

BACKGROUND NOTE

Parallel Session: **Model Municipal Law**

National Urban Conclave
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Abbreviations/ Acronyms

CAG	Comptroller and Auditor General of India
MML	Model Municipal Law
NITI	National Institution for Transforming India
NUC	National Urban Conclave
RBI	Reserve Bank of India
SFC	State Finance Commission
SPV	Special Purpose Vehicle
ULB	Urban Local Body

Executive Summary

Municipal governance in India has evolved from a system of local administration to a constitutionally recognised framework of urban local self-government. The Constitution (Seventy-fourth Amendment) Act, 1992, established the constitutional foundation for municipalities through Part IX-A and the Twelfth Schedule. However, the translation of this framework into effective municipal governance remains uneven, with substantial variations across States in the devolution of functions, finances and functionaries.

The Model Municipal Law (MML) 2003, was formulated to provide states with a reference legislative framework for strengthening municipal institutions. More than two decades later, steady urbanisation, expanding municipal responsibilities, and increasingly complex institutional arrangements have necessitated a reassessment of the existing framework.

NITI Aayog launched a report in 2026, titled *Moving Towards Effective City Government: A Framework for Million-Plus Cities*, identifying structural deficiencies in municipal governance, including limited political and executive authority, fragmented service delivery, weak fiscal autonomy and inadequate institutional capacity. It recommends strengthening elected municipal leadership, establishing an empowered Mayor-in-Council system, integrating essential urban services under city-government oversight and strengthening State Finance Commissions (NITI Aayog, 2026).

Against this background, the National Urban Conclave (NUC) 2026 provides a platform to deliberate on revising the MML 2003, to establish an enabling legislative framework for effective, accountable and financially sustainable municipal governance.

The deliberations will focus on strengthening political and executive leadership, clarifying institutional responsibilities, improving functional and fiscal devolution, ensuring democratic continuity and establishing mechanisms for decentralised decision-making. Particular emphasis will be placed on translating the recommendations of NITI Aayog into actionable legislative provisions that states may adopt through amendments to their respective municipal laws.

1. Introduction

1.1. Evolution of Municipal Governance in India

The institutional origins of modern municipal governance in India can be traced to the establishment of the Municipal Corporation of Madras in 1688. Subsequent developments during the colonial period progressively expanded the responsibilities of local authorities. Lord Ripon's Resolution on Local Self-Government 1882, constituted an important milestone by advocating greater local participation, decentralisation and representative municipal administration. The Government of India Act 1919 (Montagu-Chelmsford Reforms) and the Government of India Act 1935 subsequently contributed to the evolution of local government as a provincial responsibility (Department of Urban Development & Municipal Affairs, Government of West Bengal, n.d.).

Following independence, municipal institutions continued to operate primarily under State legislation. The Constitution (Seventy-fourth Amendment) Act 1992, which came into effect on 01 June 1993, introduced Part IX-A, providing constitutional recognition to municipalities as institutions of local self-government. It established provisions concerning their constitution, composition, tenure, elections and financial arrangements. Article 243W enables State Legislatures to endow municipalities with powers and responsibilities, including those relating to the 18 functions specified in the Twelfth Schedule (Government of India, 2025).

1.2. Formulation of the Model Municipal Law 2003

To facilitate municipal reforms and provide a reference framework for state legislation, the erstwhile Ministry of Urban Development formulated the MML 2003. The framework addressed municipal organisation, administration, governance, and financial management. It provided for an Empowered Standing Committee, with the Chief Councillor serving as its presiding officer, and provisions for the delegation of specified executive powers (NITI Aayog, 2026). The MML was intended to guide states in strengthening municipal governance within their respective legislative jurisdictions. Its provisions consequently serve as a model rather than a uniformly applicable municipal statute.

1.3. Need to Revisit the Model Municipal Law 2003

Over the 23 years since the formulation of the MML, Indian cities have undergone significant growth in scale and complexity. According to Census 2011 figures presented by NITI Aayog, 46 Municipal Corporations governed approximately 11.56 crore people in million-plus cities, representing 30.66 per cent of India's urban population. These cities face increasing demands for infrastructure, housing, mobility, environmental management and public services (NITI Aayog, 2026).

Despite constitutional recognition, municipal governance continues to be characterised

by uneven functional devolution, fragmented institutional mandates, limited executive authority and constrained financial autonomy. The NITI Aayog report (2026) therefore recommends revising the MML 2003 for million-plus cities, to provide a contemporary legislative framework for empowered and accountable city governments.

2. Current Situation

2.1. Institutional and Functional Arrangements

Municipal governance in India operates through state-specific municipal legislation and administrative frameworks. While Part IX-A of the Constitution establishes the enabling framework for local self-government, the actual devolution of powers and responsibilities remains contingent upon state legislation. Consequently, substantial variations persist in municipal structures, functional assignments and administrative autonomy (Government of India, 2025; NITI Aayog, 2026).

The Comptroller and Auditor General's (CAG) compendium of performance audits across 18 states found that urban local bodies (ULB) exercised full jurisdiction over only four of the 18 functions, on average. Several functions remained partially devolved, shared with parastatal agencies, or outside effective municipal control (CAG, 2024).

