

CHAPTER-IV

Devolution of functions and institutional mechanism for empowerment of Urban Local Bodies

4.1 Actual status of devolution of functions to ULBs

The 74th CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the 12th Schedule. Each State was expected to enact a legislation to implement the amendment. The State Government through amendments to HM Act and enactment of HMC Act transferred 18 functions to ULBs.

Audit observed several overlaps in discharge of the functions between ULBs and parastatals/Government departments. Out of 18 functions, ULBs were solely responsible for four functions; had virtually no role in two functions; had limited role in five functions; were mere implementing agencies in four functions; and in respect of three functions, ULBs have important role to play with overlapping role of parastatals/Government departments. Thus, only 22.2 *per cent* functions (four out of 18 functions) have been fully devolved. The function-wise role of ULBs is depicted in **Table 4.1**.

Table 4.1: Statement showing the actual status of implementation of functions

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
Functions where ULBs has full jurisdiction				
1	Burials and burial grounds; cremations, cremation grounds	Construction and O&M of crematoriums and electric crematoriums	ULBs	ULBs are wholly responsible for discharging this function.
		Construction and O&M of Burial grounds		
2	Cattle pounds; prevention of cruelty to animals	Catching and keeping strays	ULBs	ULBs are wholly responsible for discharging this function.
		Sterilisation and anti-rabies		
		Ensuring animal safety		
3	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat	ULBs	ULBs are wholly responsible for discharging this function.
		Disposal of waste		
		Operation and maintenance of slaughter houses		
4	Vital statistics including registration of births and deaths	Coordinating with hospitals/crematoriums, etc. for obtaining information	ULBs and Health Department	ULBs maintains database of births and deaths and issue certificate of birth and death in Urban Area. Health Department performs this function for non-ULB areas. At State level, Health Department is a nodal entity.
		Maintaining and updating database		

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
Functions where ULBs have major role with overlapping jurisdictions of State Departments/ parastatals				
5	Roads and Bridges	Construction and maintenance of roads	ULBs and Haryana Shehri Vikas Pradhikaran (HSVP)	<p>ULBs are constructing and maintaining roads, bridges, and footpaths within the jurisdiction of ULBs. However, they lacked autonomy in execution of developmental works as estimates and finalisation of tender upto ₹ 2.50 crore, ₹ 0.25 crore and ₹ 0.15 crore in case of Municipal Corporation, Municipal Council and Municipal Committee respectively are approved by House of municipal bodies. While estimates and finalisation of tender having value more than above mentioned limits are approved by administrative authorities of ULB Department i.e. Administrative Secretary/Director, ULBs/District Municipal Commissioner.</p> <p>HSVP is constructing and maintaining these infrastructures in urban estates developed by it within jurisdiction of Municipal Bodies contrary to provisions of Section 66A of HM Act and provisions of Section 41 and Section 42 of HMC Act.</p>
		Construction and maintenance of bridges, drains, flyovers and footpaths		
6	Public amenities including street lighting, parking lots, bus stops and public conveniences.	Installation and maintenance of street lights	ULBs, HSVP and Haryana Roadways	<p>ULBs are responsible for development and maintenance of civic amenities such as street lights, public toilets, etc. in municipal area. However, they lacked autonomy in execution of developmental works as they have limited power as per remarks given in Sr. No. 5 above. HSVP is responsible to provide these civic amenities in Urban Estates developed by it. City bus routes are decided and operated by Haryana Roadways. Only in Karnal, city bus services (six buses) are operated by Municipal Corporation Karnal while in Gurugram, it is operated by GMDA, which is parastatal body created in 2017. This is not only against the provisions of Section 66A of HM Act and provisions of Section 41 and Section 42 of HMC Act but creation of GMDA and assigning functions of Municipal Bodies to GMDA is assessed as weakening of the objectives of 74th CAA.</p>
		Creation and maintenance of public toilets		
		Creation and maintenance of parking lots		
		Deciding and operating bus routes		

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
7	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Creation of parks and gardens Operation and Maintenance	ULBs and HSVP	ULBs are developing and maintaining parks and gardens within their jurisdiction. However, they lacked autonomy in execution of development works as they have limited power as per remarks given in Sr. No. 5 above. HSVP is responsible for providing these urban amenities in Urban Estates developed by it. Part compliance to the provisions of relevant Acts is similar to the position indicated against function at Sr. No. 5.
Functions where ULBs are mere implementing agencies				
8	Planning for economic and social development	Program implementation for economic activities Policies for social development	State Government Departments and ULBs	Industry Department and other State Government Departments performs the various activities relating to program implementation for economic activities and social development. ULBs are implementing Central Government Schemes in Housing and Employment i.e. Pradhan Mantri Awas Yojana (PMAY) and National Urban Livelihood Mission (NULM). Implementation of PMAY scheme was transferred to State Government Department (Housing for All department) w.e.f. January 2021.
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries Self-employment and skill wage employment to urban poor households Housing programs	State Government Departments and ULBs	State Departments such as Welfare of SC and BC Department and Social Justice and Empowerment Department are responsible for safeguarding the interest of weaker section of society through schemes. However, ULBs are merely an implementing agency for Central and State Government schemes such as NULM, PMAY and Development of SC Basties Schemes which are meant for housing and weaker section and it identifies the beneficiaries under these schemes.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
10	Slum improvement and upgradation	Identifying beneficiaries	ULBs	ULBs identify beneficiaries under PMAY and Individual Household Laterines component under SBM and are implementing these schemes. SUDA is nodal agency for PMAY whereas HSCB is nodal agency for SBM.
		Affordable Housing	ULBs and State Urban Development Authority (SUDA)	
		Upgradation	Haryana Slum Clearance Board (HSCB)	
11	Urban poverty alleviation	Identifying beneficiaries	ULBs and SUDA	ULBs identify the beneficiaries under NULM scheme which is meant for reducing poverty and vulnerability of the urban poor households by enabling them to access self-employment and skilled wage employment opportunities. SUDA as nodal agency for NULM scheme is responsible for fixation of targets, release of funds and monitoring of the scheme.
		Livelihood and employment		
		Street vendors		
Functions where ULBs have limited role with overlapping jurisdictions of State Departments/ parastatals				
12	Urban planning including town planning	Master Planning/Development Plans/Zonal Plans	Town and Country Department (TCPD)/ ULBs Department, HSVP	Development plans with respect to areas within the limits of municipality are prepared by Director, ULBs whereas Development plans for control area falling outside the limits of municipality are prepared by Director, TCPD.
		Enforcing master planning regulations	TCPD, ULBs and HSVP	Enforcement functions related to master plan, building bye-laws in respect of control area outside the municipal limit are performed by Director, TCPD whereas these functions are performed by ULBs in their areas. HSVP is responsible for enforcing building bye-laws in urban estates developed by it. Enforcement functions with respect to licenses are performed by TCPD.
		Enforcing building bye-laws and licenses		
		Group Housing	TCPD, HSVP and ULBs Department	Group housing scheme are approved by Director, TCPD, whereas HSVP approves the group housing scheme situated in its Urban Estate.
Development of Industrial areas	TCPD	Permission for setting up Industrial Area is given by Director, TCPD.		

