



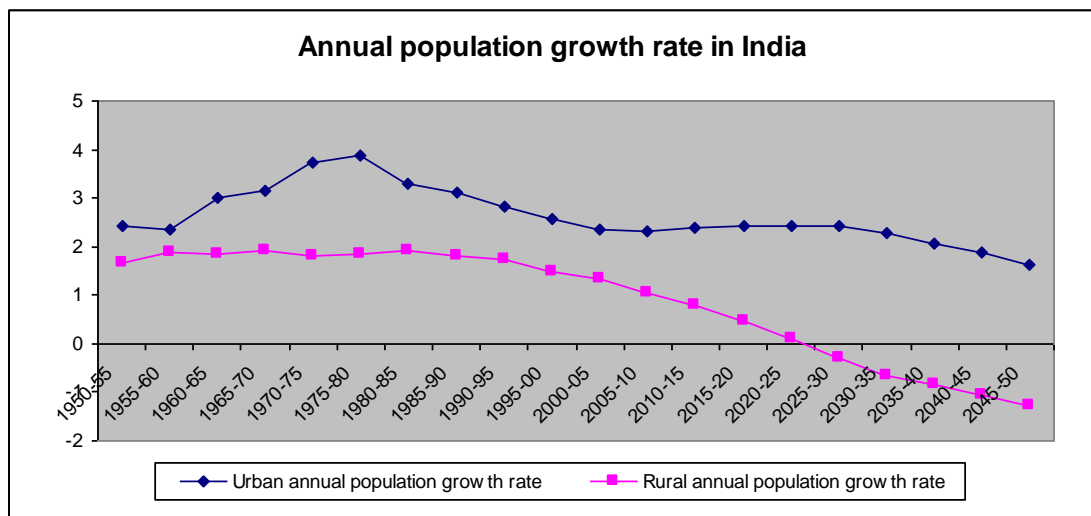
## Urban Local Bodies: Decentralisation and Sustainance

### Assessment of Decentralisation Process in India

#### 1. Introduction

India has the world's second largest urban population. According to UN estimates from *The World Urbanization Prospects, 2009*, the compound annual growth rate of urban population in India will be 2.4 percent every five year from 2010 to 2030. By this rate of growth, India's urban population is estimated to reach 590 million by 2030. The five-yearly annual growth rate of urban population has been more than that of the rural population due to the rapid urbanisation process. The gap between the urban and rural population was expected to increase at a rapid pace from 2000-05 onward which we can see from chart 1. And this pace is expected to continue if India remains on its path of high growth.

**Chart: 1**



Source: Department of Economic and Social Affairs of the United Nations Secretariat, *World Urbanization Prospects*, 2009

The rapid population growth has focussed our attention to the state of India's urban infrastructure and its ability to sustain future growth. Existing basic infrastructure and services like power, housing, water supply, sewerage, surface transport etc are under severe strain, with rapid urbanization compounding the shortage.

The Indian parliament passed the Local Self Government Acts through two amendments of the Constitution (73<sup>rd</sup> for Panchayats and 74<sup>th</sup> for urban bodies) in 1992. Much of the official as well as scholarly commentary sees the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment as constituting a watershed in the evolution of political institutions in India, as moving the structure of local government from a model of 'decentralized administration'<sup>1</sup> to one of 'self-government'. This has created a significant space for pursuing the political goal of citizen participation in the democratic process and exploring avenues of achieving efficient utilisation of resources.

In contemporary development discourse, there is consensus on decentralisation as desirable *per se*, with support from both the left and the right of the political spectrum. A consequence of this consensus is that, since the late 1980s, decentralisation has become an increasingly widespread and significant dimension of political and administrative reform.

In India, attempts at strengthening local democracy have invariably invoked the traditional self-governing institutions of the village, which have often been romanticised by a wide variety of observers, from Henry Maine to Mahatma Gandhi. Historically, however, despite their consensual appearance, these institutions were seen as concealing various forms of social prejudice, oppression and exploitation

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<sup>1</sup> Decentralisation has a long history in development discourse. Decentralisation is defined as "any act in which a central government formally cedes powers to actors and institutions at lower levels in a political administrative and territorial hierarchy" (Ribot 2001: v., citing Mawhood 1983 and Smith 1985). Three forms of decentralisation are commonly identified: administrative decentralisation ; fiscal decentralisation; democratic decentralisation or devolution (Manor 1995: 812).

which were firmly rooted in local power structures. It was in recognition of these that B.R. Ambedkar argued strenuously in the Constituent Assembly against incorporating them into the Constitution of India document. This is why the impulse for local self-government, already embodied in Article 40 of the Constitution<sup>2</sup>, was placed in the non-justiciable Directive Principles of State Policy segment.

The most persuasive case for devolving power to local elected Institutions is that (i) it empowers society vis-à-vis the centralised Indian State, and (ii) it empowers disadvantaged groups vis-à-vis entrenched groups within the said society.

The model of decentralization is based on the tenets of (i) *decentralized administration* and (ii) *decentralized democracy*. The former is primarily a managerial idea, which holds that one can increase the efficiency of service delivery by adopting a strategy of administrative decentralization. Within the idea of administrative decentralization the citizens have no significant role as decision-makers. They exist only as beneficiaries of an administrative structure that is supposed to be more efficient<sup>3</sup>.

Decentralized democracy, in contrast, is a political idea, which seeks to promote two distinct objectives: (i) *citizen participation in decision-making* and (ii) *effective service delivery*. Within this idea of decentralized democracy citizen participation is both an intrinsic goal, i.e., participation is valuable because it is integral to the quality of citizenship, and an instrumental goal, i.e., participation is valuable because it produces good outcomes<sup>4</sup>. The innovation in the thinking here is to see citizen participation as promoting effective service delivery.

The creation, maintenance and provision of services in urban areas come under the purview of the urban local bodies. The 73<sup>rd</sup> and 74<sup>th</sup> Constitution Amendment Acts provide explicitly in article 243G and 243W the powers and functions of such bodies. They are further elaborated and listed in Schedule 12 of the Constitution of India.

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<sup>2</sup> Article 40 states: The state shall take steps to organise village panchayats and endow them with such power and authority as may be necessary to enable them to function as units of self-government.

<sup>3</sup> Cornwall, A (2004).

<sup>4</sup> Sethi, Mohapatra et al (2010). (*Developing a Monitoring and Evaluation Framework for District Decentralisation and Convergence Intervention*)

These Local Bodies play a critical role in the delivery of social, economic and infrastructure services like public health, sanitation, primary education, water supply, and maintenance of road networks. According to the 2001 census, India's urban population stands at around 28 percent of the country's total population, and is estimated to have grown significantly over the last few years.

Prior to the passing of the Act, the local bodies, though they existed, had very little role to play. According to many studies undertaken to assess the functioning of ULB's in India indicate that its performance deteriorated over the years. Reasons given for such performance were lack of funds, lack of transparency in the planning and implementation of projects, ineffective participation by the weaker section of the population in local government etc.

