

# LoGICA Intergovernmental Profile

## India, 2023

### 1. Country description and state of decentralization

*Article I of the Constitution of India (1949) declares that “India ... shall be a Union of States”. To a considerable degree, this statement holds true in practice today: state governments are the government level that is responsible for the provision of most public services and accounts for the majority of public spending in India. At the same time, while states are the face of public service delivery, the Union government—or the central government, as it is often referred to—is heavily involved in planning and financing most areas of public policy through Central Schemes. The strength of the Union and state government levels in India stand in contrast to the relatively weak empowerment of governance institutions at the local level. Despite a pair of Constitutional Amendments passed in 1992 that sought to bolster the role of rural and urban local bodies (making them ‘institutions of self-government’), 30 years later, the government level closest to the people continues to be the weakest. The lack of political, administrative and fiscal empowerment of local governments does not only deprive rural local areas from inclusive self-governance, but undermines the self-governance of some of the world’s largest and most productive metropolitan and urban areas.*

**General country background.** India, officially known as the Republic of India, is a country in South Asia. It has a population of 1.4 billion people, with 35% of that population living in urban areas. India is bordered by China, Pakistan, Bhutan, Myanmar, Afghanistan, Nepal and Bangladesh.

**General relevance of subnational governance institutions.** India is a diverse, pluralistic, and densely populated country. In fact, in 2023, India is projected to surpass China as the world’s most populous country. India’s most populous subnational government—the state of Uttar Pradesh—has a larger population (231 million residents) than all but six countries in the world. As such, subnational governance institutions are critical to ensure an inclusive and responsive public sector.

The country is composed of 28 states and 8 Union Territories (UTs). Each state is free to develop its own legislation establishing and guiding the operation of local governments, commonly including a Municipal Corporation Act for Urban Local Bodies and a Panchayati Raj Act for rural local bodies.

**Coverage of Intergovernmental Profile.** This Intergovernmental Profile covers the governance arrangements between the federal (Union), state, and local governments. Research showed discrepancies between the de jure and de facto status of subnational institutions, specifically with responsibilities and service deliveries from Urban and Rural Local Bodies. To the extent that different states have different state-local arrangements and functional assignments, three states— Kerala, Maharashtra, and Jharkhand —were studied in closer detail in order to draw inferences about the state of state-local decentralization among the states.

**Basic policy context of subnational governance.** Public sector decisions in India—being the world’s largest democracy—are both contestable as well as heavily contested. Most of the policy decisions surrounding federal-state relations in India, are well-informed by evidence, as the Constitution requires a Finance Commission to be formed every five years to guide the Union government on decisions regarding intergovernmental fiscal relations.

Similarly, states are mandated to appoint state finance commissions to guide state governments in the state-local distribution of resources.

Perhaps surprisingly, however, is the fact that the political space closest to the people is the least empowered, thus limiting them from functioning as effective units of local self-government. Passage of 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments in 1992 notionally set the stage for greater cooperation between the Union governments and state governments for the strengthening of local governments, in practice as constitutional entities. These reforms, on paper, should have transformed India's system of representative democracy into a system of participatory democracy.