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
13	Regulation of land-use and construction of buildings	Regulating land use	ULBs Department and TCPD	Permission for change in land use (CLU) within the area of municipal limits is granted by ULBs Department and in case of license to developer TCPD grants permission for CLU.
		Approving building plans/high rises	ULBs Department, TCPD, ULBs and HSVP	ULBs can approve building plans in the municipal limits for users and sizes except commercial/institutional users for the sites of 1000 sqm and above. In case of license to developer, building plans are approved by Director, TCPD whereas HSVP approves building plans in urban estates developed by it.
		Demolishing illegal buildings	ULBs Department, TCPD, ULBs and HSVP	In municipal area this function is discharged by ULBs. However, TCPD perform this function in case of license to developer. HSVP discharge this function in the urban estates developed by it.
14	Public Health, Sanitation Conservancy and Solid Waste Management	Maintaining hospitals, dispensaries	Health Department	Health Department maintains hospitals and dispensaries in the State and carries out immunisation and vaccination.
		Immunisation/ Vaccination		
		Cleaning and disinfection of localities affected by infectious disease	ULBs	Disinfection of localities affected infectious disease and control and supervision of public markets is done by respective ULBs.
		Control and supervision of public markets		
		Solid Waste Management (SWM)	DULB and ULBs	Policy and strategy formulation for SWM projects are done by ULBs Department whereas execution of SWM is carried out by respective ULBs.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
15	Fire Services	Establishing and maintaining fire brigades	Director, Fire Services/ULBs	ULBs are establishing and maintaining the fire brigades under the direction of Director Fire Services ¹ . Approval for firefighting scheme and issuance/renewal of NOC for building with height more than 15 meter is given by Commissioner in case of Municipal Corporation and District Municipal Commissioner in case of Municipal Council/Committee where as NOC for building less than 15 meter height is given by Assistant Divisional Fire Officer/Fire Station Officer who works under Director Fire Services.
		Providing fire NOC	ULBs/ Director Fire Services	
		Approval certificate in respect of high rise buildings		
16	Water supply for domestic, industrial and commercial purposes	Distribution of water	Public Health and Engineering Department (PHED), ULBs, HSVP and GMDA	All activities relating to water supply are performed by PHED except in four Municipal Corporations (i.e. Gurugram, Faridabad, Karnal and Sonapat) where it is performed by concerned MCs. HSVP is providing water supply in urban estates developed by it.
		Providing connections		
		Operation & Maintenance (O&M)		
		Collection of charges		
Functions where ULBs have insignificant role				
17	Urban forestry, protection of environment and promotion of ecological aspects	Afforestation	Forest Department, Haryana Pond and Waste Water Management Authority (HPWWMA) and ULBs	Forest Department plays a significant role in discharge of this function. Protection of environment and promotion of ecological aspects was solely vested with the Forest Department. Natural resources like water bodies in the State is maintained by HPWWMA. ULBs are involved in Greenification and awareness drive.
		Greenification		
		Awareness drives		
		Protection of the environment and promotion of ecological aspects		
		Maintenance of natural resources like water bodies, etc.		

¹ Earlier, Director, ULBs was Ex-officio Director of Fire Services however, w.e.f. 1 August 2021, separate post of Director Fire Service has been created and separate budget for 2021-22 allotted for maintenance of fire stations in the State.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
18	Promotion of cultural, educational and aesthetic aspects	Schools and education	DSE and DHE	The Department of School Education (DSE) and Department of Higher Education (DHE) is discharging the main responsibility regarding school and higher education. Fair and festivals are organised by Art & Cultural Affair Department and Kurukshetra Development Board (KDB) in association with ULBs. KDB has also role in development and maintenance of cultural buildings. Directorate of Archaeology and Museum maintains heritage/monuments sites. ULBs are performing activities relating to public space beautification.
		Fairs and festivals	Art & Cultural Affair Department, KDB and ULBs	
		Cultural buildings/ institutions	Art & Cultural Affair Department	
		Heritage	Directorate of Archaeology & Museum	
		Public space beautification	ULBs	

The actual status of devolution of functions in the test checked ULBs in terms of fully/partial devolved functions is given in the **Appendix 4.1** and as per the actual status only four functions (Sr. No. 1, 2, 3 and 4 of the above table) had been fully devolved and remaining functions were partially devolved which is in contravention of Section 66A of HM Act, 1973 and Sections 41 and 42 of HMC Act, 1994.

It could be seen from the above table that, ULBs in the State play significant role in providing urban infrastructure, public and urban amenities within its jurisdiction, which require huge financial resources due to growing urbanisation. The own financial resources of the ULBs in the State were not sufficient to meet their revenue expenditure, as discussed in Paragraph 6.3.1 and they were totally dependent on grants from the Government for the mandated activities. Therefore, there is a dire need to augment own resources of the ULBs to carry out their core responsibilities. Land is a powerful instrument for mobilisation of resources to meet the growing needs for urban infrastructure and amenities. Further, the land being finite resource and lack of planning as per local requirements may restrict provisioning of urban infrastructure and amenities by ULBs.

Given the backdrop, devolution of functions like urban planning including town planning and regulation of land use to ULBs assumes prominence not only for raising own financial resources but also for overall planning purposes to meet the needs for growing urbanisation by ULBs. However, it is evident from the above table that the State Government had not fully devolved these functions relating to land to ULBs. The TCPD alongwith HSVP play a major

role in these functions thereby restricting the autonomy of ULBs despite adequate provisions in the Constitution.

During exit conference, the department stated that four functions had been fully devolved and remaining functions were partially devolved by ULBs. Further, the department assured that the effort would be made to provide more autonomy in respect of functions enumerated in the Constitutional Amendment.

Recommendation: The State Government needs to take decisive action in order to translate the vision of achieving decentralisation into reality. Steps need to be taken to ensure that the ULBs enjoy an adequate degree of autonomy in respect of the functions assigned to them.

4.2 Institutional mechanisms for empowerment of Urban Local Bodies

4.2.1 State Election Commission

As per article 243ZA(1) of 74th CAA, the powers of the State Election Commission (SEC) include superintendence, direction and control of the preparation of electoral rolls for and the conduct of all elections to municipalities. However, the power of delimitation of wards, reservation of seats for the council and rotation policy of seats for the posts of Mayor/President and wards were vested with the State Government as per Haryana Municipal (Delimitation of ward) Rules, 1977. This was not in accordance with the recommendation of the Second Administrative Reforms Commission (SARC), which recommended to entrust the task of delimitation and reservation of constituencies to SEC, which was accepted by the GoI.

Further, the State Government delayed delimitation process, which in turn delayed council elections of 50 municipalities for 7 to 29 months during 2015-16 to 2019-20. As a result, the people of these municipalities could not get their elected representatives in time.

During exit conference, the department stated that the efforts would be made to avoid the delay in future.