Despite the passing of the laws conforming to the Amendment Act the process of empowerment of local bodies has been extremely uneven in many states. Further, transferring all the eighteen functions, enlisted in the 12<sup>th</sup> Schedule of the Amendment Act, has been an exception rather than the norm. It would, therefore, be unrealistic to expect any major improvement in the nature of planning and administration at the local level due to its dependence on state government regarding the transfer of funds and functions.

The 74th Constitutional Amendment (1992) provides a legal framework for decentralisation to the level of local government. However, with the deteriorating fiscal health of States, the access of ULBs to get its funding from the State budgetary support mechanism for the funding of capital projects is under pressure. Thus, with a growing population to be served, increasing pressure for better service delivery, and curtailed access to traditional sources of funding, ULBs are increasingly being forced to explore sources of funding as well as new service delivery channels.

Historically, urban local bodies (ULBs) were created to give voice to local aspirations and look after the well being of the local populace. The 74<sup>th</sup> Amendment Act provided a list of functions to be performed by the ULBs which is mentioned in the 12<sup>th</sup> Schedule of the Constitution (Table 1). All these functions were to be devolved to the

ULBs by the state government for their effective functioning. To execute these functions coordination between the state government and the ULBs is critical. But this can happen effectively, only if state governments and the central government delegate administrative and financial powers to the ULBs.

To show this we start with the hypothesis that greater devolution of powers results in better performance of ULBs. To check this hypothesis, we map the differential performance of ULBs against the differential powers that they have. We try to show that better performing ULBs also have greater power to take, as well as implement, decisions. The question that remains is how to measure ULB performance. We measure performance by looking at the responsiveness of ULBs to announced policies and to the assessment of future demands.

The structure of the paper is as follows: In the introductory section we outline the process of urbanisation. We also talk about the performance of the Urban Local Bodies prior to the passing of the 74th Amendment Act and how this Act would help empowering the local bodies. Section II discusses the commitment of states to devolve power under three categories i.e. ULB level, state level and optional reforms. It also analyses how devolutions of power by the states have affected the finances of the ULBs. Section III does the assessment of future demands using the performance parameters i.e. percentage of population having access to toilet facility and percentage of population using piped drinking water. Section IV provides details of critical area of reforms undertaken by 74th Amendment Act. Section V is the conclusion and critical areas of research thrown open by the study.

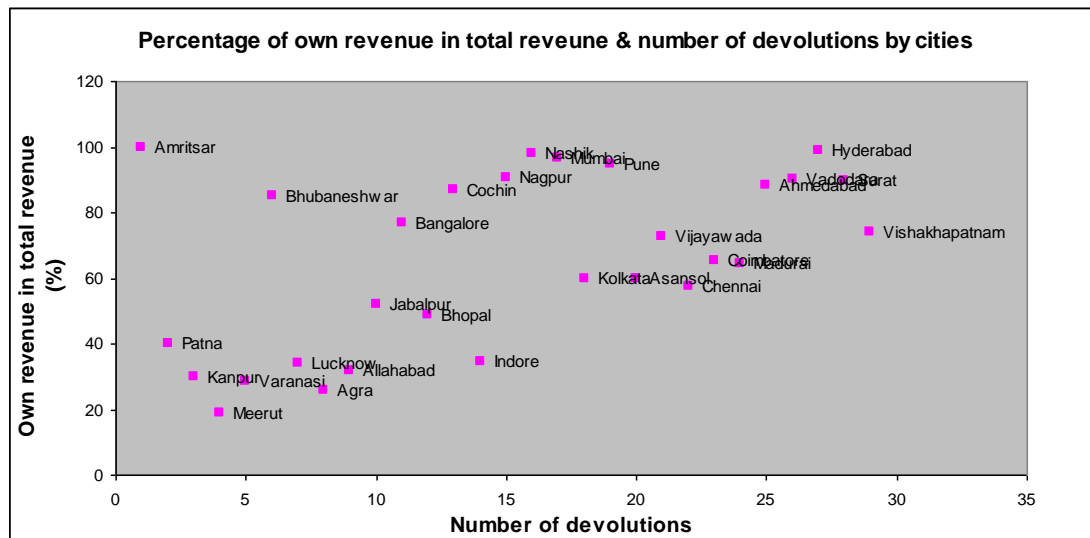
## **2. ULB response to policies**

One of the intended objectives of the 74<sup>th</sup> Amendment Act is to make ULBs self sustaining and, hence, efficiently govern the area under their jurisdiction. This is best achieved if the ULBs depend on their own revenue collections and become independent of the state revenues.

Revenue of municipal bodies in India comes from two sources: internal and external. Internal/own source of revenue consists of tax revenue and non tax revenue. Internal tax revenue includes property taxes; tax on vehicles, animals, trade and callings and professions; theatre tax/show tax; tax on advertisements, boats, etc. Non tax revenue includes rents from municipal assets; income from municipal undertakings; user charges; fees and fines; income from municipal investments, etc. External sources of revenue consist of grants-in-aid and shared taxes. Grants-in-aid include general purpose; specific purpose; grants in lieu of taxes. Shared taxes include entertainment tax; motor vehicle tax; land revenue; stamp duties; profession tax; etc.

To see how devolutions of powers to ULBs by the States affect the self financing of the ULBs, we first look at the revenue data of urban local bodies for 23 states of India (Source: Finance Commission). The presumption is that higher percentage of own revenue in total revenue will make ULBs more self sufficient. The percentage of own revenue in total revenue for year 2007-08 is given in the chart 2.

**Chart: 2**



In Table 2, we have divided the 23 states into three categories: states having percentage of own revenue in total revenue more than 50 percent, between 20 and 50 percent and less than 20 percent. In each category we have selected five states due to the non availability of data on some aspects of devolutions that had taken place. This problem was noted especially in the case of north-eastern states and in newly created states like Chhattisgarh and Uttaranchal. So, we have excluded those states from our study.

We found that Punjab, Maharashtra, Gujarat, AP, Goa and West Bengal are the states with more than 50 percent of own revenues out of the total revenue, whereas Tripura, Uttar Pradesh, Bihar, Chhattisgarh Madhya Pradesh and Orissa have less than 20 percent.

The states with the higher percentage of own revenue are in better position to take investment decisions as they have to rely less on external sources of funds. This is also because external sources of funds are released with a time lag. This is due to a plethora of conditionalities imposed on the release of funds to ULBs and/or because the funds are tied to specific projects. One such condition is that ULBs need the provision of utilisation certificates for their previous instalments to be passed by the State government within 15 days. Since most of the ULBs do not maintain an account and also have a very slack attitude towards getting their accounts audited, they face difficulty in getting the utilisation certificate, which affect their financial position and hence their ability to perform better. If the ULBs are self sufficient they are in a better position to prioritise their investments. But to generate own revenues ULBs need well defined powers for proper functioning. And it is possible only if there is more devolution of powers to the ULBs by the states.

All states by law are committed to devolve certain specified ULB level, state level and optional reforms. The responsiveness to various levels of reform by 34 main cities within selected 15 states is mentioned in Table 3 below. To make the cities comparable we divide these 34 cities into three categories<sup>5</sup>. Category A (Mega Cities/ Urban Agglomerations (UAs)): Cities with over 4 million population, Category B (Million plus Cities/ UAs): Cities with 1-4 million population and Category C (Cities/ (UAs) with less than one million population).

