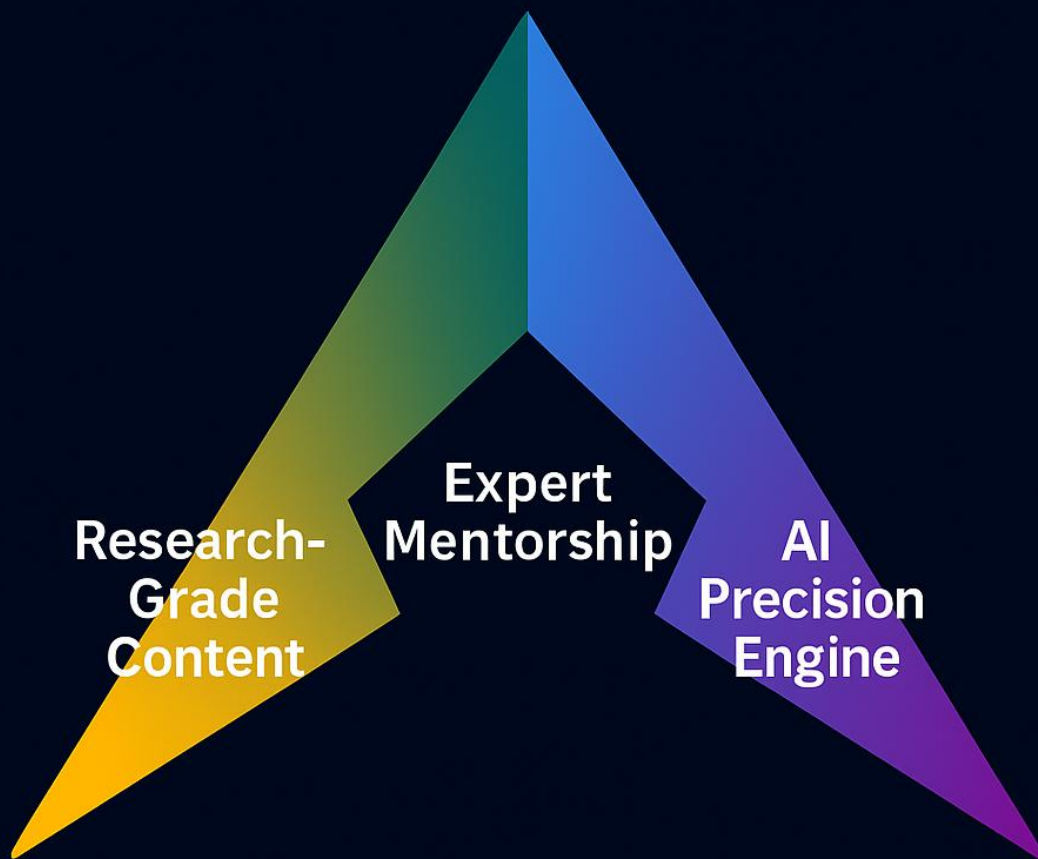


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DAILY CURRENT AFFAIRS DATED 20.05.2026

GS Paper II: Polity

1. Why India Needs to Empower Local Bodies

a. Introduction

Debates on Indian federalism generally focus on Centre–State relations, including issues such as fiscal transfers, delimitation, and political representation. However, scholars Devesh Kapur and Arvind Subramanian argue that the discussion remains incomplete unless adequate attention is given to the third tier of governance—Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs).

As India undergoes rapid urbanisation and faces increasingly complex governance challenges, strengthening local governments has become essential for democratic deepening, efficient service delivery, and sustainable economic development.

b. The Third Tier of Government: Constitutional Foundation

Three-Tier Governance Structure

India's governance structure is organised across three levels.

Tier	Institution
First Tier	Union Government
Second Tier	State Governments
Third Tier	Panchayats and Municipalities

Constitutional Recognition of Local Governments

The constitutional status of local governments was established through two landmark constitutional amendments.

Constitutional Amendment	Purpose
73rd Constitutional Amendment Act, 1992	Establishment of Panchayati Raj Institutions
74th Constitutional Amendment Act, 1992	Establishment of Urban Local Bodies

These amendments came into force in 1993 and sought to institutionalise grassroots democracy through democratic decentralisation and local participation.