4.2.1.1 Composition of Municipalities

Article 243R of 74th CAA stipulates the composition of Municipalities. As per the HMC and HM Acts, the Corporations and Municipalities consist of Elected Members as well as Nominated Members in accordance with Article 243R of 74th CAA. The nominated members do not have voting power.

The Commissioner/Executive Officer/Secretary are the executive head of the Municipal Bodies. The Commissioner in the case of Municipal Corporation,

the Executive Officer in the case of a Municipal Council and the Secretary in the case of Municipal Committee, shall have the right to attend all the meeting of the municipality and to take part in discussion but shall not have the right to vote therein.

Audit observed that the composition of municipalities were as per the prescribed norms.

4.2.1.2 Reservation of seats

Article 243T of 74th CAA stipulated reservation of seats for SC/ST, Women and Backward Classes in every municipality for direct election. The Article provides for reservation of seats for SC/ST in proportion to SC/ST population to the total population of that municipality and reservation of minimum one-third of the total number of seats for women belonging to the SC/ST. The Article also provides for reservation of minimum one-third of the total seats for women (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes). The Article further empowers the State Legislature to provide reservation for Backward Class and rotation of reserved seats.

The HM Act and HMC Act also provide for reservation of seats for SC and women in all Municipalities and rotation of seats as per the requirement of constitution. Both the Acts provides for reservation of two seats in each municipality for Backward Classes.

Audit observed that the seats reserved for SC/Women and rotation of the reserved seats were as per the prescribed norms.

4.2.1.3 Status of elections and formation of councils

The election shall be conducted by SEC as stipulated in HMC (Election) Rules, 1994 and HM (Election) Rules, 1978. Elections of ULBs shall be completed before the expiry of their duration or in case of dissolution before the expiry of a period of six months. Further, as per Article 243U(3)(a) of Constitution of India and provisions of the HMC/HM Acts, a fixed tenure of five years for the members of ULBs from the date of first meeting has been prescribed. The status of elections and formation of councils in the ULBs of the State as of September 2020 is depicted in **Table 4.2**.

Table 4.2: Status of elections and formation of councils in ULBs

Total No. of ULBs	87
Newly formed ULBs (Municipal Council)	1
Newly Up-graded ULBs (Municipal Committee to Municipal Council)	1
Elections held during 2015-16 to 2019-20 and councils formed	73
Elections due during 2018-20 but not held due to delayed delimitation of wards	12

Source: Information furnished by DULB

As evident from the above that there were no councils in 12² ULBs. In the absence of an elected council, the involvement of elected representatives in decision making and implementation, which is an essential element of democracy is missing.

Recommendation: In view of the fact that the delimitation has been delayed time and again by the State Government, the task of delimitation should be entrusted to the State Election Commission in order to ensure timely elections as recommended by Second Administrative Reforms Commission.

4.2.1.4 Mayor/President

In Haryana, the post of Mayor as well as President is filled by direct election from November 2018 to December 2019 onwards amongst the persons belonging to the General Category, Scheduled Castes, Backward Classes and Women by rotation. The number of offices of the Mayor and President is reserved for SCs and BCs in proportion to the population of these categories in the State. The term of office of Mayor in the Corporations is five year or residue of the term of his office while the term of President is five year from the date of first meeting of the municipality. Mayor is empowered to preside over every meeting of the Corporation, enjoys the power of inspection, may give direction to the Commissioner (Executive Head) with regard to implementation of any resolution of the Corporation and may call for any record of the Corporation from the Commissioner. The President has the power of general control over all the works of municipality. President is also empowered to pass orders on all matters that may be referred to him through the Executive Officer or the Secretary. The President also has extraordinary powers in cases of emergency. On the occurrence or threatened occurrence of any event/involving/likely to involve extensive damage to property/danger to human life/grave inconvenience to the public, the President, may, direct the execution of any such work which the committee is empowered to execute, and may direct that the expense of executing such work be paid from the municipal fund.

4.2.1.5 Meeting of House

As per Section 52(1) of the HMC Act and Section 25 of the HM Act, Corporation/Council/Committee shall ordinarily hold at least one meeting in every month for the transaction of its business. Scrutiny of records of selected ULBs revealed that only 226 meetings were held during April 2015 to March 2020 as against the stipulated 710 meetings. Thus, adequate numbers of

² Municipal Corporation: Ambala, Panchkula and Sonapat, Municipal Council: Rewari, Municipal Committee: Bass, Dharuhera, Ismailabad, Kundli, Sadhaura, Sampla, Sisai and Ukalana.

meetings were not held in compliance of the State municipal laws. The detail of meetings held by each test checked ULBs is given in **Appendix 4.2**.

4.2.1.6 Formation of ad-hoc committees

Section 40 of HMC Act provides that Corporation may constitute ad-hoc committees for discharge of its functions. Bye-law 22 of Haryana Municipal Corporation Business bye-laws, 2009 provides for formation of 14 ad-hoc committees (**Appendix 4.3**) in Municipal Corporation to conduct the business for the purpose of carrying out the provisions of HMC Act. Bye-law 17 of HM Business Bye Laws, 1981 provides that a Municipal Council/Committee may appoint three Sub-Committees (i.e. Finance, Public Works & Building and Sanitation & Water Supply) to assist the Council/Committee in its administration. These bye-laws further provide that all such functions shall be transacted in the respective committees before its resolution in the house and approval of Commissioner/Government and meeting of these committees shall be convened once in a month and such shorter period as the Committee or Sub Committee may decide.

Audit observed that out of 15 test-checked ULBs, only three³ ULBs constituted ad-hoc committees (ranging between four and eight), which were not also functional as very few meetings were held by these committees as detailed in **Appendix 4.3**.

During exit conference, the department stated that instructions would be given to the concerned ULBs to hold adequate numbers of meetings as well as ensure formation and functioning of ad-hoc committees as may be relevant to the status in the concerned Municipal Body.

4.2.2 Wards Committees

Article 243S (1) of the Constitution provides for Wards Committees (consisting of one or more wards) in all Municipalities with a population of three lakh or more. It further requires State Legislature to make provisions with respect to (a) the composition and the territorial area of a wards committee (b) manner in which seats in a Wards Committee shall be filled.

Audit observed that Sections 10 and 34 regarding constitution of Wards Committees were incorporated in HMC Act and HM Act respectively. However, enabling Rules specifying composition, territorial area, term, power and functions of Wards Committees were not framed under these Acts by the State Government for implementation of related provisions of the Acts. Audit further observed that out of 87 ULBs, eight⁴ ULBs were having population of

³ (i) Panchkula, (ii) Ambala and (iii) Yamunnagar.

⁴ (i) Faridabad, (ii) Gurugram, (iii) Hisar, (iv) Karnal, (v) Panipat, (vi) Rohtak, (vii) Sonapat and (viii) Yamunanagar.

three lakh or more as per censuses 2011. However, no Wards Committee were constituted in these ULBs as prescribed under the Article 243 S (1) of the Constitution.

