                   |
| <b>Per Capita Union FC transfer (in Rs.)</b>                                    | <b>568</b>                 | <b>763</b>                   |

Source: Telangana State Finance portal

As shown in Table 1, the devolution from Telangana state government to local governments is meagre. In this context, there is a need to empower local governments in all regions of the State levels with systems of accountability.

The public expenditure share of the three tiers of government – federal, state, and local – gives us an indication of the strength of federalism and degree of decentralisation of power in a society. Unfortunately, accurate figures of aggregate local government expenditures in India are difficult to obtain. However, even a cursory analysis of available data shows the degree of centralisation in India, and the continued neglect of local governments despite their constitutional status.

| <b>Table 2: Share of US government expenditure in 2019</b>  |                                    |                                   |
|---|------------------------------------|-----------------------------------|
| <b>Item</b>   | <b>Amount<br/>(in Trillion \$)</b> | <b>% of total<br/>Expenditure</b> |
| Federal Government Expenditure (Less state and local government transfers)  | 3.6                                | 49.32                             |
| State Government Expenditure (Less local government transfers)  | 1.8                                | 24.65                             |
| Local Government Expenditure  | 1.9                                | 26.02                             |
| <b>Total Expenditure</b>  | <b>7.3</b>                         | <b>100</b>                        |
| Sources: Tables 3.1 and 1.1.5, "System of National Accounts" (PDF). <i>Bureau of Economic Analysis</i> . 2020-04-29; Baker, Bruce E, and Pamela A. Kelly (March 2008). "A Primer on BEA's Government Accounts" (PDF). <i>apps.bea.gov</i> ; "2017 State & Local Government Finance Tables". <i>United States Census Bureau</i> . 2020-03-04   |                                    |                                   |
| <p><i>Note:</i><br/>                     The budgeted federal government expenditure is \$4.4 trillion, amounting to 60.27% of the total expenditure. However, it includes the transfers to state and local governments (approx. 11% of the total expenditure). Similarly, the budgeted State government expenditure is \$2.3 trillion (31.51%) but the local government transfers have been deducted for our analysis.</p> |                                    |                                   |

Table 2 shows the share of federal, state and local governments in the total public expenditure in the United States in 2019. These figures exclude transfers to smaller tiers (federal to state and local, and state to local), and capture the actual expenditure incurred by the government in that tier. Out of the total public expenditure of \$7.3 trillion in 2019, the US federal government spent 49.32% (\$3.6 trillion), the States spent 24.65% (\$1.8 trillion) and the local governments spent 26.02% (\$1.9 trillion).

Contrast this with India. While we have reliable data pertaining to public expenditure by the Union and States, the data for urban and rural local governments is sketchy, and may not reflect the data pertaining to the same year as the union and state budgets. Table 3 shows the public expenditure of the union and state governments in 2018-19, and the estimated expenditure of all the local governments (rural + urban) based on data from earlier years, assuming an incremental growth of about 8% per annum.



**Table 3: Share of India Public Expenditure 2018-19**

| Item   | Amount<br>(in trillion Rs) | % of total<br>Expenditure |
|--|----------------------------|---------------------------|
| Union Government Expenditure (Less state and local government transfers) | 18.37                      | 34.23                     |
| Total States Expenditure (Less local government transfers)               | 32.29                      | 60.17                     |
| Total Local Governments (Rural and Urban) Expenditure                    | 3.0                        | 5.6                       |
| <b>Total Expenditure</b>   | <b>53.66</b>               | <b>100</b>                |

Sources:

Budget at a glance/ Union Budget of India.

State Finances by RBI, Sept. 2019.

Urban and rural expenditure was obtained from Indian Council for Research on International Economic Relations and Finance Commissions of India Report on Rural India and the data was for average for the period of 2011-12 to 2017-18.

*Note:*

*Data relating to expenditure of local governments is sketchy. The amount of 3 trillion is a rough estimate based on panchayats expenditure for the years 2013-18, and municipalities expenditure for the year 2017-18 and assuming a 8% incremental growth until 2018-19. While these figures are not accurate, they give a fair understanding of the meagre share of local governments.*

Out of the total estimated public expenditure of Rs. 53.66 trillion in 2018-19 in all three tiers of government, the Union share (excluding transfers to states) is Rs. 18.37 trillion, or 34.23%, the states' share is Rs. 32.29 trillion or 60.17%, and the local governments' share is a paltry Rs. 3 trillion or 5.6%.

The Economic Survey for the year 2017-18 stated: "The central and state governments spend on an average 15-20 times more per capita than do RLGs. ULGs spend about three times more. More importantly, this gap has persisted over time despite per capita spending by RLGs increasing almost four-fold since 2010-11".

In the US, the federal government bears most of the burden of social security and healthcare, apart from incurring a substantial share of expenditure on rule of law and school education. In

India most of these responsibilities are entrusted to states, and law and order and justice administration are entirely state subjects. Not surprisingly, the combined public expenditure of all states far exceeds that of the Union. But what is striking is the paltry public expenditure in the local tier – rural or urban – despite the local governments being entrusted with enormous responsibilities under the Eleventh and Twelfth Schedules.