Objectives of the Amendments

- Democratic decentralisation.
- Greater citizen participation.
- Improved service delivery.
- Institutionalisation of local self-government.
- Strengthening grassroots democracy.

c. The Core Argument

Federalism Beyond Centre–State Relations

- The central argument is that Indian federalism remains incomplete because decentralisation has largely stopped at the state level.
- States frequently demand greater autonomy from the Union Government but are often reluctant to devolve similar powers to local governments.

The Missing Dimension of Federalism

- The real challenge of Indian federalism is not merely Centre versus States, but also States versus Local Governments.
- Consequently, debates on federalism should not be confined to Centre–State relations alone. They must also examine the relationship between States and Local Bodies.

Without meaningful empowerment of local institutions, the constitutional promise of grassroots democracy remains only partially fulfilled.

d. Status of Local Governments in India

i. Weak Administrative Capacity

One of the most serious limitations facing local governments is the shortage of personnel and administrative infrastructure.

Comparative Perspective

Country	Share of Public Employees in Local Governments
China	Nearly two-thirds
United States	Nearly two-thirds
India	Slightly above 10%

This comparison highlights the relatively weak administrative foundations of local governance in India.

Consequences

Local bodies often:

- Depend heavily on state government officials.
- Lack technical expertise.
- Face shortages of planners, engineers, financial specialists, and administrators.
- Possess limited implementation capacity.

As a result, many local institutions exist constitutionally but remain weak operationally.

ii. Poor Fiscal Autonomy

A second major challenge is inadequate financial independence.

Own Tax Revenue as Percentage of GDP (2019)

Tier	Own Tax Revenue
------	-----------------

Union Government	11.0%
State Governments	6.4%
Urban Local Bodies	0.3%

The figures reveal the extremely limited revenue-raising capacity of local governments.

Implications

- Municipal revenues remain stagnant despite urbanisation.
- Local bodies rely heavily on grants.
- Financial decisions remain dependent on higher levels of government.
- Fiscal autonomy remains severely constrained.

This dependence weakens both accountability and local decision-making.

e. Understanding the Fiscal Federalism Problem

Why Fiscal Decentralisation Matters

Fiscal decentralisation is a cornerstone of effective local governance.

Local governments require:

- Predictable revenue streams.
- Independent taxation powers.
- Financial flexibility.
- Accountability for expenditure decisions.

Consequences of Fiscal Dependence

When local bodies lack their own resources:

- Policy priorities become shaped by external funding conditions.
- Local needs receive less attention.
- Accountability becomes blurred.
- Citizen oversight weakens.

Moreover, citizens find it difficult to hold local governments accountable when taxation and expenditure decisions are controlled elsewhere.

f. Land: The Missing Fiscal Resource

i. Importance of Land-Based Revenues

Urbanisation and economic growth naturally increase land values. However, local governments have largely failed to capture this increase for public purposes.

ii. Lessons from China

China successfully converted rising land values into public revenue through:

- Land leasing.
- Land sales.
- Property-related taxation.

Outcomes

At its peak, land-related revenue exceeded 10 percent of GDP.

These resources financed:

- Urban infrastructure.
- Public services.
- Industrial expansion.
- City development.

The Chinese experience demonstrates how land can become a major fiscal resource for local development.

iii. India's Experience

In contrast, India's land-related revenues have remained close to 1 percent of GDP despite rapid urbanisation and rising property values.

This represents a significant missed opportunity for strengthening municipal finances.

iv. Reasons for Weak Land-Based Revenue

Legacy of the Urban Land Ceiling Act, 1976

The legislation aimed to reduce concentration of urban land ownership but contributed to:

- Fragmented land markets.
- Reduced efficiency.
- Limited public land mobilisation.

Large Unmonetised Public Land Holdings

Significant land assets remain under:

- Public Sector Enterprises.
- Defence establishments.
- Ports.
- Religious institutions.

Many such assets remain underutilised despite rising urban land values.

Regulatory Distortions

Several regulations have constrained efficient land use, including:

- Restrictive zoning regulations.
- Building restrictions.
- Rent control laws.