Thus, due to non-framing of Rules by the State Government, the crucial constitutional provision for Wards Committees remained unimplemented which hampered the decentralisation in local governance.

4.2.3 Area Sabha and Ward Committee

Article 243S (5) of 74th CAA empowers the State Government for making any provision for constitution of committees in addition to Wards Committees. In this regard, the State Legislature enacted Haryana Municipal Citizen's Participation Act, 2008 to institutionalise citizen participation in municipal functions by setting up of Area Sabha and Ward Committee. As per provisions of the *ibid* Act, Area Sabha shall consist of all the person registered in the electoral rolls pertaining to every polling booth and person nominated by Area Sabha will acts as an Area Sabha representative, who shall be the Ex-officio member of the Ward Committee. Further, a Ward Committee for each ward in a municipality shall be constituted consisting of not less than three and not more than 10 persons representing the civic society as Area Sabha representatives, from the ward, to be nominated by municipality

The main functions of the Area Sabha is to (a) determine priority of scheme/developmental programmes to be implemented in the area, (b) identify most eligible beneficiaries and (c) identify deficiencies in the civic amenities, etc. The main functions of ward committee is to (a) assist in preparation of wards plans in a manner consistent with the district plans, ward budget, (b) to map the ward infrastructure index of ward and (c) conduct supervision of sanitation work in the ward, etc.

Audit observed that the State Government has not framed rules for nomination of Area Sabha representatives. Further, Area Sabha/Ward Committee were not formed in 15 test checked ULBs. Resultantly, citizen participation in local governance through Area Sabha and Ward Committee could not be ensured which defeated the objective of facilitating community participation in local governance.

During exit conference, the department assured that necessary steps would be taken in this regard.

Recommendation: State Government should frame the enabling rules for constitution of Wards Committees and nominations of Area Sabha representative so that the priorities of citizens are factored into the decisions of the ULB.

4.2.4 District Planning Committee and Metropolitan Planning Committee

Article 243ZD of 74th CAA provides for the constitution of a District Planning Committee (DPC) for consolidation of plans prepared by the Panchayats and the municipalities. The DPC was to prepare a Draft Development Plan (DDP) with regard to matters of common interest between the Panchayats and the municipalities including spatial planning; sharing of water and other physical and natural resources; integrated development of infrastructure and environment conservation and extent and type of available resources, whether financial or otherwise. State Government framed DPC Rules, 1997 with regard to composition, functions and role of DPC under Section 203B of HM Act. The DPCs were constituted in all districts.

Article 243ZE of 74th CAA provides for Constitution of a Metropolitan Planning Committee (MPC) in every Metropolitan area⁵, to prepare a draft development plan for the Metropolitan area as a whole on matters of common interest between municipalities and the panchayats. State Government has framed Rules with regard to composition, functions and role of MPC under Section 417 of HMC Act and constituted (June 2017) MPC for metropolitan area, Faridabad, which had population of more than 10 lakh as per 2011 census.

DPCs/MPC formed in the State did not prepare Draft Development Plan as per the constitutional provisions, however, they were involved in finalisation of Draft Development Plan of the respective urban areas in the State which is statutory plan prepared under Section 5 of Punjab Scheduled Roads and Controlled Areas Restriction of Unregulated Development Act, 1963. Its purpose is to allocate land for various uses and plan infrastructure within a particular area or city for future. Urban Development Plans Formulation and Implementation Guidelines, 1996 issued by Ministry of Urban Development (MOUD), GoI recommended that DPC/MPC should be constituted under State Urban and Regional Planning Act in order to institutionalise the planning process at district level as envisaged in 74th CAA. Further, URDPFI⁶ Guidelines, 2015 issued by MOUD pointed out that the Area Planning and Development Authorities constituted to prepare and enforce development plans of urban centres under the State Town and Country Planning Act or other Acts may have a conflict of role and functions with the Urban Local Authorities constituted under modified State Municipalities Act and therefore, it suggested that taking into consideration the spirit of 74th CAA, these bodies

⁵ Metropolitan area” means an area having a population of 10 lakhs or more comprised in one or more districts and consisting of two or more Municipalities or Panchayats or other contiguous areas, specified by the Governor by public notification to be a Metropolitan area for the purposes of this Part.

⁶ Urban and Regional Development Plans Formulation and Implementation.

should be merged or work as technical wings of the MPC and DPC wherever the case may be and administrative amalgamation process should be effectively decided by the State Governments.

Audit observed that DDPs for urban areas were not being prepared by the respective ULBs and were being prepared by TCPD/DULB after consultation with ULBs. The same were then forwarded to DPC/MPC for their recommendations. State Level Committee (SLC) of TCPD approved the same after considering the recommendations of DPC/MPC. The above procedure of approval of development plans is not as per the spirit of 74th CAA as State Government had not taken any action as per the guidelines of UDPMI/URDPMI.

Audit further observed that during 2015-16 to 2019-20, DPC was not involved in approval of Annual District Plan which includes various developmental works relating to Panchyats and Municipalities as the State Government had formed (October 2012) another committee i.e. District Development and Monitoring Committee⁷ (DDMC) for approval of Annual District Plans in place of DPC in all the districts.

As per Rule 12 of DPC Rules, DPC was required to meet for transaction of business at least once in three months. Audit in this regard observed that in six test checked districts⁸, only 11 meetings of DPC were held during April 2015 to August 2020.

During exit conference, the department stated that the matter would be taken with State Government to provide greater autonomy to the DPC & MPC.

Recommendation: The full potential of the District Planning Committee and Metropolitan Planning Committee mechanism should be tapped by implementing the Urban and Regional Development Plans Formulation and Implementation Guidelines issued by Ministry of Urban Development, GoI.

4.2.5 State Finance Commission

Article 243-I read with Article 243-Y of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the 74th CAA and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of the local bodies and to make

⁷ Committee is chaired by Minister-in-charge of District Grievance Redressal Committee and other members consisting of Deputy Commissioner, Additional Deputy Commissioner, MP and MLA of district concerned, Commissioner and Mayor/Deputy Mayor of Municipal Corporation, all President of Municipal Council/Committee, President and Vice President of Zila Prishad and all Chairman of Panchyat *Samiti*.

⁸ Ambala, Karnal, Kurukshetra, Kaithal, Panchkula and Yamunanagar.

recommendations to the Governor for devolution of funds. State Government through amendments in HM and HMC Acts provided for constitution of SFC.

4.2.5.1 Delay in constitution of the SFC and implementation of recommendations

State Government were required to constitute a SFC within one year of the commencement of the 74th CAA and thereafter on expiry of every five years as mandatory in Article 243-I read with Article 243-Y of the Constitution of India.

In Haryana, Six SFCs were constituted between May 1994 and September 2020 with delay ranging from two months to 15 months. The details of constitution, acceptance and implementation of recommendations of these Five SFCs Reports were given in *Appendix 4.4*.

Five SFCs (1st to 5th SFC) could not finalise their report in the allotted time of one year and accordingly, the time had to be extended due to various reasons such as delay in providing of office accommodation, allocation in budgetary provision, appointment of technical staff, difficulties in getting reliable information from local bodies, non-availability of database relating to previous SFC and non-appointment/delay in appointment of full time member secretary.