Given the tax structure of the Indian state, local governments also have limited capacity to generate revenue on their own. India's municipal revenue as percent of GDP declined from 1.05% in 2012-13 to 1% in 2017-18. By comparison, the municipal revenues/expenditures in developing countries such as Brazil and South Africa account for 7.4% and 6% of GDP respectively<sup>14</sup>. Along with revenue, there has been a decline in municipal expenditure of six of the largest Municipal Corporations (Mumbai, Bengaluru, Chennai, Hyderabad, Kolkata and Ahmedabad) as percent of GDP from 0.293% in 2012-13 to 0.234% in 2017-18<sup>15</sup>. The introduction of Goods and Services Tax (GST) in 2017 has subsumed local taxes such as octroi, entry tax, local body tax, advertisements tax without providing Municipal Corporations a share of GST collections. Among the sources of own revenue, property tax collections have not picked up, user charges levied do not even recover the operational and maintenance cost of providing the services, and instruments for unlocking land value are well below their revenue potential. The 74th Amendment defined the range of possible expenditure that can be assigned to the local bodies, leaving it to the states to notify devolution from the range identified. In the case of revenue sources of urban local governments, the amendment left it entirely to state governments to decide. Article 243X entrusts to state governments the power to impose taxes, duties, tolls, and fees; it allows state governments to assign revenues from specific taxes to urban local governments. Article 243Y leaves to State Finance Commissions the task of reviewing and recommending devolution of tax revenues and grants-in-aid to urban local governments. However, actual effective devolution

---

<sup>14</sup> Indian Council for Research on International Economic Relations (ICRIER) , “Finances of Municipal Corporations in Metropolitan Cities of India”, 2019  
[https://fincomindia.nic.in/writereaddata/html\\_en\\_files/fincom15/StudyReports/Finances%20of%20Municipal%20Corporations%20in%20Metropolitan%20cities%20of%20India.pdf](https://fincomindia.nic.in/writereaddata/html_en_files/fincom15/StudyReports/Finances%20of%20Municipal%20Corporations%20in%20Metropolitan%20cities%20of%20India.pdf)

<sup>15</sup> *Ibid.*

under these provisions has been very limited, restricting the local government's ability to spend on important areas which are otherwise best handled locally.

Predictable fiscal devolution from the union and the states on the one hand, and performance-linked grants from the state on the other will ensure a sound resource base of city governments commensurate with their functions and needs.

- All the employees of the state government who are responsible for the services and functions listed in the Twelfth Schedule should be entrusted to the city government and should be fully accountable to it. The state should transfer to the city a grant amount annually to meet the salary and allowances requirements of all such employees who are transferred. This will, in effect, be a revenue neutral measure, and will result in transferring responsibility and accountability to the city with no additional expenditure.
- The union government based on the recommendations of the Finance Commission has been releasing grants to local governments as part of the fiscal devolution to states. For instance, the Fourteenth Finance Commission allocated Rs. 2.87 lakh crore (Rs. 2.87 trillion) to local governments over five years. Steps should be taken to ensure that these grants in future will not be on an ad-hoc basis, and a share of transfer to the state, say 30% will go to the cities and other local governments on population basis. This share can be determined by the Finance Commission and union government by assessing the resources required to fulfil the city's functions under the Twelfth Schedule.
- A national consensus should be built about the devolution of funds from the states to the local governments. Whereas the Union Finance Commission has always acted professionally and transparently and has evolved with changing times, the State Finance Commissions have by and large been perfunctory and ineffective. The union is now transferring 42% of the tax revenues (excluding cesses and surcharges) to the states. But transfer from the state to local government in most cases is miniscule. A national consensus with appropriate norms and guidelines regarding states sharing their tax revenues with local governments will make constitutional devolution real and meaningful. As pointed out in the section on transfer of functions, with genuine devolution, the cities will bear the cost of employees transferred to them.

## **7. People's participation in city governance:**

One of the key objectives of empowering local governments is to ensure effective citizen participation in governance on a day-to-day basis. Only when the voter can make her voice heard and participate and give feedback on a regular basis will there be a link between the vote she gives and the public good she sees in her neighbourhood. Equally important, local decision-making at the community level will enable the taxpayer to see where her tax money is going, and the allocations and expenditure will reflect the priorities and needs of citizens. This link between taxes and a community's collective needs will impose discipline in decision-making and expenditure, as taxpayers will attempt to get the best value for the money spent. Also only at the community level can people reconcile the short term palliatives with the durable and real benefits that make their lives better and add value. Finally, in a general climate of poor service delivery and lack of accountability in bureaucracy, only at the community level can authority be matched with responsibility in a very transparent manner. Such clear fusion of authority with responsibility will make delivery transparent and effective.

Cities are of varying sizes. When a local government is relatively small – a village or small town – the community can make its voice heard and play an active role in local governance. But once cities grow big, the citizens lose voice, local government becomes as remote, unresponsive and impersonal as the distant state or union governments. It is for this reason that article 243-S has been incorporated in Part IX-A of the Constitution providing for Wards Committees in all municipalities having a population of three lakhs or more.