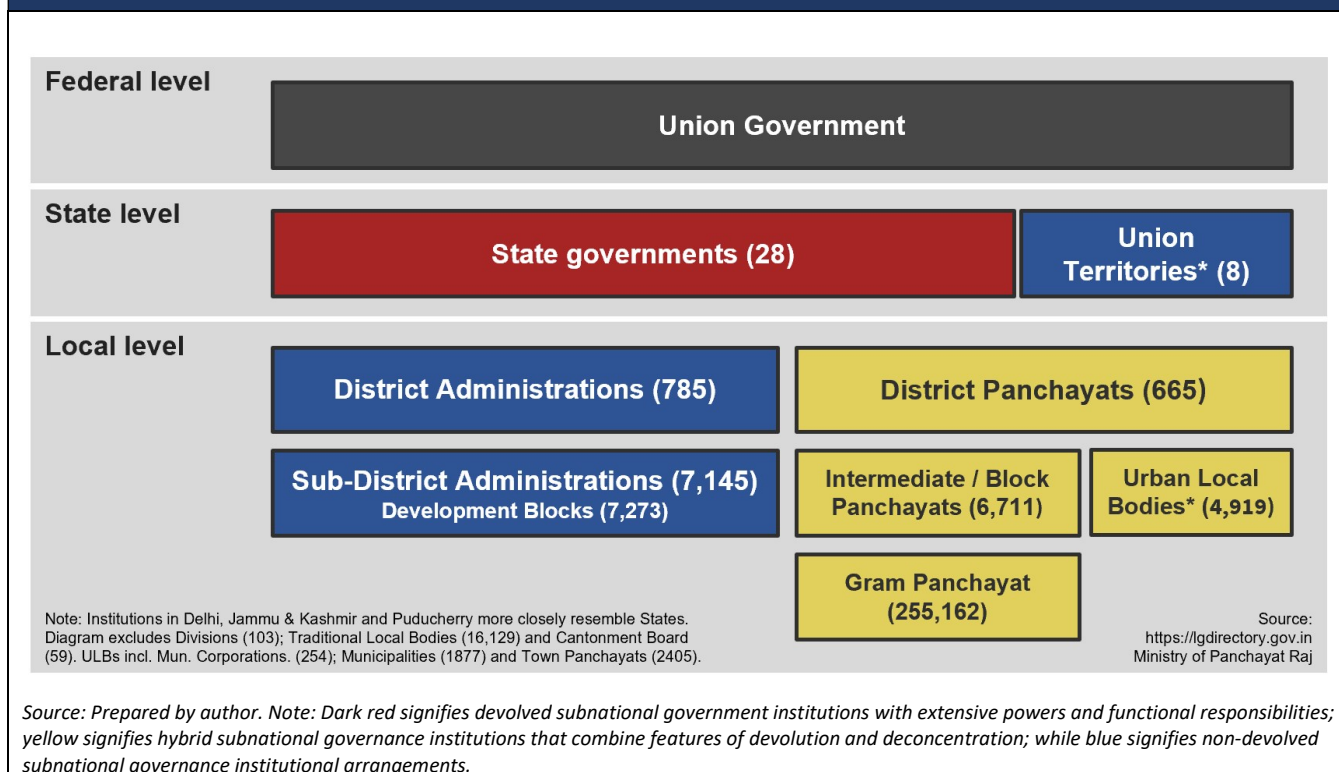
While the experience of local governments varies across states, in most states, their salience is limited by a mindset that sees local government as mere administrative conduits rather than autonomous political actors; by the constraints placed on them by a combination of state bureaucratic control and deliberate underinvestment in capacity; by the false expectation that local governments should be self-funded; and by the resulting lack of political pathways for inclusive, effective and responsive local government leaders performers to rise in their parties (Mehta 2023).

## **2. Subnational governance structure of India**

*The government of India is a federal parliamentary constitutional republic with three levels of government: the Union (federal or central) government, state governments and Union Territories, and local governments. At the state level, the country is divided into 28 states and 8 Union Territories. States are further administratively subdivided into districts and sub-districts. In parallel to the deconcentrated administrative structures below the state level, the structure of local governance institutions differs between rural and urban areas as well as from state to state, as local governments are a state power. While urban residents are generally served by elected Urban Local Bodies (e.g., municipal corporation, municipal councils or town boards), rural residents are typically served by Panchayats Raj Institutions, which generally operate at three tiers of the public sector: District, Block, and Village.*

India is a federal country comprising three levels of government: federal, state, and local (Figure 1). States and Union Territories make up the first subdivision of India. Below the state level, the structure of the public sector differs between urban and rural areas. Although exact local government structures vary from state to state, rural local are generally governed by several tiers of Panchayati Raj Institutions (PRIs), consisting of District Panchayats (Councils), Block Panchayats (Councils), and Village Panchayats (Councils), respectively. In urban areas, state legislation typically provides for one or more types of Urban Local Bodies (ULBs, determined by population size), including municipal corporations, municipalities, and town councils.

