



Orientation Programme under  
Atal Mission for Rejuvenation and Urban  
Transformation (AMRUT)

for

**Senior Municipal Functionaries of Jharkhand**

**July, 2016**

Centre for Good Governance (CGG)  
Hyderabad – 500 033, Telangana

## **PREFACE**

### **AMRUT**

In the urban sector, the provision of amenities and basic services, viz., water supply, sewerage and urban transport in cities which improve the quality of life for all, and especially the poor and the disadvantaged is a national priority. It is considered that along with infrastructure creation, the last mile connectivity such as providing taps and toilet connections to all households would have a direct impact on the real needs of the people.

To ensure these objectives, Government of India has launched an ambitious mission “Atal Mission for Rejuvenation and Urban Transformation (AMRUT)” in June, 2015 covering 500 towns which has a population of 100,000 and more. . The AMRUT Mission aims to achieve the following:

- Every household has an access to tap with assured supply of water and sewerage connection;
- Increase amenity value of cities by developing greenery and well maintained parks;
- Reduce pollution by switching to public transport or constructing facilities for non-motorised transport like cycling and walking.

In other words, the Mission focuses on the following thrust areas:

- Water supply
- Sewerage facilities and septage management
- Storm water drains
- Pedestrian, non-motorised public transport facilities, parking spaces; and
- Creating and upgrading open spaces, parks and recreation centres.

These outcomes could be valued by all citizens, particularly women and children; and the standards and indicators would meet the Service Level Benchmarks (SLBs) prescribed by the Ministry of Urban Development (MoUD) in 2011. To sustain the created infrastructure, the Mission Towns need to implement a set of reforms (11) proposed by the Government.

### **Capacity Building**

It was also considered that a sound institutional structure would bring out successful outcomes with the Mission; and capacity building is one of such structures and has been

included in the Mission. The capacity building has two components, (i) individual and (ii) institutional. The capacity building component would be fully supported by Govt. of India.

### **Centre for Good Governance (CGG), Hyderabad**

Govt. of India has identified Centre for Good Governance (CGG) at Hyderabad as one of the National Resource Centres (NRC) for imparting individual capacity building to the officers of state government and urban local bodies (ULBs). The Director, State Urban Development Agency (SUDA), Govt. of Jharkhand requested CGG to take up capacity building programme to the officers of SUDA and ULBs of Jharkhand on (i) Municipal Administration and (ii) Municipal Finance.

### **Orientation Programme under AMRUT**

CGG, Hyderabad and SUDA, Jharkhand have entered into a Memorandum of Understanding (MoU) for a period of one year starting from May 2016. As per the MoU, CGG has to conduct one Orientation Programme and subsequent two capacity building training programmes termed as Capsule I and II in two subject areas, i.e., (i) Municipal Administration, and (ii) Municipal Finance during 2016-17. Each programme is of three-day duration. CGG has conducted the Orientation Programmes in both the subject areas during 18-20 July, 2016 and 21-23 July, 2016 at Ranchi, Jharkhand. For the Orientation programmes, CGG has developed resource material which was provided to the participants during the training. The topics covered in the resource material are as follows:

1. Urbanisation
2. AMRUT
3. Municipal Governance
4. Government Missions
5. Service Delivery
6. Municipal Finance
7. Resource Mobilisation
8. Municipal Accounting Reforms
9. Municipal Accounting

**Urban Management Research Group (UMRG)**

## Content

1. Status of Urbanization in Jharkhand .....	4
2. Municipal Governance.....	12
3. Missions of Government of India .....	22
4. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) .....	40
5. Status Service Delivery – Water Supply and Sanitation .....	47
6. Municipal Finance.....	63
7. Municipal Finance – Resource Mobilisation.....	72
8. Municipal Accounts .....	80
9. Municipal Accounting Reforms – NMAM & DEABAS .....	85

## 1. Status of Urbanization in Jharkhand

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### Objective of the Session

The participants will be able to have enhanced knowledge on following areas:

- Urbanisation Overview – India and Jharkhand
- District Level Status of Urbanisation in Jharkhand
- Classification of Cities in Jharkhand

### Introduction

India is considered to be a low urbanising country, however, the Census of India 2011 has clearly demonstrated that urbanization in India is gathering momentum. Out of 100 fastest growing cities and urban areas of the world based on annual growth rates between 2006 and 2020, one-third of them are from India<sup>1</sup>. The urban population of India increased from 62 million in 1951 to 286 million in 2001 and 377 million in 2011. The level of urbanization rose from 17% in 1951 to 31% in 2011. The number of statutory towns increased from 3,799 to 4,041 between 2001 and 2011, the number of census towns phenomenally went up from 1,362 to 3,894 in the same year. In 2011, 468 cities had population over one lakh and contributed to 70% of India's urban population. The number of million-plus cities was 53 in 2011 accounting for 43% of urban population of India.

**Table 1: Urban Population: India and States/Union Territories**

#	State	No of Towns			Urban Population	% Urbanisation
		ST*	CT**	Total		
1	Andaman & Nicobar	1	4	5	143,488	37.70
2	Andhra Pradesh	125	228	353	2,82,19,075	33.36
3	Arunachal Pradesh	26	1	27	317,369	22.94
4	Assam	88	126	214	43,98,542	14.10
5	Bihar	139	60	199	1,17,58,016	11.29
6	Chandigarh	1	5	6	10,26,459	97.25
7	Chhattisgarh	168	14	182	59,37,237	23.24
8	Dadra&Nagar Haveli	1	5	6	160,595	46.72
9	Daman & Diu	2	6	8	182,851	75.17
10	Goa	14	56	70	906,814	62.17
11	Gujarat	195	153	348	2,57,45,083	42.60
12	Haryana	80	74	154	88,42,103	34.88
13	Himachal Pradesh	56	3	59	688,552	10.03
14	Jammu & Kashmir	86	36	122	34,33,242	27.38
15	<b>Jharkhand</b>	<b>40</b>	<b>188</b>	<b>228</b>	<b>79,33,061</b>	<b>24.05</b>
16	Karnataka	220	127	347	2,36,25,962	38.67
17	Kerala	59	461	520	1,59,34,926	47.70
18	Lakshadweep		6	6	50,332	78.07

<sup>1</sup> City Mayors Foundation; *The world's Fastest Growing Cities and Urban Areas from 2006 to 2020*; [http://www.citymayors.com/statistics/urban\\_growth1.html](http://www.citymayors.com/statistics/urban_growth1.html); London, UK; accessed on 22 January 2015

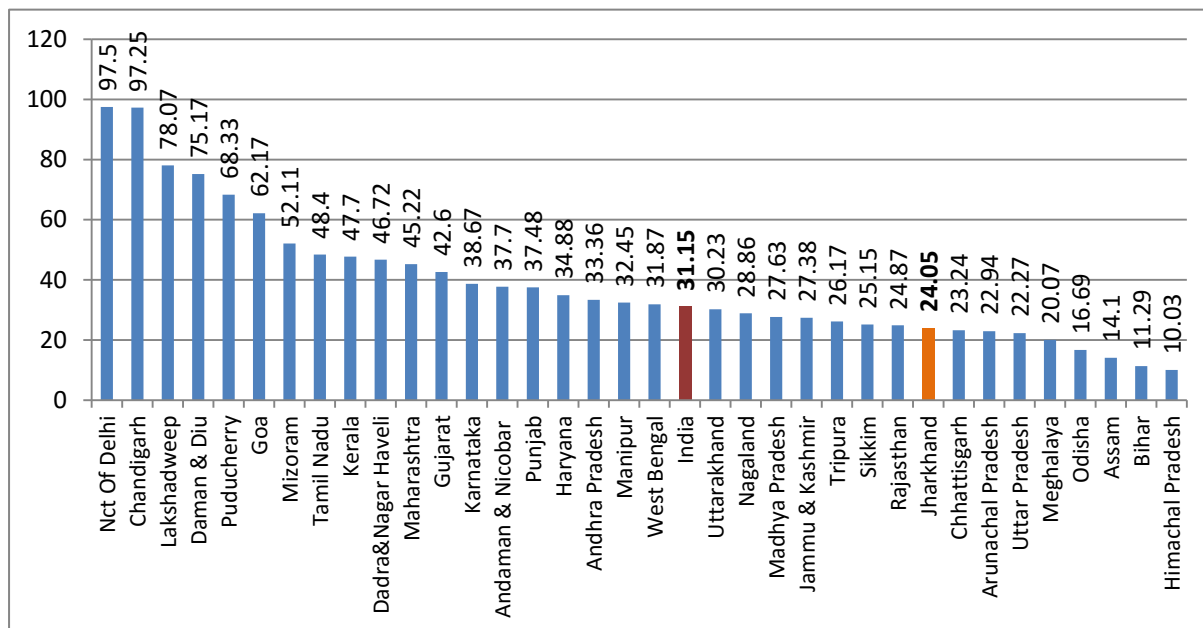
#	State	No of Towns			Urban Population	% Urbanisation
		ST*	CT**	Total		
19	Madhya Pradesh	364	112	476	2,00,69,405	27.63
20	Maharashtra	256	278	534	5,08,18,259	45.22
21	Manipur	28	23	51	834,154	32.45
22	Meghalaya	10	12	22	595,450	20.07
23	Mizoram	23		23	571,771	52.11
24	Nagaland	19	7	26	570,966	28.86
25	Nct Of Delhi	3	110	113	1,63,68,899	97.50
26	Odisha	107	116	223	70,03,656	16.69
27	Puducherry	6	4	10	852,753	68.33
28	Punjab	143	74	217	1,03,99,146	37.48
29	Rajasthan	185	112	297	1,70,48,085	24.87
30	Sikkim	8	1	9	153,578	25.15
31	Tamil Nadu	721	376	1097	3,49,17,440	48.40
32	Tripura	16	26	42	961,453	26.17
33	Uttar Pradesh	648	267	915	4,44,95,063	22.27
34	Uttarakhand	74	41	115	30,49,338	30.23
35	West Bengal	129	780	909	2,90,93,002	31.87
	<b>India</b>	<b>4,041</b>	<b>3,892</b>	<b>7,933</b>	<b>37,71,06,125</b>	<b>31.15</b>

Source: Compiled from Census of India, 2011 Reports

\* ST- Statutory Town; \*\* CT: Census Town

However, India’s urbanisation is marked with varied degree of urbanisation among the Indian states. Urbanisation level varies from 97.5% in NCT of Delhi, 48.45% in Tamil Nadu and on the other hand 10.04 and 11.3% in Himachal Pradesh and Bihar respectively.

Figure 1: Status of Urbanisation among Indian States



Source: Census of India 2011

The state in question for the purpose of this write-up, i.e., Jharkhand ranks 27<sup>th</sup> among the states and union territories with urban population of 24.05%. It is a low urbanising state and the state's urban growth compare to India can be seen from table below.

