Democratise and empower city governments

What is the issue?

The general approach towards urban empowerment, including financial capabilities, has remained piecemeal in India

How significant are ULBs?

- There are nearly 5,000 statutory towns and 5000 census towns in India.
- Nearly 35% of the population lives in urban centres.
- Nearly two-thirds of the country's GDP stems from cities
- Almost 90% of government revenue flows from urban centres.

What are the concerns regarding urban local bodies?

- RBI recommendations are similar to 15th Finance Commission report on local bodies.
- **Financially weak -** The third-tier governments in India is playing a frontline role in combating the pandemic by implementing containment strategies, healthcare etc.
- But their finances have come under severe strain, forcing them to cut down expenditures and mobilise funding from various sources.
- An RBI survey revealed that more than 70% decline in revenues; in contrast, their expenditure rose by almost 71.2%.
- **Property Tax –**According to OECD India has the lowest property tax collection rate in the world.
- **Octroi tax -** Octroi tax has been taken away by the State and the central governments which remained as major earnings of cities.
- It is replaced with grants under GST regime based on a formula of demographic profile.
- 55% of the total revenue expenditure of urban centres was met through octroi. Now, the grant covers only 15% of expenditure.
- GST has completely robbed the city's ability to tax.
- **Functional Autonomy –** The functional autonomy of civic bodies must increase.
- Their governance structure must be strengthened.
- This could happen by empowering them financially through higher resource availability.
- **Inclusion in planning -** In disaster mitigation strategies during pandemic city mayors were found missing.
- Cities being treated as adjuncts of State governments continue to dominate the policy paradigm.

What reforms have been made so far?

- Urban development is a state subject.
- National Commission on Urbanisation was formed to plan with a pan-Indian vision in the 1980s.
- In the 73rd and 74th Amendments 18 functions listed in the 12th Schedule were transferred to

urban local bodies enabling them to generate their own resources.
- The idea of “competitive cites” to attract investments in the urban centres by making land laws flexible have not really been able to enhance their financial capabilities.
- The people’s plan model of Kerala where 40% of the State’s plan budget was for local bodies (directly) with a transfer of important subjects such as planning paved the way for a new dimension to urban governance.

What needs to be done?

- **Best models -** Cities in the Scandinavian countries manage their functions well — from city planning to mobility to waste management.
- A chunk of the income-tax from citizens is given to city governments.
- **Share in income tax -** For large urban agglomerates in India a percentage of income tax can be given for managing their affairs.
- A committee to review the 74th constitutional amendment recommended 10% of income-tax collected from the cities to be given back to them as a direct revenue grant from the central government.
- **Functional autonomy** - This should happen with three F’s: the transfer of ‘functions, finances and functionaries’ to city governments.
- Without these, functional autonomy would be empty rhetoric.
- **Democratic decentralisation** can bring in amazing results (as seen in Kerala). There will be transparency and adequate participation of the people.
- Cities must be treated as important centres of governance.
- Cities must be considered as spaces for planned development by giving adequate attention to resources rather than focusing on attracting investments.
- **Disaster risk reduction plan –** Cities do not have adaptive strategies to deal with the impact of climate change.
- Resources required for quantitative and qualitative data must be immediately provided to ensure a disaster risk reduction plan keeping vulnerable communities in mind.
- **Smart cities -** The concept of smart cities must be shunned altogether.
- This approach widens the gap between different sets of people.
- Rather, the grants from the Centre must be enhanced.
- Cities must be asked to draw up their plans themselves. People must be a part of the decision-making process.
- **Functionaries - L**eadership in the cities must be elected for a term of five years. In some cities, the term of the mayor is for a year
- The functionaries must be transferred to the cities with a permanent cadre.

Reference

1. https://www.thehindu.com/todays-paper/tp-opinion/democratise-and-empower-city-governments/article38294738.ece

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