2.2. Political and Executive Leadership

Municipal leadership arrangements vary considerably across states in respect of mayoral elections, tenure and executive authority. Mayors are directly elected in some states and indirectly elected in others. In several major cities, substantial executive and administrative authority rests with the Municipal Commissioner, while the Mayor exercises limited statutory powers. This creates a divergence between political representation and executive control (NITI Aayog, 2026).

The CAG's 2024 compendium also identifies delays in municipal elections and discontinuity in elected local governments. The NITI Aayog report notes that elections were delayed in over 61 per cent of ULBs across the 17 states covered by the relevant audit findings (CAG, 2024; NITI Aayog, 2026).

2.3. Urban Service Delivery

Essential urban services, including water supply, sanitation, solid waste management, urban planning, fire services and public transport, are administered through varying combinations of municipal corporations, state departments, development authorities, parastatals, and Special Purpose Vehicles (SPVs). Several such agencies report directly to state governments rather than elected municipal institutions, resulting in fragmented responsibilities and limited city-level coordination (NITI Aayog, 2026).

2.4. Municipal Finance and Institutional Capacity

Municipal finances remain constrained by inadequate own-source revenue and larger dependence on intergovernmental transfers. The Reserve Bank of India's Report on Municipal Finances (2024), covering 232 Municipal Corporations, found that own-source revenues were insufficient to meet revenue expenditure in most corporations, affecting their functional and financial autonomy (Reserve Bank of India [RBI], 2024).

State Finance Commissions (SFCs), envisaged under Articles 243I and 243Y, remain central to fiscal decentralisation. However, delays in their constitution, inadequate institutional support and inconsistent implementation of recommendations affect the predictability of municipal transfers. Municipalities also face shortages of specialised personnel in urban planning, engineering, finance and project management (NITI Aayog, 2026).

3. Challenges

3.1. Inadequate Devolution of Powers and Responsibilities

Despite the constitutional framework established by the 74th Constitutional Amendment, functional devolution remains incomplete across several states. The separation of statutory responsibilities from actual administrative and financial control constrains municipalities' ability to discharge their mandated functions. Overlapping jurisdictions among municipal institutions, state departments and parastatal agencies further weaken accountability for urban outcomes (CAG, 2024; NITI Aayog, 2026).

3.2. Fragmented Political and Executive Authority

The absence of clearly delineated roles between elected municipal leadership and appointed executives creates institutional ambiguity. Variations in mayoral tenure, election procedures and statutory powers limit continuity in city leadership. The challenge is to establish an executive arrangement that aligns political accountability with administrative authority while retaining appropriate institutional checks and collective decision-making (NITI Aayog, 2026).

3.3. Fragmented Service Delivery and Limited Decentralisation

Multiple institutions responsible for urban services frequently operate through separate planning, financing and reporting arrangements. This limits integrated decision-making and coordinated service delivery. At the sub-city level, uneven adoption and empowerment of Zonal and Ward Committees constrain decentralised administration and responsiveness to local priorities (NITI Aayog, 2026).

3.4. Discontinuity in Elected Municipal Governments

Delayed municipal elections and prolonged administration by appointed officials

undermine the continuity of elected local self-government. The absence of consistently enforced electoral timelines and safeguards against prolonged dissolution remains a significant institutional concern, notwithstanding the constitutional requirements under Article 243U (CAG, 2024).

3.5. Weak Fiscal Autonomy and Administrative Capacity

Limited revenue mobilisation, dependence on tied grants, irregular fiscal transfers and inadequate municipal financial management constrain long-term infrastructure investment and service delivery. Weaknesses in the constitution and functioning of SFCs compound these challenges. Human resource shortages, dependence on deputation and frequent transfers of senior municipal officials further affect administrative continuity and institutional capacity (NITI Aayog, 2026; RBI, 2024).

4. NUC 2026: Key Discussion Areas

4.1. Strengthening Political and Executive Leadership

- Deliberate on direct election of Mayors, a five-year tenure co-terminus with the municipal council, and the allocation of clearly defined executive authority.
- Examine the establishment of an empowered Mayor-in-Council as the apex municipal executive arrangement, with portfolio-based responsibilities and collective decision-making.
- Consider statutory provisions defining the powers, functions and reporting relationships of the Mayor, Mayor-in-Council, Municipal Commissioner and elected council.

4.2. Establishing Unified and Accountable City Government

- Examine mechanisms for transferring effective responsibility for essential municipal functions to elected city governments.
- Discuss institutional arrangements for placing city-specific service delivery agencies under municipal administrative oversight while retaining appropriate technical coordination with State Governments.
- Consider mandatory Zonal Committees in large cities, strengthened Ward Committees and functional subject committees, with clearly assigned responsibilities.

4.3. Strengthening Municipal Institutions and Finances

- Deliberate on enforceable timelines for municipal elections, constitution of elected councils and safeguards governing municipal dissolution.
- Examine measures to strengthen own-source revenues, predictable fiscal transfers, municipal financial management and access to capital.
- Discuss statutory provisions for timely constitution of SFCs, submission and consideration of their reports, Action Taken Reports and disclosure of municipal allocations and releases.

- Identify priority legislative amendments, implementation mechanisms and institutional capacity-building requirements for adoption by states.

5. Way Forward

The deliberations will inform the identification of key legislative amendments and institutional reforms, providing an enabling framework for states to strengthen municipal governance through their respective municipal laws. The intended outcome of the discussion is a set of priority reform recommendations to guide the development of a contemporary, implementable Model Municipal Law for million-plus cities.

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