**Table 2: Urbanisation Trends in India and Jharkhand**

#	Year	India			Jharkhand		
		Urban Population	% Urban Population	Decadal Growth Rate	Urban Population	% Urban Population	Decadal Growth Rate
1.	1901	25,854,967	10.85	-	117,975	1.94	-
2.	1911	25,948,431	10.29	0.36	158,827	2.35	34.63
3.	1921	28,091,299	11.18	8.26	244,010	3.61	53.63
4.	1931	33,462,539	11.99	19.12	322,475	4.08	32.16
5.	1941	44,162,191	13.86	31.98	508,252	5.73	57.61
6.	1951	62,443,709	17.29	41.40	760,350	7.84	49.60
7.	1961	78,936,603	17.97	26.41	13,33,342	11.49	75.36
8.	1971	109,113,977	19.91	38.23	22,77,632	16.01	70.82
9.	1981	159,462,547	23.34	46.14	35,74,045	20.29	56.92
10.	1991	217,565,526	25.70	36.44	46,41,227	21.25	29.86
11.	2001	286,119,689	27.81	31.51	59,93,741	22.24	28.99
12.	2011	377,105,760	31.16	31.80	79,33,061	24.05	32.36

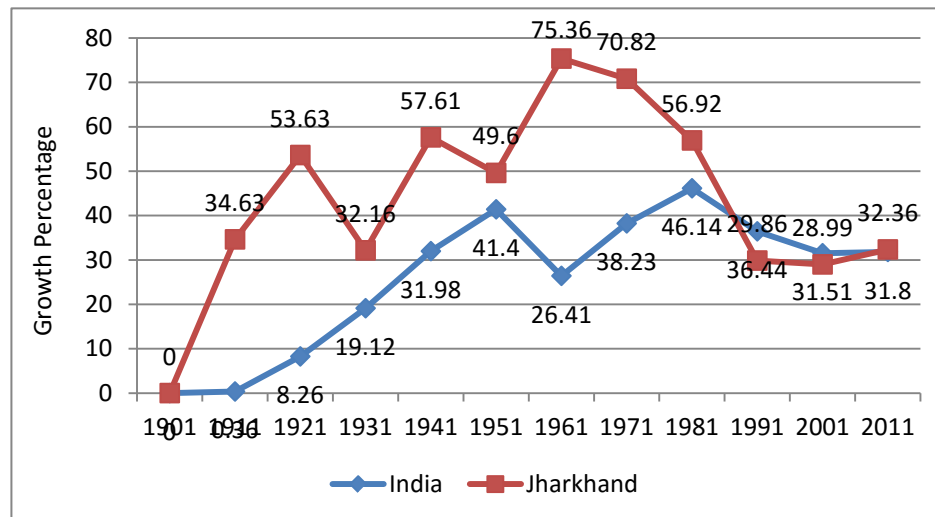
Source: Census of India Reports

Jharkhand, the new state carved out from Bihar on 14 November 2000 and ranks 15<sup>th</sup> in terms of its total area in the country, embracing a population of 33.5 million (Census of India 2011) constitutes 2.72% of the total population of India.

Jharkhand had witnessed comparatively higher urbanisation rate in the last decade of 2001-2011 than previous. Jharkhand shares 2% of the total urban population of India and about 24% of the total population of Jharkhand resides in the urban areas. In 1901, the total urban population of Jharkhand was only 117,975 comprising of only 13 towns and 1.94% of the total urban population of India. According to the Census 2011, there are total 228 towns and urban agglomerations in Jharkhand compared to 13 in 1901. The city of Jamshedpur was the first in Jharkhand to become a Class I city.

The average urban population growth rate of Jharkhand is higher than that of India's growth rate except in last three decades. After 1981, the speed of urbanisation became slow due to slow pace of industrialisation and lesser migration of population to the towns. The total population of the state grew by 22% during 2001-11, whereas the growth of urban population had been much higher at 33% during this period. In 2001, the share of urban population to the total population of Jharkhand was 22.24%, which increased to 24.05% in 2011. Because of the industrial and mining activities, Jharkhand is more urbanised than other states like Bihar, Uttar Pradesh and Odisha. The level of urbanisation of Jharkhand is less than the national average and almost half of the urban population of the states like Tamil Nadu and Maharashtra.

Figure 2: Urbanization Growth Trend – India &amp; Jharkhand



Source: Source: Census of India Reports

In Jharkhand, many towns, namely, Koderma, Ramgarh, Jharia, Bokaro, and Dhanbad, owe their origin and growth because of the concentration of mining of minerals like mica and coal. The establishment of Steel plants in Bokaro, Jamshedpur, Damodar Valley Corporation has accelerated the growth of urbanisation from 1951 to 1971. The growth rate of urban population in Jharkhand began to decline after 1971 because of stagnation in industrial development.

#### Population Projections – Jharkhand

Population projections indicate that Jharkhand is likely to experience a higher urban population growth in the decades to come. Projections by Census of India indicate that by 2026 the state will have over nine million urban population constituting about 25 percent of the total population of the state. The McKinsey's report, however, puts the urban population of the state by 2030 at 12 million constituting 31 percent of the state's total population as can be seen from table below.

Table 3: Urban Population Projections – Jharkhand

Year	Population (in lakh)	percent of Population
<b>Census</b>		
2001	59.93	22.24
2011	74.09	23.35
2021	87.66	24.44
2026	93.83	24.99
<b>McKinsey Report</b>		
2008	76.00	25.00
2030	120.00	31.00

Source: Census of India, 2001, Population Projection for India and States 2001-26 and McKinsey Global Institute (2010), *India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth*.

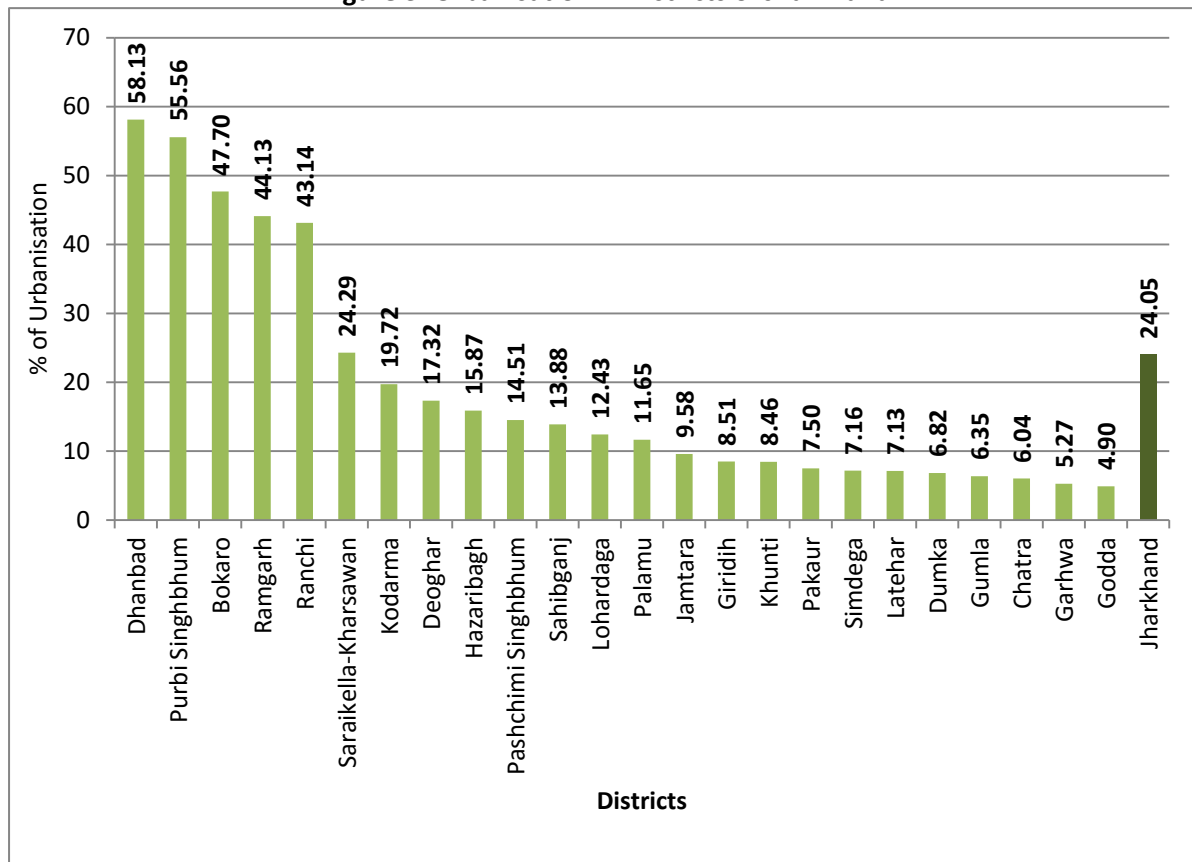
#### Urbanisation by Districts

Urbanization is not uniform across the 27 districts in the state. Most of the districts in Jharkhand have a very low level of urbanisation. Only five of the districts of this state are highly urbanised,



namely, Dhanbad (58%), Purbi Singhbhum (56%), Bokaro (48%), Ramgarh (44%) and Ranchi (43%) where more than one-third of the district population lives in the urban areas.

Figure 3: Urbanisation in Districts of Jharkhand



Source: Census of India 2011

The reasons for urban concentration in a few districts is mainly because of industrialization/commercialisation taking place at a faster pace in these districts viz., Dhanbad, Bokaro, Ranchi, etc. The industrial base of these districts is presented below.

- **Dhanbad**

Dhanbad district situated in the state of Jharkhand is a mining and industrial town. It is the largest city in Jharkhand and is famous for its coal fields. Dhanbad lies 168 km from Ranchi and 171 kilometers from Jamshedpur, and is bounded by Giridih on the west, Bokaro on the north, Giridih and Dumka on the east and Purulia district of West Bengal by the south. On 24 October 1956, Dhanbad was declared a District on the Recommendation of the States Reorganization Commission vide notification 1911.

Dhanbad is also known as the 'Coal capital' and 'City of Coal' due to the rich deposits present in the district. Its economy completely depends upon coal mining and related industries. The companies which have played a major role in the development of Dhanbad are Tata Steel, Indian Iron and Steel Company, Bharat Coking Coal Ltd. etc.

Important Institutes, Public Sector Undertakings, Govt. Offices and Private Sector units in Dhanbad district include Central Mining Research Institute, Central Fuel Research Institute,

Indian School of Mines, Director General of Mines Safety, Bharat Coking Coal Limited, Eastern Coalfields Limited, Damodar Valley Corporation, Fertilizer Corporation of India Limited, Hindustan Zinc Limited, Project & Development India Limited, Mineral Area Development Authority, Divisional Railway Office (East-Central Railway), Central Industrial Security Force, Patliputra Medical College, Bihar Institute of Technology, TISCO, IISCO, CCWO, CMPF etc.

- **Purbi-Singhbhum**

It was created on 16 January 1990. The word Singhbhum came from two Sanskrit words 'singh' and 'bhumi' literally meaning 'land of lions'. Total area of the district is about 3,533 sq. Km. More than 50% of the district is covered by dense forests and mountains. Purbi Singhbhum district has a leading position in respect of mining and other industrial activities in Jharkhand state. Jamshedpur, a leading industrial city of India, is the district headquarters. Ghatsila is home to the five-decade old Copper Refinery of Hindustan Copper Limited. The Singhbhum Shear Zone, a geological feature lying between river Subarnarekha on North-East and Dhanjauri ranges on South-West houses the mines of Copper and Uranium. Most notable Copper mines are Banalopa, Badia, Pathargora, Dhobni, Kendadih, Rakha and Surda. Out of these only Surda is operational. Surda is currently operated by India Resources Ltd ([www.Indiaresources.com.au](http://www.Indiaresources.com.au)), an Australian mining company. Important Uranium mines are Jadugora, Narwapahar, Bhatin, Turamdih and Baghanta. Chakulia an important town in the South eastern part of the district is famous for its Rice Mills, Oil Mills, Washing Soap Factories and Bamboo production. Baharagora is another important town situated on National Highway No. 6.

- **Bokaro**

The District Bokaro of Jharkhand State was created in the year 1991 by carving out one sub division consisting of two blocks from Dhanbad District and six blocks from Giridih District. Bokaro Steel City is the district headquarters. Bokaro district covers a geographical area of 2861 km<sup>2</sup>. The population is drawn from all parts of India mainly due to Bokaro's industrial importance.