As per 5th SFC recommendations, sixth SFC should be established by September 2019 and finalisation of its report by December 2020 to facilitate adoption of the Sixth SFC proposals from the 2021-22 fiscal year. However, the State Government constituted Sixth SFC in September 2020 after delay of one year.

4.2.5.2 Response of the State Government to SFC recommendations

The State Government may accept the recommendations of the SFC in totality or with certain modifications. Audit observed that the State Government accepted few of the recommendations with modifications. The SFC-wise recommendations and their acceptance/modifications with reference to transfer of funds are given in the *Table 4.3*.

Table 4.3: SFC-wise important recommendations and their acceptance/modifications

SFC	Recommendations	Modifications
First	Devolution of 50 <i>per cent</i> of the net proceeds from entertainment duty and entire net income from show tax of State Government.	25 <i>per cent</i> of the net proceeds from entertainment duty and entire net income from show tax only.
	Devolution of 20 <i>per cent</i> of the royalty on minor minerals of State Government.	Not accepted
	Grant-in-aid of ₹ 50 per capita for Municipal Corporation/ Council/ Committee.	Not accepted
Second	Devolution of 50 <i>per cent</i> of entertainment duty and show tax (estimated at ₹ 8.78 crore for the year 2005-06).	₹ five crore (lump-sum) from entertainment duty and show tax for 2005-06.
	Devolution of 20 <i>per cent</i> of the vehicle tax (estimated at ₹ 30.34 crore for the year 2005-06) of State Government.	₹ 16 crore (lump-sum) from vehicle tax for 2005-06.
	Devolution of 20 <i>per cent</i> of the royalty on minor minerals of State Government (₹ 17.57 crore for the year 2005-06).	₹ 10 crore (lump-sum) from the royalty on minor minerals
	Grant-in -aid of ₹ 25 per capita for Municipal Corporation/ Council/ Committee (₹ 21.25 crore for the year 2005-06).	₹ 19 crore (lump-sum) as Grant-in-aid
	Waive of loan liability of ₹ 5.92 crore as one time measure	Not accepted
Third	Devolution of four <i>per cent</i> of the net own tax revenue of the State in addition to Excise and Local Area Development Tax (LADT)	Two <i>per cent</i> of the net own tax revenue of the State in 2006-07, 2007-08, 2010-11 and at Three <i>per cent</i> in 2008-09 and 2009-10.
Fourth	Devolution of 2.5 <i>per cent</i> of the net own tax revenue of the State in addition to surcharge on VAT and excise.	The State Government did not constitute the Cabinet Sub-Committee to examine the recommendations of the SFC. Therefore, no recommendation was accepted.
Fifth	Devolution of seven <i>per cent</i> of the State own tax revenue (SOTR) and Stamp duty of two <i>per cent</i> over and above the recommended devolution	No modification.

Besides the above recommendations relating to devolution, the SFCs recommended several institutional and other measures that would strengthen ULBs in the long term. An illustrative list of recommendations, which are not implemented are indicated below:

- Creation of an incentive fund with 10 *per cent* of annual entitlement of ULBs to reward better performing local bodies in their resource raising efforts (3rd SFC Para 11.53).
- To transfer water supply to ULBs in gradual manner covering operations and maintenance (O&M) initially followed by capital works subsequently (3rd SFC Para 13.50).
- ULBs should be given full freedom to levy taxes, duties, fee, etc. within the limits prescribed by law subject to floor or ceiling rates fixed by the State Government (4th SFC Para 15.34).
- Setting up of separate institution to address the capacity building for all stakeholders relating to functioning of ULBs (4th SFC Para 15.145).
- To rationalise revenue raising powers of the Municipalities. In reviewing the revenue raising powers of the municipalities, it would be appropriate to ensure that they are also authorised to levy and collect all taxes, fees and toll, which can be collected by the Municipal Committees and Councils and vice-versa (5th SFC Para 4.7.9).

- To put in place a mechanism to prepare monthly Management Information System (MIS) of the feedback received from the local residents (be it complaints or suggestions), analyse and classify these to identify the problem areas and the areas where improvement may be made (5th SFC Para 4.5.18).
- To establish a State Level Urban Shared Services Center (USSC) to provide technological support and expertise to ULBs to improve their delivery of public amenities and services (5th SFC Para 4.2.17).
- To conduct professional assessment of staff required for ULBs to perform in a manner for desired outcomes (5th SFC Para 4.11.8).

Implementation of the above recommendations would have contributed significantly to the realisation of the objectives of the 74th CAA. Non-implementation was a setback to the process of achieving envisaged decentralisation. The detailed list of other Fifth SFC recommendations which had not been implemented yet is given in **Appendix 4.5**.

During exit conference, the department stated that matter would be taken up with the State Government in this regard.

Recommendation: The State Government should constitute SFC and implement its recommendations in timely manner. Further, the recommendations of SFC relating to devolution as well as institutional matters should be implemented in toto to the extent possible, taking into account the final purpose of creating genuine institutions of local governance.

4.3 Powers of the State Government over ULBs

Audit observed that the State Government had overriding powers over ULBs, which was against the spirit of the 74th CAA. Illustrative list of provisions are indicated in the **Table 4.4**.

Table 4.4: Statement showing the overriding powers of State Government over ULBs

Sr. No.	Subject	Provision
1	Power to frame Rules	The State Government may by notification in the Gazette make rules consistent with the HMC/HM Act. HMC Act also requires approval of State Legislature in this regard (Section 257 of HM Act and Section 390 (2) of HMC Act).
2	Power to cancel and suspend a resolution or decision taken by ULBs	Deputy Commissioner/State Government may suspend the execution of any a resolution or order of ULBs, if in their opinion it is in excess of the powers conferred under HM/HMC Acts or any other law, or contrary to the interest of public or is likely to lead to breach of the peace or cause injury and/or annoyance to the public or any class or body of persons (Section 246 of HM Act and Section 414 of HMC Act).