**Figure 1. Subnational governance structure of India, 2024**



**Table 1. Subnational governance institutions, 2024**

	Number of units	Complete territorial coverage?	Uniform structure	Territorial Level	
Federal government	1	Yes	Yes	Central	
States and Union Territories	36	Yes	No	Regional	
District Administrations	785	Yes	Yes	Local	
Urban Local Bodies	4657	Yes	No	Local	
Rural Local Bodies	262,770	Yes	No	Local	

Source: Prepared by the authors based on data from the Ministry of Panchayat Raj.

### Union Government

The Government of India (or Union Government) is composed of the President (head of state), who is elected by an electoral college, consisting of the elected members of Parliament and the elected members of the Legislative Assemblies of the States; the Prime Minister (head of government), appointed by the President; the bicameral legislature, Parliament, which consists of an upper house (council of states) and a lower house (the house of the people). While the upper house consists of 12 members nominated by the President plus no more than 238 representatives from States and Union Territories, the lower house consists of no more than 530 members directly elected by voters and no more than 20 representatives of the Union Territories.

### **State and Union Territories**

The Constitution defines the state and Union Territories and establishes a process for the creation of new states (for instance, through splitting up existing states). Unlike in many other federal countries, the Union government has a fair bit of power to establish new states.

Union Territories (UTs) are “federal territories’ ruled directly by the federal government and have special rights and status.

### **Local Governance Institutions**

At the local level, urban areas in India have historically had a greater degree of self-governance, with the Madras (Chennai) Corporation being chartered in 1687. The considerable differences in social and economic conditions between urban and rural areas resulted in a bifurcated approach between urban and rural local governance that continues to shape the country’s local governance system today.

Although the constitution provides general guidance on urban and rural local governance (73 and 74<sup>th</sup>), local governance is a state power (Seventh schedule), and thus, different states have opted for somewhat different local governance structures.

### **Rural Local Bodies**

The 73rd Constitutional Amendment mandated states to adopt the Panchayati Raj system, giving shape to Article 40 of the Constitution, which—as a directive principles of state policy—directed the State to organize gram panchayats and provide them powers and authority so that they may function as self-government. As a result, in rural areas, the system of local self-government comprises three levels of Panchayati Raj Institutions: district, block, and village. The tiers are not strictly hierarchically organized; rather there is a division of duties between them. The system exists in almost all states, other than Nagaland, Meghalaya and Mizoram, and in all Union Territories except Delhi. Each tier has a council elected for a term of five years. In villages, members are elected directly by their constituents. Blocks and district council members are elected indirectly, as Block and District Councils are usually constituted by the Chairs and Deputy Chairs of the next lower level.

### **Urban Local Bodies**

In parallel to the 73rd Constitutional Amendment (dealing with rural local governance), the 74th Constitutional Amendment strengthened the constitutional basis for urban local governance, designating municipal corporations in large metropolitan areas, municipalities, and finally town boards or councils for smaller towns transitioning from rural to urban. Urban Local Bodies are generally headed by (directly or indirectly) elected mayor and councils and for political and administrative purposes are typically subdivided further into wards.

### 3. Nature of subnational governance institutions in India

*Compared to other federal countries around the world, the multilevel governance system in India is characterized by extensive hierarchical power relationships. For instance, according to the Constitution, the executive power of the State is formally vested in a Governor who is appointed by the (Union) President. Nonetheless, state governments meet all characteristics of devolved governments in practice and should be considered devolved institutions in their own right, with extensive powers. Below the state level, district administrations are non-devolved organizations that are part of their respective state governments; the most senior state government officer at the district level is the District Collector or District Magistrate. Despite constitutional reforms pursued 30 years ago, local governance bodies in India generally lack sufficient autonomy and authoritative decision-making power to be considered de facto truly devolved local governments. According to the LoGICA methodology, urban as well as rural local governance institutions in India should be considered hybrid subnational governance institutions that combine features of devolution and deconcentration. In particular, local governance institutions in India typically lack powers to manage their own human resources and face many restrictions on their fiscal autonomy.*