**Bokaro Steel City** is the district headquarters of the Bokaro district as well as Bokaro divisional range (Bokaro, Dhanbad and Giridih). It is 47 km from Dhanbad along the Dhanbad-Ranchi Highway, where Dhanbad lies on the Delhi-Howrah line. Bokaro Steel City is also the home of the largest steel plant in India, the Bokaro Steel Plant, and several other medium and small industries. Situated on the Chhota Nagpur Plateau, the vast rolling topography of the city is typical, strewn by graded valleys and winding streams. In this setting, within a short period of two decades, a new city with a strong multi-dimensional economic base, has blossomed into a regional urban centre of around a million people drawn from different parts of the country, giving Bokaro steel city the character of Mini India.

**Bokaro Steel Plant** is controlled by the Steel Authority of India Limited and several other medium and small industries. Bokaro Steel Plant is the fourth integrated steel plant in the Public Sector. Bokaro Steel Limited is located on the site where formerly a village by the name of Maraphari existed. The steel plant was originally incorporated as a limited company on 29th January 1964, and was later merged with SAIL, first as a subsidiary and then as a unit, through the Public Sector Iron & Steel Companies. Bokaro steel plant is hailed as the country's first Swadeshi

steel plant, built with maximum indigenous content in terms of equipment, material and know-how. The steel plant is designed to produce flat products like Hot Rolled Coils, Hot Rolled Plates, Hot Rolled Sheets, Cold Rolled Coils, Cold Rolled Sheets, Tin Mill Black Plates and Galvanised Plain and Corrugated Sheets. Bokaro steel plant has provided a strong raw material base for a variety of modern engineering industries including automobile, pipe and tube, LPG cylinder, barrel and drum producing industries.

- **Ranchi**

Ranchi, Capital of Jharkhand is one of the oldest districts in Jharkhand. Ranchi is also called as city of Waterfalls and lakes. Earlier the name of the district was Lohardaga. The name of the district was changed in 1899 from Lohardaga to Ranchi after the name of a small village now comprised within the headquarters station. The name "**Ranchi**" comes from "archi" an Oraon/Kurukh word for the farmer's "baton" in use while ploughing. Ranchi was the centre of the Jharkhand movement for a separate state for the tribal regions of South Bihar, northern Orissa, Western West Bengal and the present eastern Chhattisgarh.

Ranchi being the capital of Jharkhand is an important centre of trade and commerce in the state. The district enjoys a favourable environment for business to flourish. The government is offering lucrative schemes to draw investment to the city of Ranchi. Ranchi district is rich in natural and mineral resources. The Ranchi city is surrounded by a large and green forest area, which provides many basic raw materials to a large number of industries like construction, furniture, paper, rayon, railway sleepers, etc. In addition, a large number of engineering and mining industries are present in Ranchi. Some of the major exportable items from Ranchi are heavy machinery and equipment, Lac, Mineral, Ceramics, etc.

- **Ramgarh**

Ramgarh was made a district on 12 September 2007. It was carved out of erstwhile Hazaribagh District. Ramgarh lies at the heart of the Jharkhand State. It is a mining, industrial and cultural hub with the famous Maa Chhinnamasta Temple. The name Ramgarh means "The Fort of God Ram". The district of Ramgarh has been named after the town Ramgarh, its present headquarters. The district covers an area of 1360.08 km<sup>2</sup>.

Ramgarh is an important industrial district of East India. Several mineral based industries like Steel, Sponge Iron, Cement, Refractory and Thermal Power Plant etc. are established due to availability of Coal and other minerals. Important industrial units of the district are Patratu Thermal Power Station, Steel authority of India (SAIL) Marar and Bharat Refractories Ltd.,, C.C.L., Central Repair Work Shop, Barkakana, etc.

The other districts in the state have low levels of urbanization as they have large tracts of forest lands inhabited by tribal population mostly living on tribal economy. As we have seen several sub-districts in the state have no urban population or very less urban population.

**Table 4: District-wise Urbanisation in Jharkhand: 2001 and 2011**

#	District	Population 2011		Population 2001	
		Urban	% Urban	Urban	% Urban
1.	Dhanbad	15,60,394	58.13	12,55,358	52.37
2.	Purbi Singhbhum	12,74,591	55.56	10,91,204	55.03
3.	Bokaro	983,644	47.70	804,657	45.26
4.	Ramgarh*	418,955	44.13	-	-
5.	Ranchi	12,57,335	43.14	977,821	35.11
6.	Saraikella-Kharsawan*	258,746	24.29	-	-
7.	Kodarma	141,246	19.72	86,749	16.04
8.	Deoghar	258,361	17.32	159,851	13.72
9.	Hazaribagh	275,307	15.87	529,069	23.66
10.	Pashchimi Singhbhum	218,034	14.51	350,898	28.44
11.	Sahibganj	159,666	13.88	98,131	10.58
12.	Lohardaga	57,411	12.43	46,196	12.67
13.	Palamu	226,003	11.65	125,093	8.14
14.	Jamtara*	75,746	9.58	-	-
15.	Giridih	208,024	8.51	122,364	6.43
16.	Khunti*	44,982	8.46	-	-
17.	Pakaur	67,512	7.50	36,029	5.13
18.	Simdega*	42,944	7.16	-	-
19.	Latehar*	51,858	7.13	-	-
20.	Dumka	90,178	6.82	114,912	10.38
21.	Gumla	65,081	6.35	73,742	8.86
22.	Chatra	62,954	6.04	42,020	5.31
23.	Garhwa	69,670	5.27	42,639	4.12
24.	Godda	64,419	4.90	37,008	3.53
	<b>Jharkhand</b>	<b>79,33,061</b>	<b>24.05</b>	<b>59,93,741</b>	<b>22.24</b>

Source: Census of India 2011

Note: \* = New Districts created during 2001-2011

### Classification by Size Class

A majority of urban areas in the state are small and medium towns. Of the 40 statutory towns, only nine are Class I cities, 10 are Class II towns and the remaining 21 are small towns in the size - class of III to VI as can be seen from table below. The population of Class I cities is in a majority with about 49.33 percent and the population of the remaining size - classes is less than 10 percent.

**Table 5: Distribution of Towns by Size-Class – 2011**

Size Class	Population	Towns		Population (in Lakhs)		Percent to Total	
		India	Jharkhand	India	Jharkhand	India	Jharkhand
I	> 1,00,000	485	9	2239.02	39.13	59	49.33
II	50,000 – 99,999	551	10	378.43	7.22	10	9.11
III	20,000 – 49,999	1,313	17	409.38	6.50	11	8.19
IV	10,000 – 19,999	1,087	4	160.13	0.66	4	0.83
V	5,000-9999	473	-	37.37	-	1	-
VI	<5,000	132	-	3.89	-	0	-
	Census Towns	3,892	188	542.79	25.82	14	32.54
	<b>Total</b>	<b>7,933</b>	<b>228</b>	<b>3771.00</b>	<b>79.33</b>	<b>100</b>	<b>100</b>

Source: Census of India, 2011

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## 2. Municipal Governance

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### Objective of the Session

After reading this lesson, the participants will be in a position to explain:

- Historical evolution, Federal structure of Indian Constitution and status of ULBs in India
- 74 CAA – Decentralisation, major changes and Institutions
- Municipal organisation at Central, State and local levels – Broad framework of structure, roles and responsibilities

### Local Self Government – Historical Background

Municipal authority was said to be fairly established in the Indus Civilisation in 3000 BC in India. As a political institution, the Indian Local Government is totally British in its origin and fame. They can be traced as Mayo's Resolution of 1870, Lord Rippons' Resolution of Local Self-Government during 1882, Government of India Act, 1919 and Government of India Act, 1935

### Mayo's Resolution of 1870

The resolution provided for decentralization of finance. Lord Mayo in his famous resolution stated that local interest, supervision and care were necessary to succeed in the management of funds devoted to education, sanitation, medical, charity and local public works.

### Lord Rippon's Resolution on Local Government, 1882

After a review of the results of 1870 Resolution (Mayo resolution) and also the popular opinion, the Government of India thought it desirable to increase the scope of local governments. The two main objectives of the resolution are:

- To decentralise more functions to local management, and
- To make local government an instrument of political and popular education.

### Action by Provincial Governments

Many Provincial Governments passed enabling Acts with provision for election, financial resources, etc. The functions handed over to local bodies under the provincial municipal Acts were:

- Maintenance of roads
- Street lighting
- Upkeep of municipal property and buildings
- Public health, vaccination, sanitation, drainage and measures against epidemics
- Water supply
- Education

### Local resources under Lord Rippon's Resolution on Local Government, 1882

The principal sources of local revenue were

- Octroi
- Property tax on houses and lands
- Tax on professions and trades

- Road tolls
- Taxes on carts and vehicles
- Rates and fees for services rendered like conservancy, water supply, markets, etc.

### **Government of India Act, 1919**

The Government of India Act, 1919 accorded prominent status to the principles of local autonomy and local accountability. First it provided a base for local authorities more or less on par with those of the other two levels of Government. Secondly, as a corollary of the first, it laid foundation for local finance. The Act envisaged a separate schedule of taxes exclusively for local bodies. They comprised

- Tax on lands and buildings
- Tax on vehicles, boats and animals
- Octroi
- Tax on trade, profession and callings
- Tax on private markets
- Tax on municipal services – water supply, lighting, drainage, public conveniences

### **Government of India Act, 1935**

In Government of India Act, 1935 the schedule of local taxes was deleted and local bodies were brought under the purview of the provinces. It has permitted state legislatures to allot at its discretion any of the state's financial resources to the local bodies. The new reforms under GOI Act, 1935 were

- Provincial Autonomy; and
- Federal Structure

Popular rule in the provinces was referred to as 'provincial autonomy' and 'federal structure' is governance at the centre and in the provinces.

### **Local Initiatives**

For the first time, the Madras Legislature passed Madras District Municipalities Act of 1884. This Act has introduced the concept of municipality for the first time. It has been further improved through Madras District Municipalities Act of 1920.

### **British Period**

It may be summarised that during the British period, the local governments in India reveal the following features:

- A democratic facade
- Not an indigenous growth
- An haphazard local tax structure
- No distinction between deliberative and executive functions
- Excessive control by the provincial Government; and
- Functioned more as an agency of Government.

## **The New Phase (1947)**

With the advent of Independence in 1947, the urban and rural governments entered a new era. More so, after the framing of the Constitution and the successive Five Year Plans, the local level government functioning gained a new significance and purpose. The Constitution of India maintained the federal structure of governance and the local level governments remained a State subject.

## **Constitution of India, 1950**

There was no specific mention of Municipalities in the Constitution, except implicitly. India is governed under a federal model and local governments including urban local bodies (ULBs) are under state domain. The reference of 'municipalities' is made in List II (Entry 5) of Seventh Schedule and in the definition of 'State' under Art.12. The subject of 'local self-government' was assigned to States. Due to elaborate Constitutional provisions, the Parliament and the State Legislatures flourished as democratic institutions over years. However, the same has not been the case with the Municipalities (Urban Local Bodies). This is in spite of the fact that some of these institutions came into existence long before the formation of States. In the absence of Constitutional protection, elected municipalities were frequently suspended and superseded by State Governments. These suspensions and supersessions extended to periods exceeding a decade in some cases, e.g. Chennai, Kanpur and Lucknow. Further, over the years, there has been a steady encroachment on the traditional functions of municipal authorities by parastatals and specialised agencies of State Governments.

The failure on the part of State Governments to hold regular elections to Municipalities and devolve adequate powers and functions to them led to a weakening of the status of these bodies and they are not being able to meet the needs and aspirations of people. This led to an erosion of the very basis of local self-government in India. The weak position of Urban Local Bodies was considered to be due to their not having a Constitutional status.

## **Constitution 74<sup>th</sup> Amendment Act**

In this background, the Constitution (74th Amendment) Act, 1992 was enacted with the aim of placing on a firmer footing the relationship between Urban Local Bodies and State Governments.

