

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 798
TO BE ANSWERED ON DECEMBER 04, 2025**

ALLOCATION OF FUNDS UNDER URBAN DEVELOPMENT SCHEMES

NO. 798. SHRI RADHAKRISHNA:

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) whether the Government has assessed the extent to which allocations under various urban development schemes, such as AMRUT, Smart Cities Mission (SCM) and Swachh Bharat Mission - Urban (SBM-U) are being directed to parastatal agencies instead of elected Urban Local Bodies (ULB);**
- (b) if so, the details of such allocations during each of the last five years, scheme and State/UT-wise;**
- (c) whether the Government has examined the impact of this practice on local self-governance, accountability and participatory urban planning and if so, the details thereof; and**
- (d) the measures proposed to ensure that elected municipal bodies retain financial and administrative control over urban development functions as envisaged under the 74th Constitutional Amendment?**

**ANSWER
THE MINISTER OF STATE IN THE
MINISTRY OF HOUSING AND URBAN AFFAIRS
(SHRI TOKHAN SAHU)**

(a) to (c): As per the provisions of Article 243W of the Constitution, in conjunction with the Seventh and Twelfth Schedules, matters relating to urban development fall within the purview of States/Urban Local Bodies (ULBs). However, Ministry of Housing and Urban Affairs (MoHUA) provides programmatic support to the States/Union Territories (UTs) in their urban development agenda through its various flagship Missions/Programmes viz. Atal Mission for Rejuvenation & Urban Transformation 2.0 (AMRUT 2.0), Pradhan Mantri Awas Yojana – Urban 2.0 (PMAY-U 2.0), Swachh Bharat Mission – Urban 2.0 (SBM – U 2.0), Smart Cities Mission (SCM), etc.

Through these Missions/Schemes, the Central Government approves the State Plans and provides the Central Assistance (CA) to the States. The projects are selected, designed, approved and executed by the States/UTs and the cities. The State Governments release funds to the cities/districts.

AMRUT 2.0: Under AMRUT 2.0 Mission, States/UTs are empowered to select appraise, propose and implement projects. As per AMRUT 2.0 guideline, the projects as per approved State Water Action Plan (SWAP) are planned, tendered, awarded and implemented by ULBs. Where ULBs do not have adequate capacity, specialized parastatal agencies implement the projects. Further, under AMRUT 2.0, central share of funds is allocated/released/sanctioned to States/ UTs and not to the parastatal agencies/ city/ ULB. States/ UTs further disburse the funds to the ULBs/ parastatal agencies.

SBM-U: Sanitation is a State subject under 7th schedule of the constitution and by the 74th amendment of the Constitution of India the devolution of power has been made to the ULBs for water and sanitation services. It is the responsibility of State/ULBs to plan, design, execute and operate sanitation projects in the urban areas of the country. Under SBM-U, Central Share of funds are released to the States/UTs on the basis of demand made by States/UTs in the form of complete proposals duly approved by State Level Technical Committee (SLTC) which are further transmitted to ULBs by the concerned State/UT as per the State Action Plan.

(d) Article 243W of Part-IXA of the Constitution empowers state legislatures to endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government. This law may contain provision for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be prescribed therein, which, inter alia, includes (i) preparation of plans for economic development and social justice; and (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth schedule. It is, therefore, the primary responsibility of the State Government to make adequate provision for devolution of the 3Fs (Functions, Funds and Functionaries) to the ULBs. However, MoHUA initiated reform-linked funding under flagship missions like AMRUT. The Mission mandated a set of 11 Reforms such as E- Governance, Constitution & Professionalization of Municipal Cadre, Augmenting double entry accounting, Urban Planning and City level plans, Devolution of funds &

Functions, Review of Building Bye-Laws, Setting up Financial Intermediaries at State Level, Credit Rating of the ULBs, Municipal Tax and Fees improvement and improvement in levy and collection of user charges, Energy and Water Audit and SBM. AMRUT 2.0 Mission has also attached mandatory reforms on property tax and user charges and incentive-based reforms on water conservation, urban governance and energy efficiency.

The Fifteenth Finance Commission (XV FC) had also, in its recommendations, underscored the need to strengthen the fiscal and institutional capacities of ULBs with a view to enhancing service delivery, accountability and transparency in urban governance. In pursuance of these recommendations, MoHUA, in coordination with the Department of Expenditure (DoE), has undertaken a series of reforms aimed at improving the financial management systems and governance frameworks of ULBs across the country. These reforms include property tax reforms, fiscal transparency and accountability, fund flow and PFMS integration, Governance and Institutional Strengthening, digital governance and data systems, performance-based reforms for Million-plus cities and Capacity Building and Institutional support. The presence of duly elected ULBs has been made a per-condition for receipt of XV FC grants. States were also advised to constitute and operationalize State Finance Commission (SFCs) as per prescribed timelines.