State governments meet all characteristics of devolved governments, and should be considered devolved institutions with extensive powers. In contrast, local governance bodies in India generally lack sufficient autonomy and authoritative decision-making power to truly be considered devolved local governments. In particular, the inability of elected local leaders—in urban and rural areas alike—to appoint their own officers fundamentally undermines their ability to function as autonomous local self-government bodies that are accountable and responsive to their constituents. In addition, urban local bodies and panchayat raj institutions often face political, administrative and fiscal constraints that greatly reduce the ability of these local bodies to act as champions for inclusive local governance and localized, sustainable development.

Table 2 assesses the extent to which different types of subnational governance institutions in India adhere to the characteristics of state and local governments. For instance, the International Monetary Fund (2001:14) notes that to be recognized as a government unit, a state government “must be able to own assets, raise funds, and incur liabilities on its own account, and it must also be entitled to spend or allocate at least some of the taxes or other income that it receives according to its own policies... A state government should also be able to appoint its own officers independently of external administrative control.” Similarly, the IMF (2014:26) defines local government units as “institutional units whose fiscal, legislative, and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes”, where institutional units are defined as economic entities that are capable, in their own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities.” A further issue in evaluating the nature of subnational governance institutions is “whether they may be judged to have a separate existence, that is whether they have sufficient discretion in the management of their own affairs to distinguish them as separate from the administrative structure of another government... [Subnational governance institutions] may be deemed to be dependent agencies of some broader governmental unit where ... they lack control over their own officers ... [or if] they must submit budget estimates to another governmental entity [for approval] ... [or where] important aspects of their administration are controlled by another government entity.” (IMF 1986: 14). As such, a review of the political, administrative and fiscal aspects of different subnational institutions is required in order to determine the nature of institutions at each level.

**Table 2. Characteristics of subnational governance institutions in India**

	States	Union Territories	District administration	Urban Local Bodies	Rural Local Bodies
Corporate status ( <i>de jure</i> )	Yes	Mixed	No	Yes	Yes
Engages in governance functions	Yes	Yes	Yes	Yes	Yes
Own (elected) political leadership	Yes	No	No	Yes*	Yes*
Own assets and raise funds in own name	Yes	No	No	Yes	Yes
Prepare, adopt, and manage their own budgets	Yes	No	No	Yes	Yes
Incur liabilities by borrowing on their own account	Yes	No	No	Yes (Requires State Approval)	Yes (Requires State Approval)
Appoint own officers and staff	Yes	No	No	No	No

### State governments

States (along with Union Territories, noted below) are the primary political and territorial subdivision of India. State governments have their own legislative and executive branches, mirroring the structure of the Union government. Each state has its own legislative assembly (Vidhan Sabha). Formally, state executive power is vested in the state governor, who acts as the representative of the President of India, but in practice, the state government is led by the Chief Minister and the Council of Ministers. The Chief Secretary of each state is the top executive officer and senior most civil servant of the State, since technically they are employed by the Federal Government as an Indian Administrative Service (IAS) officer. Nonetheless, the Chief Secretary in practice acts as the principal advisor to the Chief Minister. States have their own government structure, including state ministries, departments and agencies, their own state public service, their own state budget and their own treasury.

Even though the Union government is heavily involved in many aspects of state governance and the delivery of state-level public service, even based on the most stringent definitions, it is reasonable to consider state governments in India as devolved institutions with extensive powers. States meet all the characteristics of subnational governments, including having an elected chief minister with executive powers and control over their own budgets, officers and staff. States also have authoritative decision-making power over its politics, officers and staff, and budgets. Budgets, for example, are approved by their own legislative assembly, not by the Parliament of the Federal Government.