- It is 1992 legislation of Parliament and came into effect from 1-6-1993
- Recognition of ULBs as Institutions of Self-Government
- A new part (Part IX A) is inserted in the Constitution with a heading 'Municipalities'
- Federal structure is however not disturbed
- Local Bodies continue to remain as State subject under Schedule 7 of Constitution
- State Legislature retained its competence to legislate on ULB matters as usual
- State laws which are inconsistent with CAA shall be amended or repealed within one year

## **Salient Features of CAA**

- Constitutional status to municipalities
- Municipalities are institutions of self-governance
- Municipalities to prepare plans for economic development and social justice

- Uniformity in structure and composition of municipalities
- Reservation in seats and continuity of councils
- Constitution of ward committees
- Enhanced powers and responsibilities
- Taxation powers
- Accounts and audit
- State Finance Commission
- State Election Commission
- District Planning Committees
- Metropolitan Planning Committees

Even though various provisions have been specified, the municipalities are still remained a State subject. Many states have taken steps empowering the urban local bodies as contemplated in the Constitution. It also resulted in making administrative arrangements at the centre and strengthening the already placed arrangement in the states.

### **Administrative Organisations at the Central Government**

In the federal structure of the Indian polity, the matters pertaining to urban development, water supply and housing have been assigned to the state governments. The states have delegated many of these functions to the urban local bodies. The constitutional and legal authority of the central government is limited only to Delhi and other Union Territories.

Even though the Constitution provides otherwise, the central government plays a much more important role and exercises a larger influence to shape the policies and programmes of the country as a whole. The National Policy issues are decided by the central government which also allocates resources to the state governments through various centrally sponsored schemes, provides finances through national financial institutions and supports various external assistance programmes for urban development and housing in the country as a whole. Policies and programme contents are decided at the time of formulation of Five Year Plans. The indirect effect of the fiscal, economic and industrial location decisions of the central government exercise dominant influence on the pattern of urbanisation in the country.

In May, 2004, the Ministry has been bifurcated into two ministries viz., (i) Ministry of Urban Development (MoUD) and (ii) Ministry of Housing and Urban Poverty Alleviation (MoHUPA).

### **Ministry of Urban Development**

The Ministry of Urban Development is responsible for formulating policies, supporting and monitoring the programmes, coordinating activities of various central ministries, state governments and other authorities to the extent they relate to urban development in the country. The Ministry also negotiates with international agencies for support, cooperation and financial assistance. The Ministry is headed by Cabinet Minister and assisted by Minister of State. In addition to the Ministers, the Ministry is headed by Secretary to Government.



The functions of the Ministry, among others include:

- Local Government, that is to say, the constitution and powers of the municipal corporations (excluding Municipal Corporation of Delhi), municipalities (excluding New Delhi Municipal Committee), other local self-government administrations excluding Panchayati Raj Institutions
- Town and country planning and matters relating to planning and development of metropolitan areas
- Water supply, sewage, drainage and sanitation relating to urban areas and technical assistance in this field
- Matters of the Housing and Urban Development Corporation (HUDCO) relating to urban infrastructure
- Planning and coordination of urban transport systems with technical planning of rail based systems in consultation with the Ministry of Railways and Railway Board
- Tramways including elevated high speed trams within municipal limits or any other contiguous zone
- Central Council of Local Self-Government

To look after the business relating to urban development, the Secretary is assisted by Additional Secretary, Joint Secretary, Under Secretaries, Deputy Secretaries and Directors; besides other supporting officers and staff below them.

Currently, the Ministry is looking after the following programmes.

- Atal Mission for Rejuvenation and Urban Transformation (AMRUT)
- Smart City
- Swachh Bharat
- Heritage City Development and Augmentation Yojana (HRIDAY), etc.

### **Ministry of Housing & Urban Poverty Alleviation**

The Ministry of Housing and Urban Poverty Alleviation is the apex authority of central government at the national level to formulate policies, sponsor and support programmes, coordinate the activities of various central ministries, state governments and other authorities and monitor the programmes concerning all the issues of urban employment, poverty and housing in the country. The Ministry is headed by a Minister. In addition to the Minister, the ministry is headed by Secretary and assisted by Additional Secretary, Joint Secretaries, Under Secretaries and Deputy Secretaries and other support staff.

The business allocated to the Ministry to the extent of urban governance includes

- Urban Development including Slum Clearance Schemes and the Jhuggi and Jhopri Removal Schemes
- Implementation of Urban Employment and Urban Poverty Alleviation programmes
- Formulation of housing policy and programme (except rural housing)
- Collection and dissemination of data on housing, building materials and techniques
- Formulation of general measures for reduction of building costs and nodal responsibility for National Housing Policy

- All matters relating to Housing and Urban Development Corporation (HUDCO) other than those relating to urban infrastructure

Currently, the Ministry is implementing the following schemes:

- Pradhan Mantri Awas Yojana (PMAY)
- Swarna Jayanti Shahari Rozgar Yojana (SJSRY), etc.

### **Administrative Organization at State Level**

As discussed above, the matters pertaining to urban development has been assigned by the Constitution to the state governments and it is the responsibility of the state governments to implement and monitor various urban related activities and programmes.

Earlier, in many states, the rural local bodies and urban local bodies were under one department, viz., Local Bodies or Local Administration. But from the last two- three decades, the 'Local Administration' department has been bifurcated as 'Panchayat Raj Administration' and 'Municipal Administration' departments.

The 'Department of Municipal Administration' is entrusted with the responsibility of providing legal and administrative support to the urban local bodies in the state and to implement major development programmes through the municipal bodies. In some states, it is designated as the Department of Municipal Administration and Urban Development (Andhra Pradesh) and in some other states, it is Department of Municipal Affairs (West Bengal) or Urban Development (Rajasthan) or Local Government (Punjab). In some states, subjects like Housing (Rajasthan) and Water Supply (Tamilnadu) etc. are added to the Department of Municipal Administration as per local convenience.

The department is headed by a Minister. The Secretariat of the Minister is headed by Principal Secretary or Secretary to Government. He is supported by Additional Secretaries, Joint Secretaries, Deputy Secretaries and other support staff.

### **The overall functions of the department are:**

- Formulate Acts & Rules governing the urban local bodies
- Steer various functions under the Municipal Corporation / Municipal Acts and rules framed thereunder
- Facilitate and monitor municipal functions
- Monitor urban growth and facilitate urban services through constitution of new and/or extension of existing ULBs commensurate with the growth.
- Plan the growth of urban centres and arrest degradation of urban environment due to increasing pressure of population
- Provide clean urban environment and maintain public health in urban areas through an integrated approach in the provision of core civic services
- Facilitate massive investment for undertaking critical capital investment works in urban local bodies

- Facilitate municipal development by providing economic support through budgetary provisions of state funds for central government schemes and arranging loans/grants from internal and external sources.
- Facilitate capacity building of ULBs by optimising staffing pattern, providing professionals, imparting training to the elected members and municipal officers and providing economic and professional support for administering municipal functions.

The government is supported by various heads of department. The heads of department concerned with municipal administration in general are,

- Director of Municipal Administration
- Director of Town planning
- Chief Engineer (Municipal Engineering)

In addition to these exclusive heads of department, there are other heads of department who deal with municipal issues and they include:

- Urban Development Authorities
- Housing Board
- Slum Clearance/Development Board
- Valuation Board
- State Urban Development Agency (SUDA)
- Urban Finance & Infrastructure Development Corporation
- Parastatal agencies
- Other related heads of department

### **Municipal Structure at Local Level**

The municipal set up at local level broadly consists (1) Deliberative or elected wing and (2) Executive wing. The elected wing consists of (a) Council (b) Chairperson and (c) ward committee. The main responsibility of the elected wing is to decide major policy issues and make political decisions.

The executive wing is responsible to implement the decisions taken by the Council. The executive wing is headed by Commissioner/Executive Officer/Chief Officer. The executive wing consists various departments/section with a department/section head. Various departments at municipal level and the broad functions of the departments are:

<b>S. No.</b>	<b>Department/ Sections</b>	<b>Broad functions</b>
1.	Administration	To look after general administration, including school administration
2.	Revenue	To assess and collect various taxes and collection of rents from municipal properties
3.	Accounts	To maintain accounts, prepare annual accounts, prepare budget, attend to audit of accounts
4.	Secretary	To look after meetings of Council and Committees
5.	Public health and sanitation	To look after sanitation, scavenging, solid waste management: including medical and maternity services
6.	Engineering	To look after water supply and sewerage, public works like

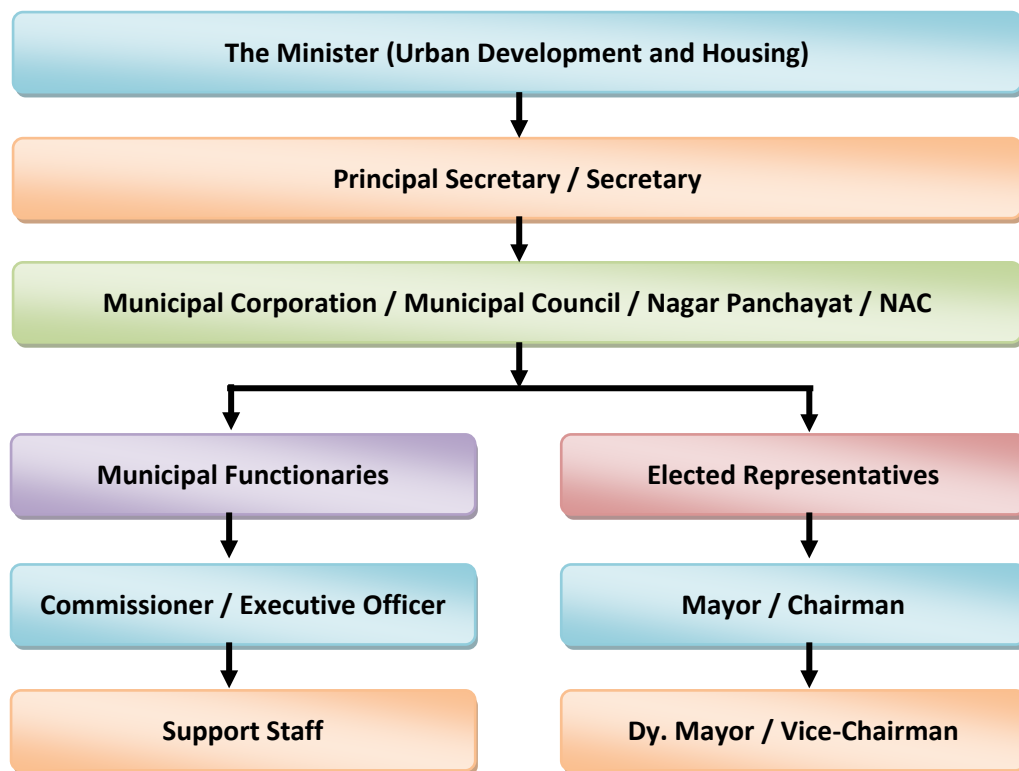
		roads, drains, buildings, parks and play grounds; and street lighting
7.	Town Planning	To regulate town planning activities including land uses, lay outs, building activities and encroachments
8.	Urban Poverty Alleviation (UPA)	To look after urban poverty alleviation programmes

**Organizational (Urban) Set-up in Jharkhand**

The ULBs are under the administrative control of Urban Development Department (UDD), Government of Jharkhand (GoJ). The Commissioner of Municipal Corporations and Executive Officer (EO) of the Municipal Council and Nagar Panchayat appointed by the State Government and have executive power for the purposes of carrying on the administration of ULB, subject to the provisions of the JMA, 2011 and of any rules and bye-laws made there under.

The Mayor/Chairman elected by the people through direct election presides over the meeting of the Council. The members for committees/sub-committees are elected from the elected councilors.