These distortions have often encouraged informality and reduced the capacity of cities to generate revenue.

g. The Vicious Cycle of Weak Local Governance

Indian cities are often caught in a self-reinforcing cycle of weak governance.

The Cycle

Low Revenue

↓

Weak Administrative Capacity

↓

Poor Service Delivery



Declining Citizen Trust



Political Resistance to Higher Taxes



Continued Dependence on State Governments



Low Revenue

This vicious cycle prevents local governments from developing the institutional strength necessary for effective governance.

h. Administrative Dependence on States

i. Limited Control Over Personnel

Even where functions have been formally transferred to municipalities, administrative control often remains with state governments.

Common Features Across States

- Municipal Commissioners are appointed by state governments.
- Recruitment remains state-controlled.
- Transfers and promotions are managed by states.
- Local bodies exercise limited authority over personnel.

ii. Consequences

Officials often remain accountable upward to state governments rather than downward to local citizens.

Impact

- Weak democratic accountability.
- Reduced responsiveness.
- Limited local innovation.
- Lower citizen participation.

i. Why Strong Cities Matter

Engines of Economic Growth

India's future growth will increasingly depend upon the performance of its urban centres.

Cities serve as engines of:

- Innovation.
- Productivity.
- Employment generation.
- Entrepreneurship.
- Investment attraction.

Well-governed cities generate positive spillover effects for regional and national economies.

Lessons from China

China's remarkable economic transformation was closely linked to:

- Strong local governments.
- Competitive city governance.
- Local experimentation.
- Decentralised economic initiatives.

Cities competed to attract:

- Investment.
- Industries.
- Skilled labour.

This competition fostered innovation and efficiency.

j. Emergence of Competitive Sub-Federalism

i. Rise of Growth-Oriented Cities

Several Indian cities are increasingly emerging as independent centres of growth.

Examples

- Bhubaneswar
- Coimbatore
- Indore
- Kochi
- Mohali
- Surat

ii. Meaning of Competitive Sub-Federalism

Competitive sub-federalism refers to a situation where cities compete for:

- Investment.
- Talent.
- Innovation.
- Economic opportunities.

Just as competitive federalism has encouraged states to improve governance, competition among cities can improve urban administration and economic performance.

k. Government Initiatives for Urban Governance

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The programme sought to improve:

- Urban infrastructure.
- Governance reforms.
- Service delivery systems.

It marked one of the earliest large-scale attempts to modernise urban governance.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The AMRUT mission focuses on:

- Water supply.

- Sewerage networks.
- Urban transport.
- Green spaces and urban amenities.

The mission aims to improve the quality of urban infrastructure across Indian cities.

Finance Commission Grants

Successive Finance Commissions have increased grants to local bodies and introduced performance-linked incentives to encourage reforms.

While these transfers are important, they cannot substitute for genuine fiscal autonomy.

1. Key Challenges

Challenge	Impact
Top-down programme design	Limited local ownership
Administrative capacity deficits	Weak implementation
Fiscal dependence	Reduced autonomy
State dominance	Incomplete devolution
Staffing constraints	Limited professional expertise

Many reforms have focused on financial transfers without adequately addressing structural issues relating to powers, personnel, and autonomy.

m. Why Empowering Local Bodies Matters

Deepening Democracy

Local governments bring governance closer to citizens.

The principle of subsidiarity holds that decisions should be taken at the lowest level capable of effectively performing the task.

Greater local participation strengthens democratic legitimacy and responsiveness.

Improving Service Delivery

Empowered municipalities are better positioned to manage:

- Water supply.
- Waste management.
- Public transport.
- Urban housing.
- Air pollution.
- Public health services.

Local solutions are often more responsive to local needs.

Enhancing Fiscal Accountability

When local governments both raise and spend resources, citizens can more effectively monitor public finances.

- Greater transparency.
- Better accountability.
- Stronger public trust.

Boosting Economic Competitiveness

Well-governed cities attract:

- Domestic investment.
- Foreign investment.
- Skilled professionals.
- Innovation ecosystems.