### Union Territories

As noted earlier, Union Territories (UTs) are “federal territories” ruled directly by the federal government and have special rights and status. Some of them do not have their own legislature, yet all of them are administered by a Lieutenant Governor who is appointed by the federal government. Three Territories have a special status and powers: Delhi, Jammu and Kashmir, and Puducherry. These three territories closely resemble states and have an elected legislative assembly, an executive council of ministers, and carry out state-like functions. The difference between these three exception UTs and States is that Parliament has ultimate authority over UTs, including in financial matters, unlike States. For the other UTs that do not have special status, the President of India is the chief administrator with an appointed Lieutenant Governor. Supreme authority is accorded to the President in regulating the affairs of all UTs (except for the other 3 already mentioned) including powers to override the laws made by Parliament and the Constitution.

Different UTs may have different institutional natures, but many—like states—are devolved subnational governments with extensive powers. Other UTs may be considered to have an institutional nature that is not easily classified as either purely devolved or purely deconcentrated, and as such could be considered Hybrid Institutions.

### **Panchayat Raj Institutions**

State legislation enacted by each state—in line with the 73<sup>rd</sup> Constitutional Amendment—governs the constitution and operation of rural local governance bodies in India. The system of rural local self-government (Panchayati Raj) all have a council elected for a term of five years, elected directly (in villages) or indirectly (in blocks and districts). The members of the gram panchayat are elected directly by the voting-age village population, who elect their representatives to the local village council. Overall, elections run regularly every five years but there have been instances where elections have been delayed. For instance, in 2018, the Panchayat Raj elections in Jammu and Kashmir were delayed due to security concerns. The state government cited the threat of terrorism as the reason for the delay. In Jharkhand as well, the same reason was used to delay the 2019 elections.

The administration of Panchayats is in the hands of a Secretary. The Panchayat Secretary is appointed by the State government and is a seconded state officer. All local government officers and staff report to the Secretary. To the extent that council preferences may not align with state government priorities, there is a strong (career) incentive for the Secretary to prioritize his/her loyalty to the state administration versus the local council.

The main financial resources for (rural) local bodies come from four sources: own tax revenues, own non-tax revenues, transfers/grants from federal and state governments, and borrowing. Most revenue comes from state grants followed by Centrally Sponsored Schemes (CSS), while the other three sources are highly underutilized. For example, local bodies are entitled to have their own revenue raising sources in the form of taxes, mostly property taxes, but states do not capacitate local bodies to be able to enforce and collect them, leaving local bodies with weak fiscal autonomy. Fiscal autonomy is significantly restricted across all states, though the specific mechanisms of these restrictions differ. Examples include the requirement for budgets to be approved by state authorities (e.g., Rajasthan Panchayats Act 1994 Section 74); the right of states to intervene in local budgets (e.g. Tamil Nadu Panchayats Act 1994, Section 192); or the requirement for higher-level approval in order for fund releases to be made during project implementation. Furthermore, it is the state that sets the tax rate for local bodies.

Articles 243I and 243Y of the Constitution relate to the State Finance Commission (SFC). The SFC is an autonomous institution that reviews the financial position of Rural and Urban Local Bodies and is responsible for allocating resources to them. Article 243I refers to Rural Local Bodies and 243Y to Urban Local Bodies. The SFC makes recommendations to the State on matters relating to the distribution and allocation of tax revenue between state and local governments as well as determining the grant amounts to local bodies from state funds and any other matters relating to their finances. The SFC takes into consideration factors such as population, area, revenue generation capacity, and expenditure needs of the local level government bodies before recommending a formula for the distribution of funds. Once the SFC makes its recommendations, the state government reviews them and passes an act to implement the recommendations. The Act specifies the share of funds that each local level government body will receive. The funds allocated by the SFC are generally used for the delivery of basic services such as water supply, sanitation, health, and education, as well as for infrastructure development in the respective local level government areas.