Sr. No.	Subject	Provision
3	Power to dissolve ULBs	The State Government may, by notification, in which the reasons for so doing shall be stated, dissolve an ULB, in case ULB remain incompetent to perform, or persistently makes default in the performance of the duties imposed on it by or under this or any other Act, or exceed or abuse its power after conducting an enquiry by an officer, not below the rank of an Extra Assistant Commissioner, appointed by the State Government and the ULB concerned has been given a reasonable opportunity of being heard. (Section 254 of HM Act and Section 400 of HMC Act).
4	Power to sanction Bye-laws	Section 392 of HMC Act empowers the Municipal Corporation to make bye-laws. However, the bye-laws made by Municipal Corporation are not valid unless and until approved by the State Government. Further, the State Government has power to change and to cancel the bye-law (Section 394 of HMC Act). In case of Municipal Council and Committee, power to make bye-laws rest with the State Government. (Section 200 of HM Act).
5	Power to sanction for borrowing money	Section 150 of HMC Act allows Municipal Corporation to borrow money, but only after prior sanction from the Government. However, there is no specific provision with regard to borrowing power of Municipal Council and Committee in HM Act.
6	Power for lease/sale of property	As per Section 164 of HMC Act prior approval of the State Government is required for disposal of movable/immovable property exceeding in value of ₹ 20,000. Similarly, the State Government approval is required for lease of immovable property for lease period exceeding 10 years or for lease in perpetuity of any immovable property exceeding ₹ 20,000 in value or the annual rent of which exceeds ₹ 10,000. Prior approval of the State Government is required for sale/lease of property by Municipal Council and Committee (Rule 6 and 7 of Haryana Management of Municipal Properties and State Properties Rules, 2007).
7	Power in respect of taxation	Section 149 of HMC Act allows the State Government to exempt in whole or part of the payment of any tax any person or class of persons or any property. Further, the State Government may suspend the levy of any tax if in their opinion it is unfair in its incidence. As per Section 75 of HM Act, the State Government may modify the rate of any tax imposed by Municipal Council and Committee.
8	Approval of Budget Estimates	As Section 83 (3) of HMC Act, budgets estimates of municipal corporation are approved by State Government. As per Section 257 (3) of HM Act read with Para II.8 of Municipal Account Code, 1930, Divisional Commissioner/Deputy Commissioner approves the budget for municipal councils/committees.

During exit conference, the department stated that matter would be taken up with the State Government in this regard.

4.4 Parastatals, their functions and impact on Urban Local bodies

The objective of the 74th CAA was to entrust delivery of major civic functions to ULBs. On one hand, the various departments of the State Government are delivering core civic functions such as urban planning, regulation of land use,

water supply and sewerage (except in four⁹ Municipal Corporations) and public health and on other hand, functions such as development of urban infrastructure/amenities, urban planning for metropolitan, poverty alleviation, affordable housing, slum improvement and promotion of cultural activities are being delivered by parastatals constituted before 74th CAA as well as newly created parastatals constituted after 74th CAA. The role of parastatals and their impact on the devolved functions is discussed in the subsequent paragraphs.

4.4.1 Haryana Shehri Vikas Pradhikaran

Haryana Shehri Vikas Pradhikaran (HSVP) (erstwhile Haryana Urban Development Authority) was constituted under the Haryana Urban Development Authority Act, 1977 (HUDA Act¹⁰). The members of HSVP consist of Chief Minister as Chairman and Chief Secretary as Vice-Chairman, other members appointed by the State Government including Chief Administrator who shall be responsible for general supervision of operations of the HSVP. The governing body of HSVP does not have any representation from ULBs. The main functions of the HSVP are to promote and secure development of urban areas (including municipal areas) by acquiring undeveloped land. It carries out physical infrastructure development works like roads and bridges, water supply and sewerage systems, storm water drainage systems and horticulture works on undeveloped land and disposes of the developed land for residential, industrial, institutional and commercial purposes after making zonal/sector plan in accordance with the development plan of the area.

The State Government, at the request of the HSVP, acquires land and on payment of the compensation awarded for the land by the HSVP, the land is owned by HSVP. HUDA Act empowers State Government to suspend the powers of municipalities relating to the control on development and use of land/building and transfer such power to HSVP in respect of land acquired. Consequent upon transfer of such power, HSVP shall be deemed to be municipality concerned and the Chief Administrator of HSVP shall be deemed to be the committee of the municipality. HSVP is also empowered to levy additional stamp duty at the rate of one to three *per cent* (in addition to stamp duty payable under Indian Stamp Act, 1899) on registration of independent floors in the Urban Estates/Sectors developed by HSVP subject to approval of the same by the State Government. Consequently, HSVP has been approving building plans and enforcing building bye-laws in the area developed by it.

HUDA Act also empowers HSVP to transfer the responsibility for maintenance of amenities of developed sectors to ULBs concerned in whose

⁹ Municipal Corporation: Faridabad, Gurugram, Karnal and Sonapat.

¹⁰ HUDA Act, 1977 was renamed as Haryana Shehri Vikas Pradhikaran Act, 1977 vide Gazette Notification No. 15-HLA of 2018/15/4102 dated 10 March 2018

limit, developed sector is situated as per the terms and conditions agreed upon. In this regard, the State Government decided (March/April 2016) to transfer 207 developed sectors in various parts of the State to respective ULBs for maintenance of water supply, sewerage, storm water, street-lights and roads, etc. Audit observed that only 166 sectors could be transferred to respective ULBs till October 2020.

As per terms and conditions of the transfer, HSVP was required to share 75 *per cent* of receipts (i.e. extension fee, building application fee and composition charges) with respective ULBs on monthly basis. Further, HSVP had to transfer 50 *per cent* of profit margin of the sale/auction receipt of the unsold sites to the concerned ULBs.

Audit observed that HSVP did not release any amount on account of 75 *per cent* share of ULBs in the said fee/charges to ULBs upto April 2018. HSVP proposed (April 2018) that it might release ₹ 265.57 crore as one time measure for repair/maintenance roads of transferred sectors with the condition that no further payment in lieu of the 75 *per cent* share shall be made to ULBs in future. The State Government approved (May 2018) the proposal in view of financial crunch being faced by HSVP. Accordingly, HSVP released (May 2018) ₹ 265.57 crore for ULBs. No mechanism was evolved (upto September 2020) either to ascertain the amount due on account of 50 *per cent* profit margin and regular transfer of the due amount to respective ULBs. In absence of any mechanism, the amount due for recovery from HSVP could not be ascertained. Resultantly, ULBs were deprived of their due share of revenue required for maintenance of civic amenities in these sectors.

It was observed that the State Government did not transfer functions relating to building regulations, disposal landfills site for solid waste management and sewerage treatment plants to the respective ULBs and HSVP continued to discharge these functions in these sectors despite the fact that these functions have been devolved to ULBs under HMC and HM Acts consequent to implementation of 74th CAA.

Thus, the ULBs were not allowed to discharge their constitutionally mandated role in urban planning, regulation of land use, provision of urban infrastructure and civic amenities in urban estate/sectors developed by HSVP. Further, the role assigned to ULBs in the transferred urban estates/sectors is only in letter and not in spirit of 74th CAA.

4.4.2 Gurugram Metropolitan Development Authority and Faridabad Metropolitan Development Authority

The Government established (December 2017) Gurugram Metropolitan Development Authority (GMDA) under Gurugram Metropolitan Development Authority Act, 2017 for development of municipal area of Municipal

Corporation, Gurugram, Municipal Council, Sohna, three Municipal Committees, Farukhnagar, Hailey Mandi and Pataudi and *abadideh*¹¹ of any Panchayat in Gurugram District. The governing body of the GMDA consist Chief Minister of the State as Chairperson and other members including TCP Minister, Urban Development Minister, Transport Minister, MPs/MLAs falling within notified area, Mayor and Deputy Mayor, Commissioner, Deputy Commissioner of Municipal Corporation, Gurugram, Zila Parishad Chairman, senior officials of TCPD and DULB.