Clearly, the explicit wording of the Constitution and common sense tell us that a Ward or Wards Committee should be a much smaller subunit even in a city with a population of 300,000. It is reasonable to assume that the Parliament intended the constitution of Ward Committees for a unit of population no larger than, say 25-50,000. However, in reality the Wards Committees have been constituted perfunctorily in many cities. For instance, the Wards Committee in Mumbai city is conterminous with the jurisdiction of the regional administrator in the city, called 'Ward Officer'. As a result, each Wards Committee of Mumbai has a population of 10-15 lakhs, defeating

the very purpose and rationale of the Wards Committee, and violating the letter and spirit of the Constitution.

In many cities, even when the Ward/Wards Committee is constituted, it has little role in making decisions prioritizing local expenditure or holding the local municipal employees to account.

- For all cities, it should be explicitly provided that a Ward/Wards Committee under Article 243-S should be constituted for a population of 25000-50,000, and in no case should exceed 50,000.
- A share of the city's budget should be placed at the disposal of the Ward Committee on population basis, and all the local works and projects within a reasonable ceiling of expenditure should be decided by the Ward Committee.
- The Ward Committee should have elected members – two members – at least one of them a female for every two polling booths. In addition, about a third of members may be co-opted by the elected members from residents' welfare associations, experts, and reputed civil society organisations.
- The municipal employees providing purely local services in the Ward Committee jurisdiction or executing projects decided by the Ward Committee should be accountable to the Ward Committee.

#### **8. Common cadre for all cities:**

Modern cities have complex social economic needs. Management of cities requires enormous expertise and experience. It will be difficult for each city to recruit, train and benefit from the expertise of the officials. Therefore, a common cadre may be constituted with officials who have domain expertise and experience in various facets of city management. The cities may draw personnel from the common cadres by mutual consent of the city and state for a minimum guaranteed tenure of, say five years. Also, cities should have the freedom and opportunity to enlist the services of experts from outside the government to give advice, generate innovative ideas, design projects and execute them.

## **9. Housing as a key program:**

As earlier stated, there is a massive shortage of housing in cities, even as cities are attracting more and more migrant workers and families in search of livelihoods or better quality of life. The Covid crisis in our major cities has largely been complicated by the housing crisis. Also growth of slums and unauthorized occupation of public spaces for temporary housing will inevitably lead to ghettoisation. World over rising inequalities, insanitary conditions, spread of disease, rising violence and crime, and rise of organized criminal gangs are linked to the housing crisis and ghettoisation. The government's efforts so far to build houses is very inadequate so far only 34.72 lakhs of urban houses<sup>16</sup> have been built over the past 5 years, while the demand for urban houses for the low-income groups was estimated at 18.78 million in 2012. Every year, with rise in migration to cities, this demand is growing.

- A massive national programme should be taken up to complete 20 million dwelling units in cities meeting reasonable standards of safety, hygiene, infrastructure and quality of life in five years.
- The low income families should have a stake in housing projects by contributing upfront, say 10% of the cost, and should acquire ownership through payment of easy monthly instalments over 20 years. A part of the cost may be subsidized by the government. Speed, scale, quality and economy should be the guiding principles.
- Conscious and constituent efforts should be made, as in Singapore, as part of national policy to integrate all sections across caste, religion, region and language in all these public housing projects. This will promote social harmony and integrate communities, and will prevent the rise of violence and organised crime.

---

<sup>16</sup> "Pradhan Mantri Awas Yojana (Urban) - Housing for All (HFA) State wise Progress (since 2014)" [http://mohua.gov.in/upload/uploadfiles/files/PMAY-U\\_Achievement\\_29-6-2020.pdf](http://mohua.gov.in/upload/uploadfiles/files/PMAY-U_Achievement_29-6-2020.pdf)

## **Conclusion**

The COVID-19 crisis exposed the fault lines in our big city governance. Our cities are engines of economic growth and job creation. Conscious promotion of small towns will encourage in situ migration. However, more rapid urbanisation and migration of vast numbers to big cities is unstoppable. Poor governance in big cities will be catastrophic for our economy and society. Better management of cities, genuine empowerment, local leadership development, community participation in managing city governments, competent delivery of services and effective systems of accountability are critical for the future of our society. Rapid urbanisation offers a great opportunity for accelerated growth, elimination of poverty and creation of jobs. But if we do not improve the governance in cities and enlist people's participation, rapid urbanisation can lead to rising inequalities and squalor, crime, violence, social unrest and urban decay. The challenges facing our big cities antedate the COVID-19 crisis. However, this crisis has exposed the weaknesses of big city governance and should be taken as a wakeup call.

Empowerment of cities is not a zero-sum game. State governments will continue to play a vital role in shaping the future of cities. Law and order, land management, and control of state-level cadres will always be with States. Accountability of city government and coordination with state agencies demand continuous engagement of the state government in the management of a city. Fortunately enormous talent exists in cities, and resources can be raised. If we harness the citizens' talent and dynamism and mobilise resources establishing the link between the expenditure and outcomes in terms of quality of life, our big cities can transform Indian governance, economy and society.

\* \* \*