**Figure: Organogram**



**Standing Committee**

Section 24 of JMA, 2011 provides that in every municipality, there shall be a Standing Committee, which shall consist of –

- a) in the case of Municipal Corporation, the Mayor, the Deputy Mayor and the Chairpersons of Zonal Committees;
- b) in the case of Municipal Council, the Chairperson, the Vice-Chairperson and five elected councillors to be elected by the Council;
- c) in the case of Nagar Panchayat, the Chairperson; the Vice-Chairperson, and three elected councillors to be elected by the Council.

The Standing Committee shall be collectively responsible to the Municipal Corporation or the Municipal Council or the Nagar Panchayat and Mayor and Chairperson shall be the presiding officer of the Standing Committee.

**Classification of ULBs**

The Urban Local Bodies (ULBs) in Jharkhand are classified into different grades by the State Government on the basis of population, as indicated in the following table:

**Classification of ULBs in Jharkhand**

#	Category	Nomenclature		Population
1.	<b>Larger Urban Area</b>	Municipal Corporation		One lakh fifty thousand and above
2.	<b>A Smaller Urban Area</b>	Municipal Council / Municipality	Class 'A'	One lakh and above and less than one lakh fifty thousand
			Class 'B'	Forty thousand and above and less than one lakh
3.	<b>A transitional area</b>	Nagar Panchayat / Notified Area Committee		Twelve thousand and above and less than forty thousand

**Transfer of Functions**

Twelfth Schedule (Article-243 W) of the Constitution of India envisages that the State Government may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to function as institutions of self-government. All the 18 functions envisaged in the Twelfth Schedule have been inserted in section 70 of JMA, 2011, to be performed by the ULBs to enable them to function as institutions of self-government. The list of functions included in the 12<sup>th</sup> Schedule of Constitution (Article 243 W) and Section 70 of JMA, 2011 are as follows:

- i. Urban planning including town planning,
- ii. Regulation of land use and construction of buildings,
- iii. Planning of economic and social development,
- iv. Roads and bridges,
- v. Water supply for domestic, industrial and commercial purposes,
- vi. Public health , sanitation , conservancy and solid waste management,
- vii. Fire services,
- viii. Urban forestry ,protection of environment and protection of ecological aspects,

- ix. Safeguarding interest of weaker sections of society including the handicapped and mentally retarded,
- x. Slum improvement and upgradation,
- xi. Urban poverty alleviation programme,
- xii. Provision of urban amenities and facilities such as parks, gardens, playgrounds,
- xiii. Promotion of cultural, educational and aesthetic aspects,
- xiv. Burials and burial grounds: cremations, cremation grounds and electronic crematoriums,
- xv. Cattle pounds: prevention of cruelty on animals,
- xvi. Vital statistics including registration of births and deaths,
- xvii. Public amenities including street lighting, parking lots, bus stops and public conveniences,
- xviii. Regulation of slaughter houses and tanneries

However, it is reported that not all the functions by all the ULBs are undertaken by their own.

### **Transfer of Functionaries**

An efficient discharge of devolved powers and functions by local bodies requires availability of qualified and trained personnel at all levels which would include employment of staff with regard to the functions already being executed by the ULBs.

It is being reported that ULBs were facing acute shortage of staff resulting in non-maintenance of basic records, short collection of revenues, etc., thereby affecting the compliance to Acts/Provisions/Orders.

In the light of recommendations of the first SFC, the State Government passed a resolution in May 2010 for restructuring the staffing pattern in ULBs and accordingly created the posts. The State Government passed a resolution in July 2012 and made arrangements for transfer of only junior staff of Drinking Water and Sanitation Department for maintenance of existing Urban Water Supply schemes and general administrative control of concerned officers/staff to ULBs.

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### 3. Missions of Government of India

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#### Objective of the Session

The participants will be able to have enhanced understanding on:

- Different Missions of Government of India
  1. Smart City Mission
  2. AMRUT
  3. Swachh Bharat Mission
  4. PMAY
  5. HRIDAY
- Features, Components, Coverage and Funding Mechanism of the Missions

#### Introduction

ULBs are entrusted with various developmental schemes as well as the responsibility of looking after socio and economic welfare of its people, particularly the poor. They are in the form of various schemes formulated by State as well as Central Governments. Some of the schemes are discussed as follows:

#### 1. Smart City Mission:

Smart City Mission, launched by the Ministry of Urban Development (MoUD), Government of India (GoI), aims to promote economic growth, strengthen governance and improve service delivery to urban residents. The key focus of the Mission is on sustainable and inclusive development and developing a replicable model for other cities. The development of a "smart city" calls for basic infrastructure that uses 'smart' solutions for improved service delivery on an area-based approach that may include:

- **City Improvement (Retrofitting):** Development of an existing built area greater than 500 acres to achieve the objective of smart cities mission to make it more efficient and livable.
- **City Renewal (Redevelopment):** Replace existing built environment in an area of more than 50 acres and enable co-creation of a new layout, especially enhanced infrastructure, mixed land use and increased density.
- **City Extension (Greenfield Development):** Develop a previously vacant area of more than 250 acres using innovative planning, plan financing and plan implementation tools with provision for affordable housing, especially for the poor.
- **Pan-city Initiative:** A Pan-city initiative in which at least one Smart Solution is applied covering larger parts of the city.

There is no clear definition of what a smart city is. It broadly includes creative, entrepreneurial, intelligent, harnessing ICT power, etc. Smartness in governance and service delivery are part of it. Its features include digital initiative, national e-governance plan, national optical fibre network, etc., What is critical is continuous improvement both in design and management., Smart city – use of innovative technology in different areas to increase resource productivity like peak leveling, supply-

demand matching, citizen service – mobile enable citizen services, IT enabled police control rooms linked to GPS, App based complaints and FIRs, etc. Smart sensors on garbage cans and trucks to monitor clearance, geo-tagged tracking system, SCADA to monitor, smart traffic control monitoring centre, smart traffic cards for rails, bus, taxi, etc., are part of smart city approach. Smart cities contribute for the creation of greenfield cities and integrate technology with the infrastructure.

Basic city level infrastructure is built by convergence and by exploiting synergy with other Missions and Schemes such as Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Swachh Bharat Mission (SBM), Pradhan Mantri Aawas Yojana (PMAY), etc. The duration of the Mission will be five years from Financial Year (FY) 2015-16 to 2019-20. The proposed financial support to the Mission is:

- GoI will invest a total of Rs.48,000 crores in 100 cities during five years, each Smart City would get Rs.100 crores each for five years.
- States / ULBs will mobilise additional resources required amounting Rs.48,000 crores as per 50:50 funding pattern.

These funds will act as a catalyst to attract funding from internal and external sources.

In the first year of implementation, the GoI has selected 20 cities for funding through a competition based on the well laid criteria with transparency. In order to achieve maximum geographic coverage, the GoI has selected additional 13 cities.

Features	<p>The typical features of comprehensive development in Smart Cities include:</p> <ul style="list-style-type: none"> <li>• Promoting mixed land use in area-based developments;</li> <li>• Housing and inclusiveness;</li> <li>• Creating walkable localities;</li> <li>• Preserving and developing open spaces;</li> <li>• Promoting a variety of transport options;</li> <li>• Making governance citizen-friendly and cost effective;</li> <li>• Giving an identity to the city;</li> <li>• Applying Smart Solutions to infrastructure and services.</li> </ul>
Components	<p>Cities may add any number of smart solutions to the area based developments to make government funds cost effective. City wide Smart solutions are :</p> <p><b>E-Governance and Citizen services:</b></p> <ul style="list-style-type: none"> <li>• Public information, Grievance redressal;</li> <li>• Electronic service delivery;</li> <li>• Citizen Engagement;</li> <li>• Citizens – City’s eyes and ears;</li> <li>• Video crime monitoring;</li> </ul> <p><b>Waste management:</b></p> <ul style="list-style-type: none"> <li>• Waste to energy &amp; fuel;</li> <li>• Waste to compost;</li> <li>• Waste water to be treated;</li> <li>• Recycling and reduction of C&amp;D waste;</li> </ul> <p><b>Water Management:</b></p> <ul style="list-style-type: none"> <li>• Smart meters &amp; management;</li> <li>• Leakage identification, preventive maintenance;</li> <li>• Water quality monitoring;</li> </ul> <p><b>Energy management:</b></p>



	<ul style="list-style-type: none"> <li>• Smart meters &amp; management;</li> <li>• Renewable sources of energy;</li> <li>• Energy efficient &amp; Green buildings;</li> </ul> <p><b>Urban Mobility:</b></p> <ul style="list-style-type: none"> <li>• Smart parking;</li> <li>• Intelligent Traffic management;</li> <li>• Integrated Multi-modal transport;</li> </ul> <p><b>Others:</b></p> <ul style="list-style-type: none"> <li>• Tele-Medicine &amp; Tele education;</li> <li>• Incubation / Trade facilitation centers;</li> <li>• Skill Development Centers;</li> </ul>
Implementation process	<ul style="list-style-type: none"> <li>• Each city to have a Special Purpose Vehicle (SPV).</li> <li>• The SPV will have complete flexibility to plan, implement, manage &amp; operate and will be headed by a full time CEO.</li> </ul> <p>The city selection process is based on the idea of Cooperative and Competitive Federalism. The city selection process follows a Challenge method - two stages in conjunct to select cities.</p> <p><b>Stage - I:</b> Intra-State city selection on objective criteria to identify cities to compete in stage-II.</p> <p><b>Stage - II:</b> All India competition to select smart cities for multiple rounds of selection.</p>
Monitoring	<p><b>Monitoring is done in three levels National, State, City:</b></p> <p><b>National Level:</b></p> <p>National level monitoring will be of two types</p> <ol style="list-style-type: none"> <li>1. Apex Committee (AC);</li> <li>2. National Mission Directorate.</li> </ol> <p>An <b>Apex Committee (AC)</b>, headed by the Secretary, MoUD and comprising representatives of related Ministries and organisations will approve the Proposals for Smart Cities Mission, monitor their progress and release funds.</p> <p><b>National Mission Director</b> will be the overall in-charge of all activities related to the Mission.</p> <p><b>State Level:</b></p> <p>The State level High Powered Steering Committee (HPSC) chaired by State Chief Secretary and SLTC chaired by the Principal Secretary. The HPSC will have representatives of State Government departments.</p> <p><b>City Level:</b></p> <p>A Smart City Advisory Forum will be established at the city level for all 100 Smart Cities to advise and enable collaboration among various stakeholders and will include the District Collector, MP, MLA, Mayor, CEO of SPV, local youths, technical experts, and at least one member from the various organizations. The CEO of the SPV will be the convener of the Smart City Advisory Forum</p>
Coverage	Mission is Centrally Sponsored Scheme (CSS) covering 100 cities which are identified by MoUD
Funding Mechanism	<p>The proposed financial support to the Mission is</p> <ul style="list-style-type: none"> <li>• Centre will invest a total of Rs. 48,000 crores in 100 cities for 5 years , each Smart city will get Rs. 100 crores each for five years.</li> <li>• States / ULBs will mobilize additional resources required of Rs. 48,000 crores as per 50:50 funding pattern.</li> </ul>