Table 4 below shows that within category A, Hyderabad has maximum number of devolution (19 out of 29 ) along with the highest percentage of own revenue in the total revenue as compared to all other cities in the same category. Chennai has devolved 17 out of 29 reforms; however, state government contributes 21 percent in

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<sup>5</sup> This division of cities into Category 'A', 'B' and 'C' is as per the JNNURM categorisation

the total municipality revenue as its own revenue generation capacity is lowest within the category.

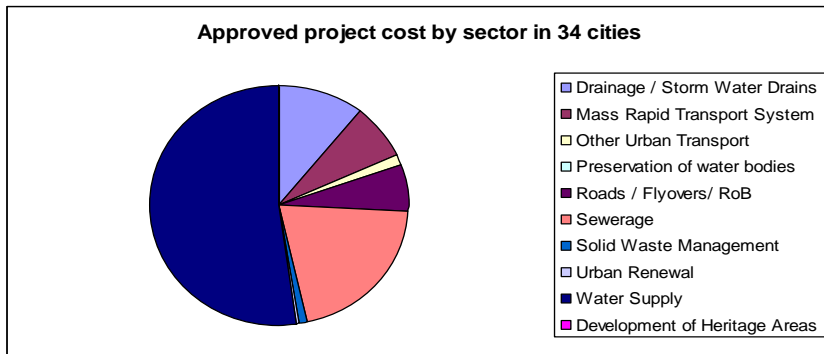
In category B cities, we observed that the cities with higher devolution are also having more percentage of own revenue in total revenue, with the exception of Amritsar. The city of Amritsar has achieved only 5 reforms out of 29, but hundred percent of its revenue comes from own municipal sources. Vishakhapatnam has achieved 20 reforms out of 29, which is the highest in all categories but has only 74.1 percent of revenue coming from its own sources. Amritsar is an exception because Punjab has a very low urban poverty (7 percent in 2004-05 by Planning Commission estimates) and well established agricultural marketing networks. It also has a low disparity between the metropolitan cities and small and medium towns with regards to poverty and basic facilities.

### **3. Assessment of future demands**

The performance of ULBs also depends on how well the city development plan has been accessed in regard to future demand. For this all the cities need to prioritise their investment plans by taking care of future demand. The JNNURM programme has provided the urban sector a great boost towards reforming the governance practices, improving the infrastructure and providing basic services to the urban poor. Under the JNNURM programme all the states put forth in their city development plans the maximum per capita demand for infrastructure investment in the water supply and sewerage/sanitation sectors. Water supply constitutes 52.21 percent of the total investment and 20.6 percent of the total investment goes in sewerages.

If we probe into the 34 cities (listed in Table 4) which are also part of JNNURM programme, we observe that most states also have prioritised their investment plans in these two sectors (chart: 3).

#### **Chart: 3**

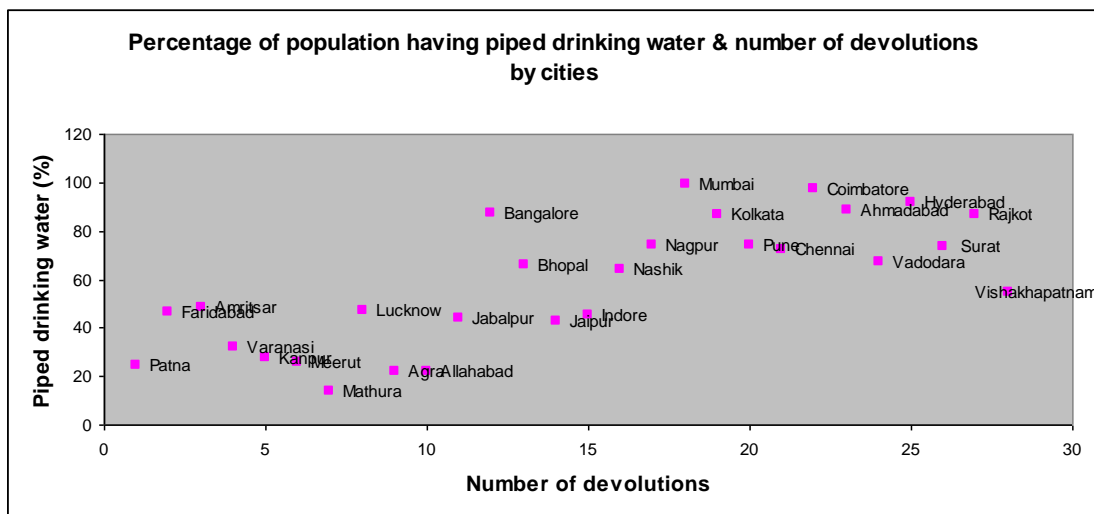


Source: JNNURM website, [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

Since our hypothesis was higher devolution leads to better performance of the ULBs, we will now compare the number of devolution with the performance of these cities. The performance parameters for the cities are percentage of population having access to toilet facility and percentage of population using piped drinking water.

Table 5 is arranged in descending order (i.e. highest to lowest number of devolution by the three city categories). In category 'A' cities, we observe that Hyderabad which is the city with highest devolution has 96.1 percent of the population having access to piped drinking water and 96.7 percent of the population having access to toilet facility. In the case of Mumbai, the access to piped drinking water facility is as high as 99.4 percent, but only 38.7 percent of the population has access to toilet facility.

**Chart: 4**



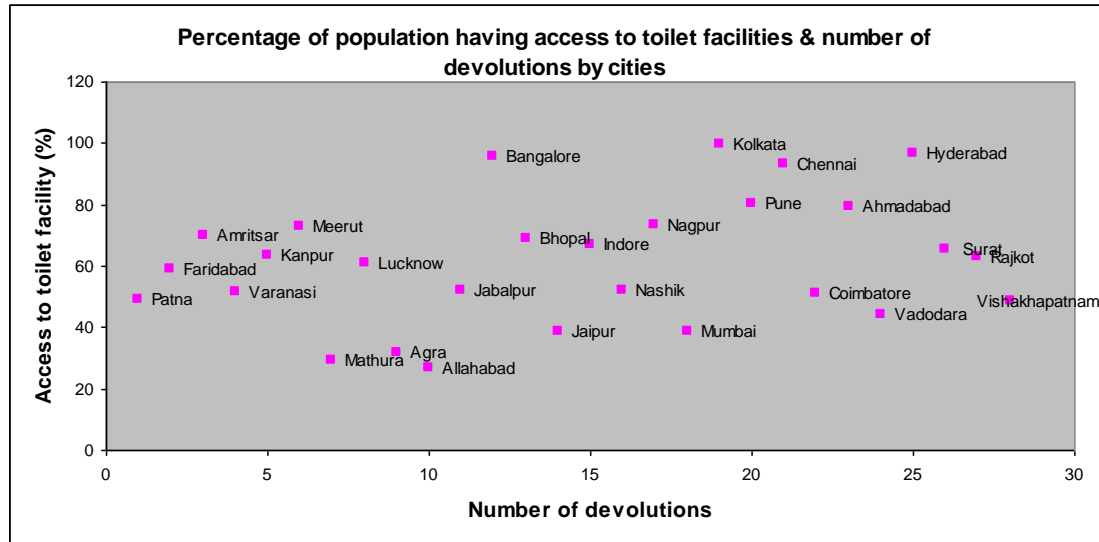
In category B cities we notice that even though Amritsar and Faridabad have lower amount of devolution they are performing better than cities having more devolution in the same category.