The mandate of GMDA is to prepare integrated and coordinated plans for infrastructure development including urban amenities, mobility management, sustainable management of the urban environment and take measures for social, economic and industrial development for metropolitan area in coordination with local authorities (i.e. ULBs, Gram Panchayat, Panchayat Samiti and Zila Parishad) and GoI and other Government agencies and to establish a modern geospatial-based system for planning purposes. The Act empowered GMDA to carry out function relating to urban planning and regulation of land use and to acquire land for implementation of infrastructure development works and sustainable management of the urban environment. The GMDA has the power to direct the local authority to remove any obstruction or encroachment on roads including cycling tracks, open spaces, pedestrian footpaths or properties and call for report, return or information from local authorities. GMDA is also operating the city bus service through Gurugram Metropolitan City Bus Services i.e. a company incorporated under the Companies Act, 2013 for the metropolitan area.

The Act empowers GMDA to levy duty (not more than two *per cent*) on transfer of immovable properties situated within the limits of notified area in addition to duty imposed under Indian Stamp Act, 1899 and on sale and consumption of liquor in notified area with prior approval of the State Government.

The State Government has imposed (April 2021) one *per cent* stamp duty to be collected by GMDA as discussed in Paragraph 6.1.2.1. GMDA is also providing bulk water supply to bulk consumers in Gurugram and it had recovered ₹ 183.95 crore from consumers/users during 2017-20 for various types of user charges (e.g. water sewerage bill charges, water tanker and new water connections sewerage charges, etc).

As per Section 32 (1)(c) of the GMDA Act, it shall maintain its own fund which shall consist all money received by GMDA as a grant, loans and advances received from the GoI/State Government and Municipal Corporation, Gurugram. The State Government approved (October 2017) grant of ₹ 500 crore to GMDA from the income of Municipal Corporation, Gurugram as per the above mentioned provision under GMDA Act subject to

¹¹ In inhabitant site of village.

condition that the said sum of money can be utilised only for the purpose of infrastructure development and provision of urban amenities within the limits of Municipal Corporation, Gurugram. Audit observed that out of ₹ 500 crore, ₹ 46.94 crore was diverted and incurred on external development works relating to licenses provided to developers for which developers were required to deposit external development charges (EDC) to GMDA. Further, GMDA initiated development works of only ₹ 282.16 crore against ₹ 500 crore upto June 2021 in Municipal Corporation, Gurugram area.

The objective of 74th CAA was that the State Government should devolve planning powers to the third tier of Government and desist from making plans for them. As recommended in the URDPFI Guidelines (discussed in Paragraph 4.2.5), this type of body should serve as technical arm of the MPC. Further, overall structure of GMDA and financial powers assigned to it undermines the role of ULBs in local governance.

On similar lines, the State Government established (February 2019) Faridabad Metropolitan Development Authority (FMDA) for Municipal Corporation, Faridabad and *abadideh* of any Panchayat in Faridabad District by enactment of Faridabad Metropolitan Development Authority Act, 2018.

4.4.3 Haryana Urban Infrastructure Development Board

The Haryana Urban Infrastructure Development Board (HUIDB) was constituted (April 2002) by amending HM Act to raise resources for provision and upgradation of urban infrastructure; town planning implementation techniques; providing training facilities/human resources development in urban management and coordination, planning and implementation of the approved schemes/projects of the municipalities. The governing body of HUIDB consists of a Chairman, Vice-Chairman, Chief Administrator, Secretary and nine other ex-officio members appointed by the State Government and there was no representation from ULBs.

As per Section 203L of HM Act, HUIDB constituted a fund¹² consisting of receipt on account of license fee, scrutiny fee, land use conversion charges, composition fee for granting license to private developers and permission for change in land use by the DULB Department under State Municipal Acts, grants, loans and financial assistance provided by GoI/State Government and any other fee/charges specified by the Government.

Audit noticed that DULB deposited ₹ 158.11 crore on account of external development charges collected from developers/institutions with the HUIDB upto November 2020. This amount was required to be transferred to concerned ULBs for carrying out development works. However, the same is lying unspent with HUIDB.

¹² Haryana Urban Infrastructural Development Fund.

HUIDB also received ₹ 129.88 crore on account of license fee, composition fee, scrutiny fee, etc. during 2015-16 to 2019-20. Audit observed that out of ₹ 129.88 crore, ₹ 88.97 crore was lying unspent with HUIDB as of December 2020.

The State Government declared (July 2015) HUIDB as nodal agency for implementation of “Atal Mission for Rejuvenation and Urban Transformation” (AMRUT), a Centrally sponsored scheme with a mission period of five years (2015-20) with a aim of strengthening Urban infrastructure and improvement of slums. The AMRUT was being implemented through 18¹³ ULBs of the State in association with project consultants. Funds for implementation of the scheme are shared between Centre and State Government. The respective ULBs prepared Service Level Improvement Plans (SLIPs) after assessing service level gaps in the areas of water supply, sewerage, drainage and parks. On the basis of SLIPs, the State Annual Action Plan (SAAP) was prepared (November 2015) by the Board. HUIDB receives the funds from the GoI and State Government to implement the SAAP. Further, the funds are released to the concerned ULBs for the implementation of various projects as approved in SAAP. HUIDB has appointed consultants for preparation of detailed project reports/tender documents, bidding process, award of contract, supervision and contract management.

4.4.4 Kurukshetra Development Board

The Kurukshetra Development Board (The Board) was constituted (August 1968) by the State Government under the Societies Registration Act, 1860. The governing body of the Board consists of Governor as Chairman, Chief Minister as Vice-Chairman and 18 other members including Urban Development Minister, Revenue Minister, Finance Minister, etc. There is no representation from the elected representatives of the concerned ULBs.

The objectives of the Board are overall comprehensive development of various *tirths*¹⁴ in Kurukshetra and other Area of the State including its landscaping, renovation of historical buildings and tanks, providing civic amenities to the visiting pilgrims and tourists as well as upkeep and maintenance of the *tirthas*. The Board has preserved and developed various *tirths* in the State and also allotted land to various voluntary organisations for the construction of dharamshalas to provide cheaper accommodation to the visiting pilgrims and tourists. As part of fair and festivals, the Board organises *Suryagrahan* and Gita Mahotasav as international events and various local events like somvati

¹³ (i) Gurugram, (ii) Panchkula, (iii) Ambala, (iv) Yamunanagar, (v) Karnal, (vi) Hisar, (vii) Rohtak, (viii) Faridabad, (ix) Panipat, (x) Kaithal, (xi) Rewari, (xii) Bhiwani, (xiii) Thanesar, (xiv) Sonapat, (xv) Bahadurgarh, (xvi) Palwal, (xvii) Sirsa and (xviii) Jind.

¹⁴ Religious/pilgrimages places.

Amavasya mela, sarsawati puja, etc. State Government released grant-in-aid of ₹ 114.79 crore to the Board for various development works during 2015-20.