	<ul style="list-style-type: none"> <li>• These funds will act as a catalyst to attract funding from internal and external sources.</li> </ul> <p>The GOI funds and the matching contribution by the States/ULB will meet only a part of the project cost. Balance funds are expected to be mobilized from the following</p> <ol style="list-style-type: none"> <li>States/ ULBs own resources from collection of user fees, beneficiary charges and impact fees, land monetization, debt, loans, etc.</li> <li>Additional resources transferred due to acceptance of the recommendations of the Fourteenth Finance Commission (FFC).</li> <li>Innovative finance mechanisms such as municipal bonds with credit rating of ULBs, Pooled Finance Mechanism, Tax Increment Financing (TIF).</li> <li>Other Central Government schemes like Swachh Bharat Mission, AMRUT, National Heritage City Development and Augmentation Yojana (HRIDAY).</li> <li>Leverage borrowings from financial institutions, including bilateral and multilateral institutions, both domestic and external sources.</li> <li>States/UTs may also access the National Investment and Infrastructure Fund (NIIF), which was announced by the Finance Minister in his 2015 Budget Speech, and is likely to be set up this year.</li> <li>Private sector through PPPs.</li> </ol>
Fund Release	<ul style="list-style-type: none"> <li>• Funds can be used as follows,             <ul style="list-style-type: none"> <li>• Project funds – 93%,</li> <li>• State/ULB (Administrative &amp; Office Expenses) – 5%,</li> <li>• MoUD (Administrative &amp; Office Expenses) – 2%,</li> </ul> </li> <li>• Advance of Rs. 2 crores to shortlisted cities to prepare Smart cities proposal (SCP).</li> <li>• First year Rs. 200 crores, thereafter Rs. 100 crores every year.</li> <li>• Funds release based on timely submission of Score Card, satisfactory physical and financial progress as shown from Utilization Certificate and Score Card, achievement of milestones in the Proposal – to be certified.</li> </ul>
Immediate action points	<p>MoUD proposes the ‘<b>Challenge</b>’ or <b>competition</b> method to select cities for funding with the strategy as area-based development. Citizen involvement from beginning to the end of the scheme is a key to the success of the Smart Cities Mission.</p> <p>This includes the following,</p> <ul style="list-style-type: none"> <li>• Start the ‘within state’ competition.</li> <li>• Finalize the entities that will assist the state from             <ul style="list-style-type: none"> <li>• Empanelled list of consulting firms, or</li> <li>• Point a consulting firm outside the panel as per State financial rules or</li> <li>• Use a handholding agency - bilateral /Multilateral (e.g. World Bank, DFID, UN Habitat, ADB).</li> </ul> </li> <li>• Once list of shortlisted Smart Cities is finalized Rs. 2 crores will be disbursed to each city for proposal preparation.</li> <li>• <b>Plan ahead</b>, the states will have stipulated number of days after finalization of first list of potential Smart Cities, to prepare proposal.</li> </ul>

## 2. Atal Mission for Rejuvenation and Urban Transformation (AMRUT):

The objectives of Atal Mission for Rejuvenation and Urban Transformation (AMRUT) are:

- Ensuring access to tap water with assured supply and a sewerage connection to every household;
- Increasing amenity value by developing greenery and well-maintained open spaces (e.g. parks);
- Reducing pollution by switching over to public transport and/or constructing facilities for non-motorized transport (e.g. walking and cycling).

- All the expected outcomes are valued by citizens and indicators and standards have been prescribed by the MoUD, GoI in the form of Service Level Benchmarks (SLBs).

The thrust areas of the Mission are:

- Water supply;
- Sewerage facilities and septage management;
- Storm water drains to reduce flooding;
- Pedestrian, non-motorized and public transport facilities, parking spaces; and
- Enhancing amenity value of cities by creating and upgrading green spaces, parks and recreation centers, especially for children.

Under the Mission, an allocation of Rs.50,000 crores has been made for five years from FY 2015-16 to 2019-20. The coverage of the Mission is as follows:

- Universal coverage of ULBs with a population of over one lakh with notified municipalities, including Civilian areas of Cantonment Boards
- All Capital Cities/Towns of States/ UTs not covered in the point above
- All ULBs classified as Heritage Cities by MoUD under the HRIDAY scheme
- Thirteen ULBs on the main rivers with a population above 75,000 and less than 1 lakh (To be Listed)
- Ten ULBs from hill states, islands and tourist destinations (not more than one from each State).

**Box 1: Mandatory Reforms under AMRUT to be implemented by States & Mission Cities**

1. e-Governance
2. Constitution and Professionalisation of Municipal Cadre
3. Double Entry Accounting
4. Urban Planning & City Development Plans
5. Devolution of Funds & Functions
6. Review of Building bye-laws
7. Set-up Financial Intermediary at State level
8. (a)Municipal tax and fees Improvement  
(b)Improvement in levy & collection of user charges
9. Credit Rating
10. Energy and Water Audit
11. Swachh Bharat Mission

<b>Mission Components</b>	<p><b>Water Supply</b></p> <ul style="list-style-type: none"> <li>• Water supply systems including augmentation of existing water supply, water treatment plants and universal metering;</li> <li>• Rehabilitation of old water supply systems, including treatment plants;</li> <li>• Rejuvenation of water bodies specifically for drinking water supply and recharging of ground water;</li> <li>• Special water supply arrangement for difficult areas, hill and coastal cities, including those having water quality problems (e.g. arsenic, fluoride);</li> </ul> <p><b>Sewerage</b></p> <ul style="list-style-type: none"> <li>• Decentralised, networked underground sewerage systems, including augmentation of existing sewerage systems and sewage treatment plants.</li> <li>• Rehabilitation of old sewerage system and treatment plants.</li> <li>• Recycling of water for beneficial purposes and reuse of wastewater.</li> </ul> <p><b>Septage</b></p>
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	<ul style="list-style-type: none"> <li>• Faecal Sludge Management- cleaning, transportation and treatment in a cost-effective manner.</li> <li>• Mechanical and biological cleaning of sewers and septic tanks and recovery of operational cost in full.</li> </ul> <p><b>Storm Water Drainage</b></p> <ul style="list-style-type: none"> <li>• Construction and improvement of drains and storm water drains in order to reduce and eliminate flooding.</li> </ul> <p><b>Urban Transport</b></p> <ul style="list-style-type: none"> <li>• Ferry vessels for inland waterways (excluding port/bay infrastructure) and buses.</li> <li>• Footpaths/walkways, sidewalks, foot over-bridges and facilities for non-motorised transport (e.g. bicycles).</li> <li>• Multi-level parking.</li> <li>• Bus Rapid Transit System (BRTS).</li> </ul> <p><b>Green space and parks</b></p> <ul style="list-style-type: none"> <li>• Development of green space and parks with special provision for child-friendly components.</li> </ul> <p><b>Reforms management &amp; support</b></p> <ul style="list-style-type: none"> <li>• Support structures, activities and funding support for reform implementation.</li> <li>• Independent Reform monitoring agencies.</li> </ul> <p><b>Capacity Building</b></p> <ul style="list-style-type: none"> <li>• Individual and institutional capacity building.</li> <li>• The capacity building will not be limited to the Mission Cities, but will be extended to all ULBs in the state.</li> <li>• Continuation of the Comprehensive Capacity Building Programme (CCBP) after its realignment towards the new Missions.</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>• Universal coverage of ULBs with a population of over one lakh with notified municipalities, including Civilian areas of Cantonment Boards</li> <li>• All Capital Cities/Towns of States/ UTs, not covered in the point above.</li> <li>• All ULBs classified as Heritage Cities by MoUD under the HRIDAY</li> <li>• Thirteen ULBs on the stem of the main rivers with a population above 75,000 and less than 1 lakh (To be Listed)</li> <li>• Ten ULBs from hill states, islands and tourist destinations (not more than one from each State). (To be Listed)</li> </ul>
<b>Indicative Inadmissible Components</b>	<ul style="list-style-type: none"> <li>• Purchase of land for projects or project related works,</li> <li>• Staff salaries of both the state governments/ULBs,</li> <li>• Power,</li> <li>• Telecom,</li> <li>• Health,</li> <li>• Education, and</li> <li>• Wage employment programme and staff component.</li> </ul>
<b>Implementation</b>	<p><b>National Level</b> – Apex Committee chaired by Secretary (UD)</p> <p><b>State Level</b> –</p> <ul style="list-style-type: none"> <li>○ State High Powered Steering Committee (SHpsc) chaired by State Chief Secretary</li> <li>○ SLTC chaired by the Principal Secretary</li> </ul> <p><b>District Level</b> – Review and Monitoring Committee (DLRMC) co-chaired by Member(s) of Parliament and District Collector</p> <p><b>City Level</b> – ULBs responsible for Implementation.</p>
<b>Funding</b>	Rs. 50,000 crore for five years from 2015-16 to 2019-20.

	<p>Fund distribution –</p> <ul style="list-style-type: none"> <li>• Project fund - 80% of the annual budgetary allocation (90% during first year). <ul style="list-style-type: none"> <li>○ Formula for allocation to states is based on total population and number of statutory towns with 50:50 ratio</li> <li>○ State contribution to the project cost shall not be less than 20%.</li> </ul> </li> <li>• Incentive for Reforms - 10% (as part of reform implementation for every succeeding year)</li> <li>• State funds for A&amp;OE - 8%</li> <li>• MoUD funds for A&amp;OE - 2%</li> </ul>
<p><b>Implementation Process</b></p>	<ul style="list-style-type: none"> <li>• Prepare the Service Level Improvement Plan (SLIP) through citizen consultations. <ul style="list-style-type: none"> <li>○ Universal coverage and land to be in possession, Dovetail with other Missions/Schemes.</li> <li>○ Include O&amp;M and PPP.</li> <li>○ Execution by Urban Local Bodies.</li> </ul> </li> <li>• Prepare the State Annual Action Plan (SAAP) with an outlay of three times the annual allocation of the central assistance.</li> <li>• Project Development and Management Consultants may be utilized; as provided in the RfP Toolkit.</li> </ul> <p>Process:</p> <p>Step-1: Apex Committee allocates annual budget to States</p> <p>Step-2: ULBs prepare SLIP Step-3: SLIPs are aggregated to form the SAAP</p> <p>Step-4: The Apex Committee appraises and approves the SAAP</p> <p>Step-5: The ULBs get DPRs prepared for projects approved by the State level Committees after technically appraisal by SLTC</p> <p>Step-6: Implementation after detailed technical &amp; financial appraisal of the DPRs.</p>
<p><b>Appraisal</b></p>	<ul style="list-style-type: none"> <li>• ULBs to develop DPRs and bid documents for projects approved by SAAP.</li> <li>• ULBs to ensure city level of approvals of DPRs and bid documents and forward them to the SLTC/SHPSC for approval.</li> <li>• State Level Technical Committee (SLTC) to carry out technical and financial appraisal of the DPRs</li> </ul>
<p><b>Fund Release</b></p>	<p>AMRUT supports States in creating basic urban infrastructure and the Mission is project based.</p> <p>Central government assistance –</p> <ul style="list-style-type: none"> <li>• 1/2 of project cost to cities having population &lt; 10 lacs</li> <li>• 1/3 of project cost to cities having population &gt; 10 lacs</li> <li>• Initially for planning Rs. 25 lakh will be released.</li> <li>• Release of the installments shall be in the ratio of 20:40:40 of the approved project cost.</li> <li>• First Installment as central assistance released to state, on approval of SAAP by Apex Committee.</li> <li>• 2nd and 3rd installments shall be released on receipt of Utilization certificates and subject to mobilizing the assured resources as per SAAP by the States/UTs, Upon approval by Apex Committee</li> <li>• State releases the funds to ULB after including its share, within seven days.</li> </ul>
<p><b>Capacity Building</b></p>	<ul style="list-style-type: none"> <li>• Capacity Building is part of the SLIP and SAAP</li> <li>• Components of Capacity Building Plan - <ul style="list-style-type: none"> <li>○ Individual Capacity Building Plan – MoUD will provide a list of training institutions and States can link to cities. <ul style="list-style-type: none"> <li>▪ to enhance the functional knowledge,</li> <li>▪ improve the job related skills, and</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ change the attitude of municipal functionaries</li> <li>○ Institutional Capacity Building Plan             <ul style="list-style-type: none"> <li>▪ to improve institutional outcomes as set out in the Reforms Agenda</li> </ul> </li> </ul>
<b>Immediate Action Points</b>	<ul style="list-style-type: none"> <li>• Rs. 25 Lakh is being released to each AMRUT city for preparation of SLIP &amp; SAAP.</li> <li>• Prepare Capacity Building Plan.</li> <li>• Start the preparation of SLIPs – planning, designing of projects, preparation of DPRs and project management.</li> <li>• Submit SAAP quickly to get the funds released (first installment) and start work.</li> </ul>

### **3. Pradhan Mantri Awas Yojana (PMAY):**

Pradhan Mantri Awas Yojana (PMAY) for all Statutory Towns (4,041) as per the Census of India 2011, launched by the GoI, provides central assistance to implementing agencies through States and UTs to provide affordable houses to all by 2022 with Ministry of Housing and Poverty Alleviation, GoI as the nodal agency. All the components of the Mission are funded by the GoI except component of credit-linked subsidy which will be implemented as a Central Sector Scheme.