State Governments fund to local bodies are generally random as it doesn't come on timely basis, constraining the working of the municipal projects. For instance, Amritsar is performing well as compared to other cities in the same category due to its ability to generate high percentage of own revenues in total revenue. Hence it's less dependent on the State Government for funds. Amritsar has also has been historical pilgrim centre with agro-based food processing destination in India. The number of people visiting Amritsar has increased many folds over the years which would have led to an increasing pressure on development of water supply and sewerage facilities long back. So to accommodate the increasing inflow of tourists, world class urban infrastructure & transport system has been developed over the years. The basic civic services like water supply and sanitation has always been in place to accommodate large number of tourist. All these have impact over the socio-economic context of the city.

Faridabad is the other exception of better performance without having higher number of devolution. This is due to fact that here infrastructure assets were created years ago. Under the Delhi Master plan 1962, Faridabad was identified as one of the 5 Ring Towns to share the population burden of Delhi and this declaration encouraged urban development in Faridabad. Other factors those are likely to contribute to its better performance its strategic location just 32 km from Delhi, the National Capital. Good connectivity in the form of N.H.2 and the Delhi-Ballabgarh railway line that led to its growth as an urban centre. As a result, Faridabad became an industrial base for lot of MNCs, ISO-based industries, medium and small-scale manufacturing units. On the whole, the total number of small, medium and large industries in the Faridabad-Ballabgarh Complex stands at about 15,000. The Complex provides direct and indirect employment to nearly half a million people. Rapid industrialisation of the city led to high rate of immigrants in the city in search of new jobs. This led to an increase in the density of populated and hence its rapid urbanisation.

It may also be seen (chart 4) that there is uniformity among cities within a state in terms of number of devolutions and drinking water facilities availability. In category B cities (chart 5) there is no clear pattern between the number of devolutions and access to toilet facility. But there is positive correlation between the number of devolutions and the availability of water facility.

**Chart: 5**



Every state government has to prepare city development plans (CDPs) with detailed project reports (DPRs) and signed memoranda of agreements (MoU) indicating milestones for implementation of reforms. And on top of it various conditions have been built to release and to share the funding of projects. In this aspect the central government, state government and the ULB have agreed to share the investment in different ratios by city categories (Table 6).

The states like Gujarat and Andhra Pradesh appear to have been more active in proposing projects for funding. But the response of other states appears to be sluggish. Table 8 shows the per thousand person revenue, per thousand person approved cost for sewerages and water supply for the 34 cities. Among category ‘A’ cities we can see that per thousand person’s approved cost for sewerages is quite low as compared to it’s per thousand person’s revenue. We also we observe from Table 5 that in Mumbai people having access to toilet facilities is 38.7 percent which is lowest among that category despite having quite decent amount of devolution. One of the

possible reasons seems to be that Mumbai is the most populous city in India. The estimated population of Mumbai is about 18 million (as of 2006). It has a population density of about 29,000 persons per square kilometre. However, things become more complicated for Mumbai as 54 percent population stays in slums. Any up gradation or redevelopment of slum areas occupied by 6-7 million persons related to water supply, sewage disposal, storm water drainage and soiled waste management, river development requires dedicated attention.

Most of the time it is found that the lack of funds is a big issue for providing civic infrastructure. But even when adequate funds were available for Mumbai, the bureaucratic and procedural hurdles have slower the process. For example, The Lions Club-Municipal Corporation of Greater Mumbai (MCGM)-Sulabh Friendship Project was undertaken in 2000. The Project spent Rs 1.5crore on constructing 27 Sulabh Shouchalayas between Bandra and Dahanu. But the selected sites were not given timely clearance by the civic authorities leading to lapsed time and, consequently, lapsed budget.

Similarly, City Development Plans also states that the city of Mumbai takes more process time in building plans, registration of property, construction regulation etc than any other metro city. Due to this the transaction costs have increased and put Mumbai at a disadvantage compared to other cities. The CDPs attribute this to the complex system of laws, institutions and procedures.

The Municipal Corporation of Greater Mumbai (MCGM) is central to the city's infrastructure management. It is the largest corporation in the country in terms of its functional responsibilities. It is responsible for functions such as public transport, health, education and, power distribution which are over and above the functions enumerated in the 12th Schedule. The proper functioning MCGM is based on the sources of revenue which consist of octroi, property taxes, and water-related taxes and charges. There is no demand supply gap in case of water supply in Mumbai as can be seen in table 5 that 99.4 percent of the population have access to piped drinking water, which is the highest among category 'A' cities. This can be explained mainly by the fact that tariff for non-domestic uses is several times the tariff for domestic uses. It needs to be pointed out that surplus in the midst of leakages of the order of 20 percent

and per capita water supply levels of 40 ltr for a substantial number of house-holds is a matter of concern to which the MCMG needs to give attention.

Approved costs per thousand persons vary drastically across the States. The predominant share in projects under the JNNURM scheme belongs to water supply. This has worrying implications for other equally important sectors like sanitation. Sewerage systems along with treatment facilities are capital intensive. This is also because the underground sewerage facility is often still not built yet. But investment on it has broader social and environmental benefits, so there is a need of outlays earmarked for it.

The ULBs of category 'A' cities (mega-cities) have to contribute 50 percent of the share in the total investment for any project proposed. The sewerage system in the mega cities is in better condition than the category B cities (Annexure 1, Table 8). But the responses to approved projects under the sewerage/sanitation category are lackadaisical in the mega cities, even though the decision making power in terms of contribution to total investment is higher for category 'A' cities. The percentage gap in the release of funds is higher for the sewerage related projects. On the other hand, the responses of the category 'B' cities are proactive in terms of releasing the approved cost for the sewerage related projects.

Similarly, in water supply projects, category 'B' cities are more proactive in the release of funds than category 'A' cities, with the exception of cities in Uttar Pradesh (Table 9).

## **4. Critical areas of reform**

### **4.1 74th Amendment Act**

The Act envisages the creation of regional planning platforms like the District Planning Committee (DPC) and Metropolitan Planning Committee (MPC) as mandatory reforms. At least four-fifths of the members of a District Planning Committee and at least two-thirds of the members of a Metropolitan Planning Committee should be elected representatives of the concerned Municipalities.

The basic function of the DPC/MPC is to prepare the draft development plan. The draft development plan includes spatial planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation and, mapping the extent and type of available resources, financial or otherwise.

In addition, the Twelfth Schedule of the Constitution lays down the functions of urban local bodies, lists urban planning including town planning, regulation of land-use and construction of buildings and the planning for economic and social development as key functions of the ULBs. Yet, not all states have set up DPC/MPC or incorporation of Schedule 12 into the State Municipal Act (Table 10). These ULBs, therefore, are restricted in the execution of their intended functions.