The de facto shows that there are various challenges to be addressed. Funds allocated to local level bodies through the SFC are often insufficient to meet the growing demands of basic services and infrastructure. This is especially true for rural areas, where there is less infrastructure and service delivery is mostly lacking. Another issue is that funds are often released late, which hinders the implementation of development projects and affects the quality of services provided by local level government bodies. There are also critiques that the formula used by the SFC does not take into account the specific needs and challenges of each local level government body, which can result in arbitrary or inequitable distribution of resources. SFC grants are mostly tied grants, having conditions specified that are not in line with Local Bodies' action plans, ultimately proving difficult for them to access the said grants.

The staff and operation of panchayats is generally limited by the availability of resources. The lack of control over the panchayat administration and the lack of general-purpose financial resources greatly limits the ability of panchayats to respond to the needs of their constituents.

Despite the constitutional ambition of rural self-governance (Article 40), PRIs do not meet the textbook definition of devolved local governments, as their administrative apparatus is *de facto* controlled by the state government. Other PRI decisions may also be subject to review and approval by state officials. Furthermore, the assignment of all high-yielding revenue sources to the Union and State levels and related limited availability of financial resources constrains their decision-making power and autonomy. As such, rural local bodies should be labeled as Hybrid institutions.

### **Urban local bodies**

State legislation enacted by each state—in line with the 74<sup>th</sup> Constitutional Amendment—governs the constitution and operation of urban local governance bodies in India. The functions and powers of urban local bodies vary from state to state. Urban Local Bodies are generally headed by mayors, who are elected directly or indirectly, depending on the state, for either one- or five-year terms.

There have been instances where the elections have not been held regularly or have been delayed due to administrative reasons or political instability. For example, in Jammu and Kashmir, the 2010 elections to municipal corporations and councils were not held for six years due to security concerns. Similarly, in the state of West Bengal, municipal elections were delayed due to legal challenges and political wrangling between the ruling and opposition parties.

As ULB officers and staff are mostly employed at the State level, they urban local bodies not meet LPSA's definition of devolved subnational government. ULBs can manage their own accounts if they have the resources, yet state government does not devolve enough power to provide them significant autonomy. Similar to PRIs, state governments typically impose significant restrictions on fiscal autonomy, but the extent of such top-down controls and the precise mechanisms vary. Examples include the requirement for budgets to be approved by state authorities (e.g. Rajasthan Municipalities Act 2009 Section 88); and/or the right of states to intervene in local budgets (e.g. Karnataka Municipal Corporations Act 1976 Section 96). In practice, ULBs lack political and decision-making autonomy. It is questionable in some states if the local level truly forms part of a three-tier federal government structure, since most, if not all of the local governance authority is in the hands of the state. This lack of political and decision-making autonomy is evident in cities like Bangalore, one of India's largest urban areas, where ongoing redistricting by state officials has resulted in the absence of elected local governments. Despite the fact that ULBs are supposed to manage the affairs of some of the most economically productive and successful cities in India, even where political powers are devolved, limitations on administrative and fiscal powers cause ULBs to fall short of the autonomy needed to be considered true devolved local government institutions.

In summary, state and local level bodies are considered subnational institutions, yet local level bodies lack decision making powers, just like UTs. Although each tier of subnational government is subject to some sort of authority from the higher level, state governments do have authoritative decision-making power, with no significant limitations from the federal level. As such, states are devolved institutions with extensive powers, while local level bodies should be considered hybrid institutions, since they contain elements of devolution and non-devolution.



## 4. Assignment of functions and responsibilities in India

*The Indian Constitution provides the basis for the distribution of powers and functions between the Union government and the states, and since 1992, between the states and the local level. Although the constitution amendments adopted in 1992 encourage states to devolve powers and responsibilities and to endow panchayats and municipalities with powers and authority to enable them to function as institutions of self-government, the language in the constitution relating to the devolution of functional responsibilities to the level is quite vague and permits state governments the discretion to decide which powers and authority to devolve and which functions should be retained at the state level. Although local governments play a somewhat more important role in public service delivery in some states than in others, in most states, key public services—such as public education and health services—continue to fall almost exclusively under the control of the state governments. For instance, teachers and health workers in all states are employed by state governments. The responsibility for the delivery of frontline public services by state governments is typically assigned to district-level administrative units.*

**Constitutional context.** The separation of powers and responsibilities between the Union and States is laid out in the Seventh Schedule of the Constitution.

