



## FINANCIALLY EMPOWERING **URBAN** LOCAL BODIES

### INTRODUCTION

The Constitution (74th Amendment) Act, 1992, formally recognised urban local governments as the third tier of government and recommended that state governments assign to Urban local bodies (ULBs) a set of 18 legitimate municipal functions such as urban planning including town planning, regulation of land use and construction of buildings, roads and bridge etc. However, ULBs in India have been facing a huge mismatch between their growing responsibilities and deteriorating finances.

With the pace of urbanisation gathering momentum in India, there is clearly a need to position Indian cities as drivers of the structural transformation of the Indian economy. This would require enhancement and massive upgrading of infrastructure that can only be facilitated by the financial empowerment of the urban local governments.

In this scenario, we need to understand- why is it so important to financially strengthen the ULBs? What is the current status of urban finances and what are their major sources of funds? What hurdles do these bodies face in raising and efficiently utilizing these funds? What steps have been taken so far to augment their finances and what more can be done to increase their financial capacity and make them financially self reliant? In this article, we will attempt to answer these questions.