## **4.2 Property Tax**

One of the intended objectives of the 74th Amendment Act is to make ULBs self sustaining and, hence, efficiently govern the area under their jurisdiction. This is best achieved if the ULBs depend on their own revenue collections and become independent of the state revenues. Property tax is an important tax revenue source available to the ULBs. Property tax collection constitutes 23.4 percent of the total municipal revenue (the total municipal revenue includes own source of revenue and state government transfers) in India.

There are inter-city variations in the property tax collection, coverage, tax rate and in the valuation of property. There are certain non tax-paying properties as well, which are exempt from taxes. For example, Article 285 of the Constitution exempts properties of the Union government from property taxes. Such non tax paying properties leads to a total revenue loss of around INR 531.21 crores, according to a survey done by NIPFP in the year 2006-07 of 36 JNNURM ULBs. The effective coverage means percentage of properties paying taxes out of the total properties. According to the survey, in the year 2006-07, the effective coverage of property was low for the cities in Madhya Pradesh and Rajasthan as compared to other cities. But none of the cities fully covered the properties for taxation. The coverage of properties

means percentage of assessed properties out of total properties. The coverage of property shows that the assessment for covering the property has been almost done. But the collection efficiency needs to improve.

The collection efficiency can be enhanced if all the property records are digitised. The technology can help in streamlining the property records without any additional investments after digitisation. For example in the state of Maharashtra, cities like Mumbai, Nashik ,Pune and Nagpur has electronic database of all the property records. However, the target of property tax coverage and collection set under JNNURM has not been achieved in many cities.

Another source of revenue generation for the ULBs is land use certification. The land use certification would help citizens in getting legal proprietary rights of their land. For this the local government is pushing for the digitisation process of the land and property records. The digitisation will also help in convergence between the registration process, property tax department and the record of rights maintained by the revenue department of the state. Pressing demands on land for commercial use around the cities, demand for other infrastructural amenities, etc., are fertile sources of generating revenue which could go into creating and upgrading infrastructure in urban localities. Many state governments have kept this crucial power with them, inhibiting better planning of resources for the ULBs.

### **4.3 Municipal Accounting**

There have been various attempts made to collect details of the data for the municipalities, particularly their budgeting and accounting system. The Zakaria Committee (Central Council of Local Governments 1963) considered some of these issues in the early sixties which made an attempt to determine the deficiencies in the facilities and the expenditures required to meet the gap. Subsequently, National Institute of Urban Affairs (1983) conducted a voluminous study and was confronted with similar problems, due to non-comparability of data. Unfortunately, no standardised data at the national or state is available for analyses and comparison.

Even after two decades of experimenting, most local governments use the single-entry accounting system. The World Bank initiated accounting reforms in India in the 1980s. In 1981, the Mumbai and Chennai Municipal Corporations initiated reforms. By 2003, less than 125 of the 4400 municipal bodies had attempted to adopt the new accounting system and only a few attained complete successes<sup>2</sup>. The Municipal Corporation of Delhi was among the first local bodies in the country to switch to the accrual-based, double-entry accounting system in 2003. However, the majority of urban local bodies still have single entry based accounting system.

As per the 74th Amendment Act, the audit of accounts of the Municipal Corporations by the Comptroller and Auditor-General of India is mandatory. The accounting<sup>6</sup> system for the urban local bodies (ULBs) as provided in the National Municipal Accounts Manual (NMAM) needs to be adopted by the State Governments. But the municipalities have not made any significant progress as yet. The existing arrangement between the Comptroller & Auditor General of India and the State Governments with regard to providing Technical Guidance and Supervision (TGS) over maintenance of accounts and audit of ULBs are looked into for it to be institutionalised and regular. In this regard, the Twelfth Finance Commission (TFC) had also recommended that annual accounts be maintained in a common format for all the municipalities so that it is easier for the State Finance Commissions to compile the data.

In order to ensure efficient service delivery, reach and accountability, there is need to maintain proper municipal accounts. It helps in finding the critical gaps identified by the local bodies and enlists the areas where professional support is required by the local bodies. This will also help ULBs to determine which goods and services are to be provided.

#### **4. Conclusion**

The Twelfth schedule of the 74<sup>th</sup> Amendment Act, 1992 provides with the list of functions to be performed by ULB's but do not provide for the corresponding

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<sup>6</sup> Joshi, Ravikant, "The Myths and Realities of Municipal Accounting Reforms", CRISIL Infrastructure Advisory

'municipal finance list'. The assessment of the financing is left on the discretion of the State Government. This imbalance in the functions and finances sooner or later leads to high dependency of ULB's on State Government and of the State Government on the Central Government.

State Governments are required to devolve resources to their local bodies as recommended by the State Finance Commission. But due to lack of resources they are not in the position to allocate adequate funds to ULB's. Most of the ULBs rely on tax source or grants, while the other sources of revenue are often ignored or not tapped to the potential that exists. The problem become even worse when ULB'S are not is the position to exploit the existing sources of revenue. For this, cities need to devised innovation methods to generate more revenue. For example, Bruhat Bangalore Mahanagar Palika (BBMP), Bangalore in association with the Brigade Shops Establishments Association (BSEA) established Automated Parking system in Bangalore. The new parking system implemented has been a role model for similar initiatives in many cities in India. The Automated Parking as a sustainable measure to resolve the issue of high traffic volumes on the road causing frequent traffic jams.

Simultaneously, comprehensive steps can be taken in broadening the revenue resource by looking at the prospects of increasing the potential taxation areas, timely revision the tax rates , widening the tax base and usage of IT in tax collection.

From our study we have witnessed that there is higher devolution of power in A-class cities than in the B and C –class cities. From table 2 and 4 we see that the cities the higher devolution of power to the ULBs, are also the one's who could generate higher percentage of own revenue, with an exception of Amritsar. The percentage of own revenue in total revenue is highest for Punjab (89.6 percent) but the number of devolution in Amritsar is quite low as compared to other cities in the same category. So we cannot directly infer that higher devolution of powers leads to higher revenue generation by ULBs. The mega cities have higher population or area which indicates the need to spend more in absolute terms to provide the same level of civic amenities. Similarly, the levels of Gross State Domestic Product (GSDP) of a state with higher population would, *ceteris paribus*, have greater fiscal capacity. However in absolute

terms, there is a mismatch between the functions transferred and finance available with the ULBs.

We have seen the exception of Amritsar and Faridabad where despite of lower devolution they we performing well on the given indicators due to their capacity to generate higher amount of own revenue. And at the same time we also saw the exception of Mumbai which had high number of devolution but were not able to perform well due to administrative hassle. Hence the capacity to generate their own revenues and availability of finances also plays a pivotal role. However, the share in taxes and transfer of grants-in-aid to municipalities all are left at the discretion of State Governments.