Powers, authority, and responsibility for rural and urban governance institutions and local bodies are specified under the 11th and 12th Schedule of the Constitution. The 11th Schedule, which was introduced as part of the 73rd Amendment, pertains to Rural Local Governments in which Article 243G specifies 29 functions that the state should devolve. The 12th Schedule, introduced by the 74th Amendment, Article 243W deals with the responsibilities of Urban Local Bodies, in which 18 functions are to be devolved ranging from urban planning and health to sanitation.

**Lack of clarity.** Although some have interpreted the listed functions under the 11th and 12th Schedule as being functions that should fully be assigned to the local government level, in reality, the wording in the Constitution is more nuanced, stating that state-level local government legislation “may contain provisions for the devolution of powers and responsibilities upon [local governments] at the appropriate level, subject to such conditions as may be specified therein, with respect to— (a) the preparation of plans for economic development and social justice; (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh [and Twelfth] Schedule.” A narrow interpretation of this language suggests that local governance institutions can be made responsible for the preparation of plans and/or the implementation of schemes within these functional responsibilities but does not in any way compel state governments to devolve the responsibility for the recurrent delivery of public services listed in the Eleventh and twelfth Schedules.

**De facto assignment versus de jure assignment.** Rather than assessing the legal or *de jure* assignment of powers and functions, the Functional Profile that is part of the LoGICA Intergovernmental Profile seeks to capture the *de facto* situation. The *de facto* (rather than the *de jure*) assignment should be considered more pertinent because (i) the *de jure* assignment is vague and subject to interpretation, and (ii) the *de jure* situation may not actually be implemented in actual fact.

As part of the analysis, the functional assignments were investigated for three states in India, those being Kerala, Maharashtra, and Jharkhand. The LoGICA methodology assesses the actual assignment of functional responsibilities on the basis of a list of 25 public services by determining the government level (a) that employs the front-line staff delivering the service, and (b) that provides or constructs the facility or infrastructure requires for service provision. As detailed further below, the team’s assessment of the functional assignment in India is that state governments are *de facto* responsible for most if not all functional responsibilities, as they employ and pay

the salaries of the human resources required to deliver most services (education, health, and so on), while also being responsible for providing the capital infrastructure for most public services. Although this is a common trend among all States, the extent to which States hold on to powers and functions differs slightly among states. For example, based on the sample, Kerala does appear to devolve somewhat more functional responsibilities to local bodies, while Jharkhand devolves fewer functional responsibilities.

***What explains the lack of functional devolution to the local level?*** Although local governments are supposed to get their powers and responsibilities from their State's legislation, in reality, most if not all States do not devolve all 29 and 18 functions of Articles 243G and 243W respectively. Most local bodies barely cover half the functions allocated to them in the Constitution. Local bodies in the state of Jharkhand, for example, barely cover any functions at all, with the state government being responsible for virtually all front-line services. Kerala, on the other hand, devolves more responsibilities to local bodies yet they still lack fiscal autonomy and must share responsibilities with the State. When compared to other federal and devolved countries, the functional role of the local government level in India—even when considering the best-case situation in Kerala—is quite minimal.

Two arguments are commonly provided to justify the limited level of functional responsibilities devolved to the local level in India, although neither argument is particularly unique to India. The first argument is that (urban and rural) local governments lack the institutional and administrative capacity to be more heavily involved in the delivery of public services. The second argument is that (urban and rural) local governments lack the financial resources to take on a more important role in the delivery of public services. Both of these arguments are more reflective of the inability or unwillingness of state government to capacitate local governments and their unwillingness to devolve financial resources, than they are a judgment on the inherent ability or willingness of local leaders to deliver public services at the local level.