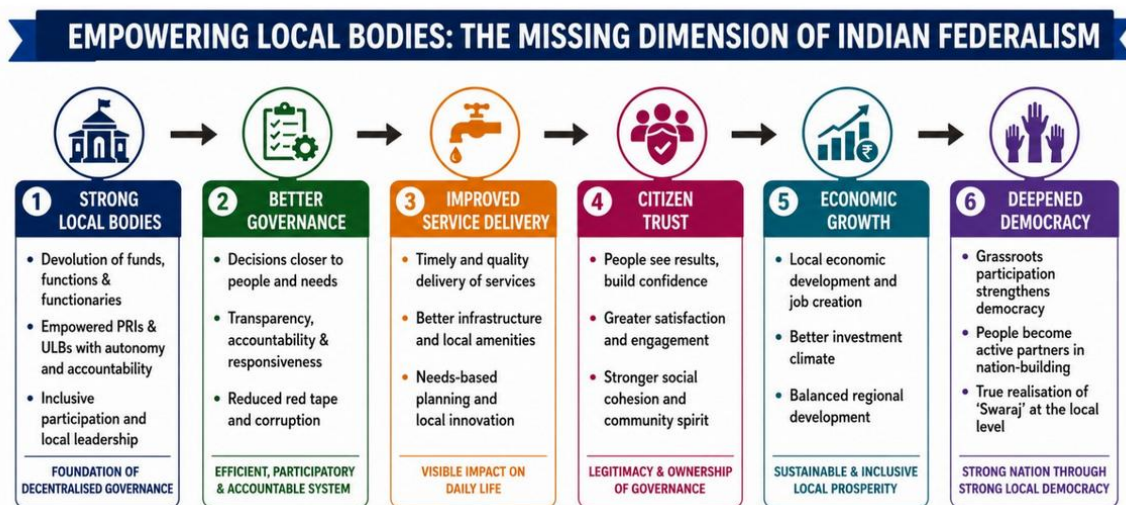
Urban competitiveness increasingly determines national economic competitiveness.

Supporting Sustainable Urbanisation

Strong local governments are essential for:

- Climate resilience.
- Infrastructure planning.
- Sustainable land use.
- Pollution control.
- Disaster preparedness.

Without capable municipalities, urbanisation risks becoming unsustainable.



n. Way Forward

i. Fiscal Reforms

Local governments require greater revenue autonomy.

Key Measures

- Strengthening property taxation systems.
- Monetising underutilised public land.
- Expanding municipal bond markets.
- Enhancing local revenue mobilisation.

ii. Administrative Reforms

Professional municipal administration must be developed through:

- Dedicated municipal cadres.
- Greater staffing autonomy.
- Enhanced urban planning capacity.
- Continuous capacity-building programmes.

iii. Governance Reforms

The spirit of the 74th Constitutional Amendment must be fully implemented.

Priority Actions

- Complete devolution of the 18 functions listed in the Twelfth Schedule.
- Stronger ward committees.
- Institutionalised citizen participation.
- Improved local accountability mechanisms.

iv. Political Reforms

States should move from control-oriented approaches to partnership-oriented approaches.

Required Changes

- Reducing excessive state interference.
- Strengthening local democratic institutions.
- Encouraging city-level innovation and competition.
- Promoting genuine grassroots federalism.

Conclusion

India's next phase of development will be shaped increasingly by the quality of governance at the local level. Yet municipalities and panchayats remain fiscally constrained, administratively dependent, and politically subordinate to state governments. As India urbanises and as demands for better public services grow, strengthening local self-government can no longer remain a peripheral reform agenda. True federalism must extend beyond Centre–State relations and embrace meaningful decentralisation to local institutions. Empowering local bodies through genuine devolution of funds, functions, and functionaries is essential for deepening democracy, improving governance, fostering sustainable urbanisation, and unlocking India's long-term economic potential.

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While every effort has been made to balance depth with brevity, please keep the following in mind:

1. Orientation & Purpose

This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

2. Content Length

Some sections may feel shorter or longer depending on topic relevance and news density. To fit your personal preference, you may freely resize or summarize sections using any LLM tool (ChatGPT, Gemini, Claude, etc.) at your convenience.

3. Format Flexibility

The formatting combines:

- paragraphs
- lists
- tables
- visual cues

—all optimised for retention.

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