**Table 1: List of function under Twelfth Schedule (Article 243W)**

<b>S.no</b>	<b>listed the functions</b>
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- domestic, industrial and commercial
6	Public health, sanitation, conservancy and SWM

7	Fire services
8	Urban forestry, protection of environment and ecology
9	Safeguarding the interests of weaker sections society including the handicapped and mentally retarded.
10	Slum improvement and up gradation
11	Urban poverty alleviation
12	Provision of urban amenities and facilities- 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.
18	Regulation of slaughter houses and tanneries

**Table: 2 Percentage of Own Revenue in Total Revenue**

States	2007-08
Punjab	89.06
Maharashtra	76.08
Gujarat	61.54
Andhra Pradesh	58.46
Goa	57.79
West Bengal	51.7
Kerala	39.52
Rajasthan	39.49
Tamil Nadu	38.41
Assam	38.21
Karnataka	34.17
Haryana	29.25
Manipur	26.38
Uttarakhand	21.85
Jharkhand	20.24
Tripura	16.75
Uttar Pradesh	14.82
Bihar	14.56
Chhattisgarh	14.14
Madhya Pradesh	11.56
Jammu & Kashmir	9.86
Orissa	4.47
Himachal Pradesh	0.00

Source: Finance Commission website, [www.fincomindia.nic.in](http://www.fincomindia.nic.in)

**Table 3: Reform Committed by Cities**

<b>ULB LEVEL REFORMS</b>	<b>STATE LEVEL REFORMS</b>	<b>OPTIONAL REFORMS</b>
E-Governance set up	74th CAA (Transfer 12 sch. Functions)	Introduction of Property Title Certification System in ULBs
Shift to Accrual based Double Entry Accounting	74th CAA (Constitution of DPC)	Revision of Building Bye laws – streamlining the Approval Process
Property Tax (85% coverage)	74th CAA (Constitution of MPC)	Revision of Building Bye laws – To make rain water harvesting mandatory
Property Tax (90% collection efficiency)	Transfer-City Planning Function	Earmarking 25% developed land in all housing projects for EWS/LIG
100% Cost Recovery (Water Supply)	Transfer-Water Supply & Sanitation	Simplification of Legal and Procedural framework for conversion of agricultural land for non-agricultural purposes
100% Cost recovery (Solid Waste)	Transfer-Public Transport	Introduction of computerized process of Registration of land and Property
Internal Earmarking of Funds for Services to Urban Poor	Reform in Rent Control	Byelaws on Reuse of Recycled Water
Provision of Basic Services to Urban Poor	Stamp Duty rationalization to 5%	Administrative Reforms
	Repeal of ULCRA	Structural Reforms
	Enactment of Community Participation Law	Encouraging Public Private Participation

	Enactment of Public Disclosure Law	
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Source: JNNURM website (As on 30th June, 2008), [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

**Table: 4 Number of Devolutions and Municipal Finances**

State Name	City Name	ULB Level Reforms (Out of 8)	State Level Reforms (Out of 11)	Optional Reforms (Out of 10)	State Transfers on Revenue Account (Rs. crore)	Total Municipal Revenue Income (Rs. crore)	Percentage of O Revenue Total Revenue
<b>Category A (Mega Cities/ UAs)</b>							
Andhra Pradesh	Hyderabad	6	8	5	28	507	99.01
Gujarat	Ahmedabad	3	9	6	4	1163	88.13
Tamil Nadu	Chennai	5	5	7	138	630	57.46
Maharashtra	Mumbai	5	6	3	50	7604	96.71
West Bengal	Kolkata	3	6	5	8	1051	59.56
Karnataka	Bangalore	2	3	5	37	655	76.79

<b>Category B (Million plus Cities/ UAs)</b>							
Gujarat	Rajkot	4	9	7	NA	NA	NA
Andhra Pradesh	Vishakhapatnam	6	8	6	38	197	74.11
Gujarat	Surat	3	9	7	30	802	89.78
Gujarat	Vadodara	2	9	7	120	340	90.00
Tamil Nadu	Coimbatore	5	5	7	9	132	65.15
Tamil Nadu	Madurai	5	5	7	39	93	64.52
West Bengal	Asansol	4	6	6	58	20	60.00
Andhra Pradesh	Vijayawada	4	7	5	49	99	72.73
Maharashtra	Pune	4	6	4	89	1154	94.89
Maharashtra	Nagpur	2	7	4	67	385	90.39
Maharashtra	Nashik	3	7	3	23	402	97.76
Madhya Pradesh	Indore	2	5	4	46	178	34.27
Rajasthan	Jaipur	2	3	6	NA	NA	NA
Madhya Pradesh	Bhopal	2	5	3	35	129	48.84
Kerala	Cochin	2	5	3	9	62	87.10
Madhya Pradesh	Jabalpur	1	5	3	34	83	51.81
Uttar Pradesh	Agra	3	3	2	NA	66	25.76
Uttar Pradesh	Allahabad	3	3	2	9	44	31.82
Uttar Pradesh	Lucknow	2	3	2	426	135	34.07
Uttar Pradesh	Kanpur	1	3	2	8	170	30.00
Uttar Pradesh	Meerut	1	3	2	146	48	18.75

Uttar Pradesh	Varanasi	1	3	2	37	53	28.30
Punjab	Amritsar	1	1	3	250	108	100.00
Haryana	Faridabad	1	3	1	NA	NA	NA
Bihar	Patna	0	4	1	117	40	40.00
Jharkhand	Dhanbad	0	1	0	NA	NA	NA
<b>Category C (Cities/ UAs with less than one million population)</b>							
Orissa	Bhubaneswar	2	3	1	83	20	85.00
Uttar Pradesh	Mathura	1	3	2	NA	NA	NA

Note: NA (Not Available)

Source: JNNURM website (As on 30th June, 2008), [www.jnnurm.nic.in](http://www.jnnurm.nic.in), Data as provided by the respective Municipal Corporations during the NIPFP project- Assessing the Untapped Property Tax Potential, 2009

**Table 5: Performance Indicators**

S.no	State Name	City Name	Have Access to toilet facility (Percent)	Use piped drinking water (Percent)
<b>Category A(Mega Cities/ UAs)</b>				
1	Andhra Pradesh	Hyderabad	96.7	91.6
2	Gujarat	Ahmadabad	79.1	88.8
3	Tamil Nadu	Chennai	93.3	72.1
4	Maharashtra	Mumbai	38.7	99.4
5	West Bengal	Kolkata	99.7	86.8
6	Karnataka	Bangalore	95.5	87.1
<b>Category B (Million plus Cities/ UAs)</b>				
	State	City		
7	Gujarat	Rajkot	63.1	86.5
8	Andhra Pradesh	Vishakhapatnam	48.8	54.7
9	Gujarat	Surat	65.3	73.4
10	Gujarat	Vadodara	44.0	67.4
11	Tamil Nadu	Madurai	NA	NA
12	Tamil Nadu	Coimbatore	51.2	97.1
13	West Bengal	Asansol	NA	NA
14	Andhra Pradesh	Vijayawada	NA	NA