**Central government functions.** The Central Government of India directly oversees financial policies, defense, commerce, and foreign affairs. In virtually all other policy areas, the role of the central government is indirect, with the central government providing conditional funding for “schemes”. Schemes which are fully funded by the central government are referred to as "central sector schemes" (CS) while schemes mainly funded by the center and implemented by the states are "centrally sponsored schemes" (CSS). In the 2022 Union budget of India, there are 740 central sector (CS) schemes and 65 CSS.

**State government functions.** Most functions are carried out at the State level. The State is responsible for overseeing functions ranging from public education, public order, public health and sanitation, agriculture, social protection, and more. At the same time States depend heavily on federal funding. In comparison to local bodies, States account for most of revenues and expenditures.

Even though Kerala is an example of a relatively more decentralized state as it empowers local bodies fiscally to take on functional assignments, the State is still in charge of paying the majority, if not all, of salaries and capital developments in sectors ranging from education to health and infrastructure. While Kerala is an example of a state that shares some functional responsibilities with the local level, local bodies are still heavily reliant on State grants. Maharashtra seems to follow this common trend in that the State is also responsible for most functional assignments, yet it does devolve more power to Urban Local Bodies than perhaps other states. Other less capacitated states like Jharkhand do not rely on any local bodies and thus take on almost all functional assignments because these local bodies severely lack capacity building.

For all states it is a common theme that the delivery of localized services such as education, health, agriculture, environment, social protection and more, falls within the hands of the State.

### **Urban and Rural Local Level Functions**

The 74th constitutional amendment includes the twelfth schedule of the constitution which outlines the functions and responsibilities of Urban Local Governments. In total 18 functions are constitutionally devolved to municipalities, including: urban and town planning; land use regulation and building construction; economic and social development; roads and bridges; water distribution for domestic, commercial and industrial purposes; public health, sanitation and solid waste management; fire safety services; urban forestry and environmental protection; disability protection; slum improvement; urban poverty; parks and public entertainment; cultural and educational activities; cemeteries; zoos; birth and death registry; public amenities; and regulation of leather-making industries.

However, municipal legislation ultimately determines the extent to which all 18 functions are devolved as per the twelfth schedule of the constitution and therefore, functional devolution at the urban local level often varies by state. The state of Kerala is regarded as the most devolved, with 17 functions being devolved through municipal legislation. Meanwhile, Maharashtra, a state that is home to the wealthiest municipal corporation in India, only has 10.5 functions devolved through municipal legislation.

In practice, Urban Local Bodies experience a variety of challenges in functional delivery. It has been reported that primary challenges include the involvement of multiple agencies in service delivery that convolutes processes and dilutes autonomy.

As mentioned above, schedule 11 in the 73rd Amendment of the Indian Constitution outlines the functions and powers assigned to rural local government or panchayats. A total of 29 subjects are listed in schedule 11. However, the *de facto* devolution of functions varies from state to state due to resources, capabilities and skills. As a result, rural governments are not carrying out and delivering on their 29 assigned functions. An example of that is in Jharkhand where proper sewage systems are in need, leading some municipalities to outsource the drainage to private companies. The 29 subjects listed in schedule 11 include: agriculture, animal husbandry, fisheries industry, minor irrigation, social forestry and farm forestry, small scale industries, minor forest produce, Safe drinking water, Khadi, village and cottage industries, rural housing, fuel and fodder, rural electricity, roads and other means of communication, education including primary and secondary schools, non-conventional sources of energy, technical training and vocational education, adult and non-formal education, public distribution system, maintenance of community assets, welfare of the weaker sections of the in particular of the schedule caste and scheduled tribes, social welfare, family welfare, women and child development, markets and fairs, health and sanitation, cultural activities, libraries, poverty alleviation programs.

While some states have made progress in devolving powers and functions to Rural Local Bodies, others continue to face challenges in implementing the provisions of the 73rd amendment effectively. RLBs continue to face challenges especially in areas such as health and education. Consequently, the *de facto* situation in India includes political interference, inadequate resources, and weak institutional capacity that continue to hinder effective functional delivery of both the RLBs and ULBs.