Thus, the role of KDB is inconsistent with the spirit of 74th CAA as both HMC and HM Act stipulate cultural promotion as one of the function of ULBs as mentioned in 12th schedule of the Constitution.

4.4.5 State Urban Development Authority

The State Urban Development Authority (SUDA) is nodal agency for implementation of Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM) which is a centrally sponsored mission to reduce poverty and vulnerability of urban poor households by enabling them to access self-employment and skilled wage opportunity. SUDA performs its function as per DAY-NULM guidelines issued from time to time by the Ministry of Housing and Urban Affairs (MoHUA). In Haryana, SUDA works as State Urban Livelihood Mission (State Mission) which is supported by a State Mission Management Unit (SMMU) headed by State Mission Director. SMMU looks after the implementation of the Mission. At the city level, a City Mission Management Unit (CMMU) has been established in all DAY-NULM Cities¹⁵ to work under the overall guidance of the SMMU. The ULBs are implementing the DAY-NULM activities through CMMUs. The CMMUs have technical specialists having expertise in various fields like social mobilisation, institution and capacity building, livelihood/micro enterprises, micro finance, etc. which are funded under Capacity Building and Training component of DAY-NULM and such support under the Mission is limited to five years. Within the stipulated period, ULBs are required to build their internal capacities for effective implementation of urban poverty alleviation programmes. SUDA prepares the Annual Action Plan (AAP) on the basis of budgetary allocation received from the MoHUA and on the basis of AAP the MoHUA approve the targets for the States under the Mission. The SUDA further allocates the targets for the ULBs accordingly. SUDA has been receiving grants sanctioned by GoI/State Government and releasing the same to ULBs/CMMU.

Further, the SUDA was nodal agency for the monitoring of Pradhan Mantri Awas Yojana (Urban) Mission, (PMAY-U). The targeted population under the schemes (NULM and PMAY) was identified through a demand survey conducted by SUDA in association with ULBs through private agency.

Audit observed that though 74th CAA empowers ULBs to discharge responsibility with respect to Urban Poverty Alleviation, however, ULBs in

¹⁵ All District Headquarter Towns and all other cities with a population of 1,00,000 or more as per 2011 census.

the State were only implementing the schemes prepared by GoI that to under the overall supervision of SUDA.

4.4.6 Haryana Slum Clearance Board

Haryana Slum Clearance Board (HSCB) was constituted (April 1990) under the provisions of Punjab Slum Areas (Improvement and Clearance) Act, 1961. The objective of the Board is to undertake the development or re-development of slum areas, rehabilitation of slum dwellers in the State of Haryana (including municipal areas). All the powers related to improvement of the slum area, clearance of a slum area and re-development of a slum clearance are vested with the Board. The governing body of the HSCB does not have any representation from ULBs.

Audit observed that though HMC Act empowers Municipal Corporation to prepare a scheme in the slum improvement and upgradation of the slum area as provided in the Punjab Slum Areas (Improvement and Clearance) Act, 1961, all the powers of improvement/clearance of a slum area and re-development of the area vest with the HSCB. HSCB has not implemented/executed any scheme related to slums during 2015-16 to 2019-20. Resultantly, existence of the HSCB undermines the role of ULBs and its accountability to the people in the devolved function of slum improvement and upgradation.

HSCB was declared (February 2015) as nodal agency for implementation of Swachh Bharat Mission (Urban) in urban areas of the State. HSCB receives the funds from GoI and State Government. Thereafter, the funds are released by HSCB to the concerned ULBs for the implementation of various components¹⁶ as envisaged in SBM guidelines. A Project Management Unit (PMU) at directorate level and 21 Project Implementing Units at ULBs level have been established by HSCB through an outsourced agency to assist HSCB and ULBs for implementation of the Mission as envisaged in Mission guidelines. Thus, the role of HSCB as nodal agency for SBM is inconsistent with the spirit of 74th CAA as sanitation is core function of the municipal bodies.

4.4.7 Role of ULBs in Smart City Mission

Ministry of Urban Development (MoUD), GoI launched (June 2015) Smart City Mission (SCM) with aim to cover 100 cities during five years (2015-16 to 2019-20). As per the mission guidelines, each potential city will prepare smart city proposals (SCPs) with the help of consulting firm selected by the State Government from a panel prepared by MoUD. Final selection of cities was done by MoUD, on the basis of SCPs approved by the State Government. The implementation of the Mission at city level is to be done by Special Purpose

¹⁶ (i) Household Toilets, (ii) Community Toilets, (iii) Public Toilets and Urinals, (iv) Solid Waste Management and (v) IEC and Public Awareness.

Vehicle (SPV) created by State Government and the concerned ULB with equity participation of 50:50. Two cities in the State were declared as Smart City and accordingly, two SPVs i.e. Faridabad Smart City Limited (FSCL) and Karnal Smart City Limited (KSCL) were formed. As per the mission guidelines, projects of smart city will be financed through grants received from GoI funds and matching contribution by the State Government. In addition to this KSCL will also raise funds (either debt or equity) from public, institutional-investor, banks, financial institution and other sources such as user charges, tax and surcharge as determined by the State Government.

During the examination of the records of selected unit (MCK), audit observed that the House of the Municipal Corporation approved (April 2017) the SCPs containing projects of ₹ 1,295.81 crore to be executed by SPV. Accordingly, Karnal Smart City Limited (KSCL) under the Companies Act, 2013 was formed (December 2017) with paid capital of ₹ 10 lakh with equal contribution from the State Government and MCK. The main objective of the KSCL was to implement the projects of SCP and exercise such power, rights and obligations of MCK with respect to SCPs as may be delegated by the State Government/the Municipal Corporation under HMC Act, 1994 from time to time. The management of KSCL is vested in the Board of Directors¹⁷.

Audit observed that MCK has no role in execution of smart city projects as the same is within the purview of Board of Directors of KSCL. Further, there was no representation from elected members of MCK in the Board of Directors. The State Government has formed a city advisory forum at the city level which *inter alia* includes Mayor, MCK (as a member) for advising and monitoring of projects of smart city as per mission guidelines. The State Government released ₹ 120 crore (including ₹ 60 crore share of GoI) to KSCL upto October 2020.

During exit conference, the department confirmed the facts about substantial role of the parastatals like Haryana Shehari Vikas Pradhikaran (HSVP), Gurugram Metropolitan Development Authority (GMDA), the Kurukshetra Development Board, etc. and other Government Departments in carrying out some functions enumerated in the Constitutional Amendment for the Urban Local Bodies. It was further stated that State Urban Development Authority (SUDA), Haryana Slum Clearance Board (HSCB) and Haryana Urban Infrastructure Development Board (HUIDB) are ancillaries of the Urban Local Bodies Department.

¹⁷ Consisting of Additional Chief Secretary, ULBs Department (as Chairman), Director, ULBs Department, Deputy Commissioner, Karnal (as Chief Executive Officer), Municipal Commissioner, MCK, Chief Administrator, HSVP and Deputy Secretary, MoHUA, GoI.