15	Maharashtra	Pune	80.5	74
16	Maharashtra	Nashik	51.9	63.8
17	Maharashtra	Nagpur	73.5	74
18	Rajasthan	Jaipur	38.5	42.8
19	Madhya Pradesh	Indore	67.0	45.1
20	Madhya Pradesh	Bhopal	69.1	65.8
21	Kerala	Cochin	NA	NA
22	Madhya Pradesh	Jabalpur	52.0	44.1
23	Uttar Pradesh	Agra	31.6	22.2
24	Uttar Pradesh	Allahabad	26.6	22.3
25	Uttar Pradesh	Lucknow	60.9	47.3
26	Uttar Pradesh	Varanasi	51.8	31.9
27	Uttar Pradesh	Kanpur	63.7	27.7
28	Uttar Pradesh	Meerut	72.7	25.8
29	Bihar	Patna	49.3	24.3
30	Haryana	Faridabad	59.2	46.6
31	Punjab	Amritsar	69.8	48.1
32	Jharkhand	Dhanbad	NA	NA
	<b>Category C (Cities/ UAs with less than one million population)</b>			
	State	City		
33	Orissa	Bhubaneshwar	NA	NA
34	Uttar Pradesh	Mathura	29.5	13.8

Note: Toilet and drinking water facility figures are for both rural and urban areas

Source: Source: Ministry of Health & Family Welfare, [http://nrhm-mis.nic.in/frm\\_dlhs\\_iii.aspx](http://nrhm-mis.nic.in/frm_dlhs_iii.aspx),

Results of District Level Household Survey - III 2007-08 (DLHS - III)

**Table 6: Funding Pattern in JNNURM**

<b>City Classification</b>	<b>Classification by category</b>	<b>Central Government Share</b>	<b>State Government Share</b>	<b>ULB Raised Finances</b>
A	Greater than 4 million	35	15	50

B	Between 1 to 4 million	50	20	30
C	Less than 1 million ,Heritage cities	80	10	10
D	North East, Jammu and Kashmir	90	10	0

Source: JNNURM website, [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

**Table7: Per Thousand Persons Approved Cost in 34 Cities**

S.no	State Name	City Name	Per Thousand Persons Revenue of the ULBs (Rs. Lakh)	Per Thousand Persons Total approved cost for sewerage (Rs. Lakh)	Per Thousand Persons Total approved cost for water supply (Rs. Lakh)
<b>Category A(Mega Cities/ UAs)</b>					
1	Andhra Pradesh	Hyderabad	7.51	8.89	20.77
2	Gujarat	Ahmadabad	20.34	9.40	0.94
3	Tamil Nadu	Chennai	8.35	12.88	14.48
4	Maharashtra	Mumbai	37.94	8.49	12.52
5	West Bengal	Kolkata	6.76	3.59	13.37
6	Karnataka	Bangalore	9.07	7.55	0.38
<b>Category B (Million plus Cities/ UAs)</b>					
7	Gujarat	Rajkot	NA	14.15	6.31
8	Andhra Pradesh	Vishakhapatnam	12.12	17.32	40.02
9	Gujarat	Surat	19.24	10.37	12.92
10	Gujarat	Vadodara	18.16	8.85	14.31

11	Tamil Nadu	Madurai	5.28	13.03	16.08
12	Tamil Nadu	Coimbatore	7.30	20.87	9.55
13	West Bengal	Asansol	1.41	2.82	30.21
14	Andhra Pradesh	Vijayawada	8.20	17.81	8.93
15	Maharashtra	Pune	23.07	4.80	9.97
16	Maharashtra	Nashik	25.31	20.17	3.18
17	Maharashtra	Nagpur	14.77	0.00	52.92
18	Rajasthan	Jaipur	5.97	5.93	0.00
19	Madhya Pradesh	Indore	8.19	14.14	1.09
20	Madhya Pradesh	Bhopal	7.00	0.00	39.92
21	Kerala	Cochin	3.85	4.87	12.50
22	Madhya Pradesh	Jabalpur	6.07	10.89	1.03
23	Uttar Pradesh	Agra	3.88	12.77	4.86
24	Uttar Pradesh	Allahabad	3.45	27.88	19.74
25	Uttar Pradesh	Lucknow	4.70	24.81	18.63
26	Uttar Pradesh	Varanasi	3.70	21.59	28.37
27	Uttar Pradesh	Kanpur	5.05	14.84	19.28
28	Uttar Pradesh	Meerut	3.21	12.44	18.27

	Pradesh				
29	Bihar	Patna	1.72	0.00	23.00
30	Haryana	Faridabad		NA	NA
31	Punjab	Amritsar	8.33	2.85	17.36
32	Jharkhand	Dhanbad	0.83	0.00	27.55
<b>Category C (Cities/ UAs with less than one million population)</b>					
33	Orissa	Bhubaneshwar	2.19	54.71	0.00
34	Uttar Pradesh	Mathura	NA	4.42	0.00

Note: Population for the 34 cities is taken for the year 2010; total revenue for the 34 cities is for the year 2006-07 and total approved cost for the two projects is till 31<sup>st</sup> march, 2010

Source: JNNURM website, [www.jnnurm.nic.in](http://www.jnnurm.nic.in), Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, <http://esa.un.org/wup2009/unup/>, Total revenue data as provided by the respective Municipal Corporations during the NIPFP project- Assessing the Untapped Property Tax Potential, 2009

**Table 8: Percentage Gap in the Release of Funds for Sewerage Related Projects in 34 Cities (under JNNURM)**

S.no	States name	City name	Gap in the central govt release of funds for sewerage	Gap in the state govt release of funds for sewerage	Gap in the ULBs release of funds for sewerage	Gap in the total release of funds for sewerage
<b>Category A (Mega Cities/ UAs)</b>						
1	Andhra Pradesh	Hyderabad	39.12	39.14	30.50	34.81
2	Gujarat	Ahmedabad	0.00	-0.02	-6.02	-3.01
3	Tamil Nadu	Chennai	1.61	12.32	92.11	50.33
4	Maharashtra	Greater Mumbai	0.00	10.85	25.47	14.36

5	West Bengal	Kolkata	8.15	-140.91	53.16	8.29
6	Karnataka	Bangalore	0.00	0.00	100.00	50.00
<b>Category B (Million plus Cities/ UAs)</b>						
7	Gujarat	Rajkot	0.00	18.86	0.00	4.36
8	Andhra Pradesh	Vishakhapatnam	0.00	0.00	61.87	18.56
9	Gujarat	Surat	0.00	0.00	-76.00	-22.80
10	Gujarat	Vadodara	0.00	0.00	-173.49	-52.05
11	Tamil Nadu	Kochi	0.00	-5.82	100.00	29.51
12	Tamil Nadu	Madurai	33.34	33.34	33.33	33.34
19	West Bengal	Asansol	100.00	100.00	100.00	100.00
13	Andhra Pradesh	Vijayawada	0.00	-19.25	-53.58	-19.93
14	Maharashtra	Pune	16.61	16.61	19.95	17.61
15	Maharashtra	Nagpur	0.00	0.00	0.00	0.00
16	Maharashtra	Nashik	27.84	30.69	-59.68	6.31
17	Rajasthan	Indore	0.00	0.00	0.00	0.00
18	Madhya Pradesh	Jaipur	0.00	0.72	-11.32	-3.26
20	Madhya Pradesh	Bhopal	0.00	0.00	0.00	0.00
21	Kerala	Coimbatore	0.00	0.00	91.16	27.35
22	Madhya Pradesh	Jabalpur	0.00	0.08	-24.49	-7.33
23	Uttar Pradesh	Agra	41.89	51.94	13.28	35.60
24	Uttar Pradesh	Allahabad	0.00	0.00	50.00	15.00
25	Uttar Pradesh	Lucknow	3.61	16.61	16.61	10.58
26	Uttar Pradesh	Kanpur	21.13	25.83	33.34	25.75
27	Uttar Pradesh	Meerut	0.00	10.28	100.00	32.22

	Pradesh					
28	Uttar Pradesh	Varanasi	20.01	20.01	20.01	20.01
29	Bihar	Amritsar	11.54	11.54	92.41	35.80
30	Haryana	Faridabad	0.00	0.01	0.00	0.00
31	Punjab	Patna	0.00	0.00	0.00	0.00
32	Jharkhand	Dhanbad	0.00	0.00	0.00	0.00
<b>Category C (Cities/ UAs with less than one million population)</b>						
33	Orissa	Bhubaneswar	0.00	0.00	100.00	10.00
34	Uttar Pradesh	Mathura	0.00	39.66	6.80	6.80

Note: Negative sign means release of funds more than assigned during the quarter.