The main objective of PMAY is to provide a pucca house with water connection, toilet facilities, 24X7 electricity supply, etc., to every urban individual before 75 years of nation’s independence. The duration of PMAY is June 2015 to March 2022. The MoUD would be requested to converge civic amenities and infrastructure development in outer areas of the cities for 500 cities under AMRUT.

<b>Mission Highlights</b>	<ul style="list-style-type: none"> <li>• States/UTs may decide a cut off date for eligibility of beneficiary<sup>2</sup> needs to be resident of that urban area.</li> <li>• Beneficiary defined as a family comprising husband + wife +Unmarried children. Beneficiary should not have any Pucca house anywhere in India to be eligible to receive support under the mission</li> <li>• EWS category defined as a family with income up to Rs. 3 lakh and LIG from Rs. 3-6 lakh.</li> <li>• Size of EWS house - 30 Sq M., States to have flexibility but Central assistance fixed. National building Code (NBC) and (Beuro of Indian Standards (BIS) standards to be followed and all Dwelling Units (DU)s should have Toilet.</li> <li>• Project approval at state level by SLSMC</li> <li>• Aadhaar Card/Bank Account Number/PAN Number (if available) required from beneficiary or a certificate of house ownership from Revenue Authority of beneficiary’s native district</li> </ul>
<b>Components and their</b>	1. Rehabilitation of slum <sup>3</sup> dwellers using land as a resource with the participation of private developers. Slums so redeveloped should compulsorily be denotified.

<sup>2</sup> Preference under the Scheme, subject to beneficiaries being from EWS/LIG segments, should be given to Manual Scavengers, Women (with overriding preference to widows), persons belonging to Scheduled Castes/Scheduled Tribes/Other Backward Classes, Minorities, Persons with disabilities and Transgender.

<sup>3</sup> Slum definition is as per census for the purpose of Mission

<p><b>Salient features</b></p>	<ul style="list-style-type: none"> <li>✓ Private partner for Slum Redevelopment would be selected through open bidding process.</li> <li>✓ Extra FAR/FSI and TDR if required</li> <li>✓ Gol Grant Rs 1lakh per House</li> </ul> <p>Promotion of Affordable Housing for weaker section through credit linked subsidy.</p> <ul style="list-style-type: none"> <li>○ Subsidy for EWS and LIG for new House/Incremental house</li> <li>○ Upfront subsidy@6.5% for EWS and LIG for loans up to Rs 6 lakh, calculated at NPV basis</li> </ul> <p>3. Affordable Housing in partnership with public &amp; private sectors</p> <ul style="list-style-type: none"> <li>✓ With Private sector or Public Sector including parastatal agencies</li> <li>✓ Central Assistance of Rs 1.5 lakh per EWS house in projects where 35% House for EWS category</li> </ul> <p>4. Subsidy for beneficiary-led individual house construction</p> <ul style="list-style-type: none"> <li>✓ For Individuals ( EWS category ) for new House or enhancement</li> <li>✓ Cities to prepare a separate integrated project for such beneficiaries</li> <li>✓ Central assistance of Rs 1.5 lakh per beneficiary</li> </ul> <p><i>Note: Beneficiary can take advantage under one component only</i></p>
<p><b>Coverage</b></p>	<p>All 4041 statutory towns as per Census 2011 with focus on 500 Class I cities to be covered in three phases:</p> <ul style="list-style-type: none"> <li>✓ Phase I - April 2015 - March 2017 to cover 100 Cities selected from States/UTs as per their willingness.</li> <li>✓ Phase II - April 2017 - March 2019 to cover additional 200 Cities</li> <li>✓ Phase III - April 2019 - March 2022 to cover the remaining towns</li> </ul>
<p><b>Delivery Mechanism: State/ City level</b></p>	<ul style="list-style-type: none"> <li>• States/UTs sign a Memorandum of Agreement (MoA) to participate in the mission by agreeing to mandatory conditions and other modalities</li> <li>• Selection of Cities by states in consultation with ministry along with broad assessment of housing and resources requirement after undertaking a demand survey to assess the actual housing demand in Housing for All Plan of Action (HFAPoA).</li> <li>• Beneficiaries will be validated by States/UTs and ULBs thereby ensuring their eligibility at the time of preparation of the projects and approval of projects.<sup>4</sup></li> <li>• On the basis of HFAPoA, States/Cities will subsequently prepare the Annual Implementation Plans (AIPs) dividing the task upto 2022 in view of the availability of resources and priority in consultation with local representatives.</li> <li>• The HFAPoA and AIPs should be submitted to the Ministry after approval of State level Sanctioning and Monitoring Committee for assessment.<sup>5</sup></li> <li>• HFAPoA should be reviewed on a yearly basis to make changes in view of implementation of Annual Implementation Plan (AIP) in the preceding years.</li> <li>• Cities will prepare Detailed Project Report (DPRs) under each component of the Mission get approved by State Level Sanctioning and Monitoring Committee(SLSMC).</li> </ul>

“A compact area of at least 300 population or about 60-70 households of poorly built congested tenements, in unhygienic environment usually with inadequate infrastructure and lacking in proper sanitary and drinking water facilities”

<sup>4</sup> Jan Dhan Yojana/other bank account number and Aadhaar number/Voter ID card/any other unique identification details of intended beneficiaries or a certificate of house ownership from Revenue Authority of beneficiary’s native district will be integrated in the data base of HFAPoA for avoiding duplication of benefit to one individual family.

<sup>5</sup> Only In view of availability of finance and upon assessment of plan, CSMC may issue directions for change in HFAPoA and AIPs.

<p><b>Implementation Process</b></p>	<ul style="list-style-type: none"> <li>• States/UTs sign a Memorandum of Agreement (MoA) to participate in the mission by agreeing to mandatory conditions and other modalities</li> <li>• States/UTs will send proposals to the Ministry for inclusion of cities in the mission along with broad assessment of housing and resources requirement.</li> <li>• State/Cities will undertake a demand survey to assess the actual housing demand.</li> <li>• On the basis of demand survey and other available data, cities will prepare Housing for All Plan of Action (HFAPoA).</li> <li>• HFAPoA should contain the demand of housing by eligible beneficiaries in the city along with the interventions selected out of four components.<sup>6</sup></li> <li>• Beneficiaries will be validated by States/UTs and ULBs thereby ensuring their eligibility at the time of preparation of the projects and approval of projects.</li> <li>• On the basis of HFAPoA, States/Cities will subsequently prepare the Annual Implementation Plans (AIPs) dividing the task upto 2022 in view of the availability of resources and priority.</li> <li>• Draft HFAPoA and AIP should be discussed with the local representatives including MLAs and MPs of that area so that their views are adequately factored in while finalising the plans and beneficiary list.</li> <li>• Cities which have already prepared Slum Free City Plan of Action (SFCPoA) or any other housing plan with data on housing, should utilise the existing plan and data for preparing “Housing for All Plan of Action” (HFAPoA).</li> <li>• The HFAPoA and AIPs should be submitted to the Ministry after approval of State level Sanctioning and Monitoring Committee for assessment.<sup>7</sup></li> <li>• HFAPoA should be reviewed on a yearly basis to make changes in view of implementation of Annual Implementation Plan (AIP) in the preceding years.</li> <li>• Cities will prepare Detailed Project Report (DPRs) under each component of the Mission.</li> <li>• All DPRs should be approved by State Level Sanctioning and Monitoring Committee.</li> <li>• Urban Local Bodies should take into account the provisions of the City Development Plan, City Sanitation Plan etc. in preparing HFAPoA.</li> <li>• Beneficiary will be eligible for availing only a single benefit under any of the existing options i.e. slum redevelopment with private partner, credit link subsidy, direct subsidy to individual beneficiary and affordable housing in partnership.</li> </ul>
<p><b>Mandatory Conditions</b></p>	<ul style="list-style-type: none"> <li>• State/UTs to make suitable changes in the procedure and rules for obviating the need for separate Non Agricultural (NA) Permission if land already falls in the residential zone earmarked in Master Plan of city or area.</li> <li>• States/UTs shall prepare/amend their Master Plans earmarking land for Affordable Housing.</li> <li>• A System should be put in place to ensure single-window, time bound clearance for layout approval and building permissions at ULB level.</li> <li>• States/UTs shall adopt the approach of deemed building permission and layout approval on the basis of pre-approved lay outs and building plans for EWS/LIG housing or exempt approval for houses below certain built up area or plot area.</li> <li>• States/UTs would either legislate or amend existing rental laws on the lines of Model Tenancy Act being prepared by Ministry.</li> </ul>

<sup>6</sup> While preparing HFAPoA, State/UT and Implementing Agencies should also consider the affordable housing stock already available in the city as Census data suggests that large number of houses are vacant.

<sup>7</sup> Only in view of availability of finance and upon assessment of plan, CSMC may issue directions for change in HFAPoA and AIPs.



	<ul style="list-style-type: none"> <li>States/UTs shall provide additional FAR/FSI/TDR and relaxed density norms for slum redevelopment and low cost housing, if required.</li> </ul>
<p><b>Fund Release Mechanism</b></p>	<p><b>Mechanism for Release of Central Assistance except Credit Linked Subsidy</b></p> <ul style="list-style-type: none"> <li>Indicative State/UT wise allocation will be made based on urban population and estimated slum population or other criteria as may be decided by MoHUPA</li> <li>Central Assistance under different components will be released to the States/UTs after the approval of CSMC and with concurrence of the Integrated Financial Division (IFD) of the Ministry.</li> <li>Central share would be released in 3 installments of 40%, 40% and 20% each.</li> <li>Ministry, with the approval of CSMC, will release initial money for taking up preparatory activities for formulating HFAPoA after taking into consideration the number of cities covered under mission.</li> <li>States/UTs will submit Annual Implementation Plan (AIP)<sup>8</sup> each year for the next year in prescribed format</li> <li>After approval of Annual Implementation Plan (AIP) the State/UT will to submit details of the projects approved by SLSMC under different components of the mission as in prescribed format.</li> <li>CSMC would consider the project-wise information for releasing first installment of 40% of admissible Central share for each component.</li> <li>Second installment of 40% would be released based on 70% utilization of earlier central release along with State releases, and commensurate physical progress.</li> <li>The final installment of 20% of central assistance will be released subject to 70% utilization of earlier central releases and completion of projects including construction of houses and infrastructure, as may be applicable, in each project.</li> <li>Funds released to the city or any other implementing agency by State should be kept in a separate account opened for this Mission.</li> </ul> <p><b>Release of Central Assistance for credit linked subsidy component</b></p> <ul style="list-style-type: none"> <li>An advance subsidy will be released to each CNA at the start of the scheme. Subsequent amounts of credit linked subsidy will be released to the CNAs after 70 % utilization of earlier amounts, on quarterly basis</li> <li>0.1% of total fund disbursement by the CNAs to the PLIs will be paid to the CNAs for their administrative expenses.</li> <li>Subsidy will be credited by the PLI to the borrower's account upfront by deducting it from the principal loan amount of the borrower. The borrower will pay EMI as per lending rates on the remainder of the principal loan amount.</li> <li>In lieu of the processing fee for housing loan for the borrower under the scheme, PLIs will be given a lump sum amount of Rs. 1000 per sanctioned application.</li> <li>Beneficiary can apply for a housing loan directly or through the ULB or the local agencies identified by the State/ULBs for facilitating the applications from intended beneficiaries.</li> <li>In order to incentivize the designated staff of ULBs or NGOs a sum of Rs.250 per sanctioned application would be paid out of CLS Scheme funds payable through State Governments.</li> </ul>
<p><b>Convergence</b></p>	<p>National Urban Livelihood Mission, National Urban Health Mission, Sarv Siksha Abhiyan, Solar Mission etc. which target the urban poor. States/UTs to ensure convergence with relevant schemes in housing projects like Government of India has been implementing various schemes.</p>