And data on the gaps in the release of funds is for the first quarter.

Source: JNNURM website (As on 31st March, 2010), [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

**Table 9: Percentage Gap in the Release of Funds for Water Supply Projects in the 34 Cities (under JNNURM)**

S.no		City name	Gap in the release of funds by central government	Gap in the release of funds by state government	Gap in the release of funds by ULBs	Total Gap in the release of funds
<b>Category A (Mega Cities/ UAs)</b>						
1	Andhra Pradesh	Hyderabad	1.00	-10.49	1.13	-0.66
2	Gujarat	Ahmedabad	0.00	0.00	0.00	0.00
3	Tamil Nadu	Chennai	2.45	5.97	18.50	10.09
4	Maharashtra	Greater	18.88	1.59	9.10	11.40

		Mumbai				
5	West Bengal	Kolkata	25.61	-117.52	78.14	30.41
6	Karnataka	Bangalore	24.50	30.00	-55.68	-15.79
<b>Category B (Million plus Cities/ UAs)</b>						
7	Gujarat	Rajkot	0.00	0.00	0.00	0.00
8	Andhra Pradesh	Vishakhapatnam	0.00	-8.66	81.21	22.63
9	Gujarat	Surat	0.00	0.00	32.87	9.86
10	Gujarat	Vadodara	0.00	7.20	-55.89	-15.25
11	Tamil Nadu	Kochi	73.02	73.01	88.13	77.55
12	Tamil Nadu	Madurai	4.00	35.15	-102.44	-21.76
19	West Bengal	Asansol	47.09	-32.27	100.00	47.09
13	Andhra Pradesh	Vijayawada	0.00	-0.07	-34.81	-10.46
14	Maharashtra	Pune	0.00	0.00	-0.46	-0.14
15	Maharashtra	Nagpur	17.03	39.92	-40.75	4.27
16	Maharashtra	Nashik	0.00	0.00	-156.41	-46.92
17	Rajasthan	Indore	25.02	25.00	25.00	25.01
18	Madhya Pradesh	Jaipur	0.00	0.00	0.00	0.00
20	Madhya Pradesh	Bhopal	22.25	22.24	22.24	22.24
21	Kerala	Coimbatore	28.43	28.43	13.01	23.80
22	Madhya Pradesh	Jabalpur	100.00	100.00	100.00	100.00
23	Uttar Pradesh	Agra	33.33	33.33	33.33	33.33
24	Uttar Pradesh	Allahabad	36.87	36.87	47.97	40.20
25	Uttar Pradesh	Lucknow	10.05	10.05	46.72	21.05
26	Uttar Pradesh	Kanpur	0.00	0.00	55.89	16.77
27	Uttar Pradesh	Meerut	50.00	50.00	50.00	50.00
28	Uttar Pradesh	Varanasi	18.53	30.39	60.09	33.65
29	Bihar	Amritsar	66.24	66.24	71.87	67.93
30	Haryana	Faridabad	0.00	0.00	0.00	0.00

31	Punjab	Patna	0.00	-149.63	100.00	0.07
32	Jharkhand	Dhanbad	80.00	-14.32	80.00	61.14
<b>Category C (Cities/ UAs with less than one million population)</b>						
33	Orissa	Bhubaneswar	0.00	0.00	0.00	0.00
34	Uttar Pradesh	Mathura	0.00	0.00	0.00	0.00

Note: Negative sign means release of funds more than assigned during the quarter. And the data on gaps in the release of funds is for the first quarter.

Source: JNNURM website (As on 31st March, 2010), [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

**Table 10: Implementation status of the following as per the 74th Amendment Act**

S.no	State Name	City Name	Incorporation of Schedule 12 into the State Municipal Act	Constitution of District Planning Committees (DPCs)	Constitution of Metropolitan Planning Committee (MPCs)
<b>Category A(Mega Cities/ UAs)</b>					
1	Andhra Pradesh	Hyderabad	Y	Y	Y
2	Gujarat	Ahmadabad	Y	Y	Y
3	Tamil Nadu	Chennai	Y	Y	N
4	Maharashtra	Mumbai	Y	Y	N
5	West Bengal	Kolkata	Y	Y	Y
6	Karnataka	Bangalore	N	Y	N
<b>Category B (Million plus Cities/ UAs)</b>					
7	Gujarat	Rajkot	Y	Y	Y
8	Andhra Pradesh	Vishakhapatnam	Y	Y	Y
9	Gujarat	Surat	Y	Y	Y
10	Gujarat	Vadodara	Y	Y	Y
11	Tamil Nadu	Madurai	N	Y	Y
12	Tamil Nadu	Coimbatore	Y	Y	N

13	West Bengal	Asansol	Y	Y	Y
14	Andhra Pradesh	Vijayawada	N	Y	Y
15	Maharashtra	Pune	Y	Y	N
16	Maharashtra	Nashik	Y	Y	N
17	Maharashtra	Nagpur	Y	Y	N
18	Rajasthan	Jaipur	N	Y	N
19	Madhya Pradesh	Indore	Y	Y	N
20	Madhya Pradesh	Bhopal	Y	Y	N
21	Kerala	Cochin	Y	Y	N
22	Madhya Pradesh	Jabalpur	Y	Y	N
23	Uttar Pradesh	Agra	N	Y	N
24	Uttar Pradesh	Allahabad	N	Y	N
25	Uttar Pradesh	Lucknow	N	Y	N
26	Uttar Pradesh	Varanasi	N	Y	N
27	Uttar Pradesh	Kanpur	N	Y	N
28	Uttar Pradesh	Meerut	N	Y	N
29	Bihar	Patna	Y	Y	N
30	Haryana	Faridabad	N	Y	N
31	Punjab	Amritsar	N	N	N
32	Jharkhand	Dhanbad	N	N	N
<b>Category C (Cities/ UAs with less than one million population)</b>					
33	Orissa	Bhubaneswar	N	Y	NA
34	Uttar Pradesh	Mathura	N	Y	N

Note: Status (Yes=Y/No=N/NA=Not Applicable)

Source: JNNURM website (As on 30th June, 2008), [www.jnnurm.nic.in](http://www.jnnurm.nic.in)

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