<sup>8</sup> For the year 2015-16 i.e. for the first year of Mission, AIP will not be necessary

	MoUD would be requested to converge civic amenities and infrastructure development in outer areas of the cities Atal Mission for Rejuvenation and Urban Transformation of 500 cities (AMRUT)
<b>Capacity Building and A&amp;OE</b>	<p>5% of allocation is earmarked for capacity building, Information Education &amp; Communication (IEC) and Administrative &amp; Other Expenses (A&amp;OE). State level Technical Cell (SLTC) and City level Technical Cells (CLTC) with the approval of CSMC</p> <ul style="list-style-type: none"> <li>– SLTC with 5-10 professionals and CLTC with 2-4 professionals</li> <li>– Central assistance @ 75:25 and @ 90:10 in case of NE and special category States)State/UTs to draw up their quality monitoring and assurance plans involving third party agencies and Social Audit plan(100% financial assistance for undertaking social audit)</li> </ul> <p>Central Assistance @50:50 and @90:10 in case of NE and special category States, at most three visits</p> <p>Mission will empanel <b>Resource Centres for Capacity Building(CB)</b> activities. Allocation under this head will be utilised for carrying out various activities required for effective implementation of Mission.</p> <p>State may also empanel Resource Centres with prior approval of CSMC</p> <p>All CB and IEC activities approved by CSMC would be fully funded by Ministry</p> <p>Activities for Preparation of HFAPoA would be supported @ 75:25 and @90:10 in case of NE and special category States – Funds already released for preparation of SFCPoAs to be utilised before claiming support under HFAPoA. Data already collected under earlier schemes to be used for preparing HFAPoA.</p> <p>Norms regarding per capita cost etc. of various activities to be determined by CSMC. In the interim norms under earlier schemes would prevail.</p>
<b>Monitoring and Evaluation</b>	<p>Mission will be monitored at all three levels:</p> <ul style="list-style-type: none"> <li>• City, State and Central Government.</li> <li>• CSMC will monitor formulation of HFAPoA, Annual Implementation Plans (AIPs) and project implementation.</li> <li>• Suitable monitoring mechanisms will be developed by the Mission.</li> <li>• States and cities will also be required to develop monitoring mechanism for monitoring the progress of mission and its different components.</li> </ul>

#### **4. Heritage City Development and Augmentation Yojana (HRIDAY):**

Heritage City Development and Augmentation Yojana (HRIDAY) is launched by GoI, offering tremendous opportunity towards an integrated, inclusive and sustainable development of select heritage towns. It presents a paradigm shift in country's approach to city development, bringing together urban planning/economic growth and heritage conservation in an inclusive and integrated manner with focus on livelihoods, skills, cleanliness, security, accessibility and service delivery.

<b>Purpose</b>	Preserve and revitalise soul of the heritage city to reflect the city's unique character by encouraging aesthetically appealing, accessible, informative & secured environment. Undertake strategic and planned development of heritage cities aiming at improvement in overall quality of life with specific focus on sanitation, security, tourism, heritage revitalization and livelihoods retaining the city's cultural identity.
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<b>Duration</b>	The duration of HRIDAY schemes would be Four Years starting from December 2014.
<b>Objectives</b>	<p>The main objective of HRIDAY is to preserve character of the soul of heritage city and facilitate inclusive heritage linked urban development by exploring various avenues including involving private sector.</p> <p>Specific objectives are:</p> <p>(a) Planning, development and implementation of heritage sensitive infrastructure</p> <p>(b) Service delivery and infrastructure provisioning in core areas of historic city.</p> <p>(c) Preserve and revitalize heritage where tourists can connect directly with city's unique character.</p> <p>(d) Develop and document a heritage asset inventory of cities with natural, cultural, living and built heritage as a basis for urban planning, growth and service provision &amp; delivery.</p> <p>(e) Implementation and enhancement of basic services delivery with focus on sanitation services in improving tourist facilities/amenities</p> <p>(f) Local capacity enhancement for inclusive heritage-based industry</p> <p>(g) Create effective linkages between tourism and cultural facilities and also conservation of natural and built heritage</p> <p>(h) Urban heritage adaptive rehabilitation and maintenance, including appropriate technologies for historic buildings retrofitting</p> <p>(i) Establish and manage effective public private partnership for adaptive urban rehabilitation.</p> <p>(j) Development and promotion of core tangible economic activities to enhance avenues of livelihoods amongst stakeholders. This would also include necessary skill development amongst them including making public spaces accessible and developing cultural spaces</p> <p>(k) Making cities informative with use of modern ICT tools and making cities secure with modern surveillance and security apparatus like CCTV etc.</p> <p>(l) Increase accessibility i.e. physical access (roads as well as universal design) and intellectual access (i.e. digital heritage and GIS mapping of historical locations/ tourist maps and routes).</p>
<b>Thematic areas</b>	The scheme will broadly focus on four theme areas i.e. <b>Physical Infrastructure, Institutional Infrastructure, Economic Infrastructure &amp; Social Infrastructure</b>
<b>Mission components</b>	<ul style="list-style-type: none"> <li>• Heritage Documentation and Mapping leading to Heritage Management Plan</li> <li>• Heritage Revitalization linked to Service Provision</li> <li>• City Information/ Knowledge Management and Skill Development</li> </ul>
<b>Agreements</b>	<p><b>(i) Tripartite Agreement</b></p> <p>To facilitate effective implementation of the project a tripartite agreement with respective ULBs, States and MoUD will be signed. The agreement will prescribe the broad contours of the project and obligation on the part of each party i.e. Centre, States and ULBs.</p> <p><b>(ii) Bi- Party Agreement</b></p> <p>For utilizing the services of executing agencies, the National Mission Directorate will enter into an agreement with respective executing agencies. The agreement will prescribe the terms and conditions under which the services will be provided, the type of services, terms of payment etc.</p>
<b>Implementation Levels</b>	<b>A. National level :</b>

	<ul style="list-style-type: none"> <li>• <i>HRIDAY- National Empowered Committee (HNEC)</i></li> </ul> <p>A committee co-chaired by Secretary, MoUD and Chief Secretary of respective state</p> <ul style="list-style-type: none"> <li>• <i>Mission Directorate</i></li> </ul> <p>Mission Directorate will be headed by Additional /Joint Secretary level officer.</p> <p><b>B. City / ULB level :</b></p> <ul style="list-style-type: none"> <li>• <i>City level Advisory and Monitoring Committees(CLAMC)</i></li> </ul> <p>Composition of city level advisory and monitoring committees will be made under HRIDAY and it will be notified by State govt. The convenor for the meeting will be DM / Municipal Commissioner. It shall have representation of all stakeholders.</p> <ul style="list-style-type: none"> <li>• <i>Mission Directorate</i></li> </ul> <p>City/ ULB level Mission directorate would be constituted / notified at the State /ULB. It will be chaired by an Officer not below the rank of Chief Executive Officer / Municipal Commissioner of the ULB.</p>	
<b>Coverage</b>	<p>Scheme HRIDAY to focus on twelve heritage cities namely;</p> <ol style="list-style-type: none"> <li>1. Ajmer, Rajasthan</li> <li>2. Amravati, Andhra Pradesh</li> <li>3. Amritsar, Punjab</li> <li>4. Badami , Bagalkot district, Karnataka</li> <li>5. Dwarka, Gujarat</li> <li>6. Gaya, Bihar</li> </ol>	<ol style="list-style-type: none"> <li>7. Kanchipuram, Tamil Nadu</li> <li>8. Mathura, Uttar Pradesh</li> <li>9. Puri, Odisha</li> <li>10. Varanasi , Uttar Pradesh</li> <li>11. Velankanni, Tamil Nadu</li> <li>12. Warangal, Telangana</li> </ol>
<b>Funding mechanism</b>	<p>INR 500 Crores allocated to the Scheme allocated to the aforementioned heads</p> <ul style="list-style-type: none"> <li>• 85% Component I: HRIDAY Cities Project Implementation</li> <li>• 3% Component II: NPMU/City PMU Establishment and Operationalization at MOUD/City</li> <li>• 3% Component III: Capacity Development for Heritage Cities</li> <li>• 4% Component IV: DPR / Development of Heritage Management Plan</li> <li>• 4% Component V: Information, Education and Communications</li> <li>• 1% Component VI: Administrative &amp; Operating Expenses</li> </ul>	
<b>Strategy</b>	<p>Scheme strategizes its efforts like planning, development, implementation and management for ensuring the sustainable growth of selected heritage cities in partnership with State Governments.</p> <ul style="list-style-type: none"> <li>• Cities will be required to prepare Heritage Management and develop DPRs for identified projects for availing assistance.</li> <li>• HMP and DPRs may be developed by the National Mission Directorate/ City Mission Directorate and executed through PWOs/ SPVs/ CPSUs/ State Parastatals / NGO's of repute and fund will be allocated to Executing agencies by MoUD on the recommendation of Mission Directorate.</li> <li>• City PMU will be procured by National Mission Directorate and will function as secretariat to City Mission Directorate</li> </ul>	
<b>Implementation process</b>	<ul style="list-style-type: none"> <li>• Review and Evaluation of one existing DPR</li> <li>• Concept Plan for establishment / renovation of City Museum / Cultural Park</li> <li>• City HRIDAY Plan             <ol style="list-style-type: none"> <li>a. (Milestone 1)Finalization of Civic Infrastructure Development Plan (CIDP) for 5 Heritage Areas and creation of Prioritized Shelf of Projects City Specific Toolkits preparation along with Evaluation checklists (for DPR preparation and project implementation)</li> <li>b. (Milestone 2)Submission and approval of Final City HRIDAY Plan including</li> </ol> </li> </ul>	

	<p align="center">Civic Infrastructure Development Plan for all heritage areas in the City</p> <ul style="list-style-type: none"> <li>• Review and evaluation of New DPRs</li> <li>• HRIDAY linked Evaluation of Project Execution</li> <li>• Retainership Fees</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• The DPRs would be scrutinized by National Mission Directorate with the support of NPMU to ascertain technical soundness and economic viability.</li> <li>• The National Mission Directorate may seek for the services of technical wings of the ministry such as CPWD, CPHEEO, and TCPO and/ or technical agencies from market may also be hired.</li> <li>• This, however, shall not obviate the need for due diligence and vetting at city level by its own technical agencies.</li> </ul>
<b>Fund Release</b>	<p>The fund will be released to executing agencies by MoUD as under:</p> <ul style="list-style-type: none"> <li>• 20% (1st instalment) on approval of the project.</li> <li>• 60% (2nd instalment) on 20% physical and financial progress of the project</li> <li>• 20% (3rd instalment) on 60% physical and financial progress of the project</li> </ul> <p>Since base line / benchmarks in terms of achievements of physical targets will vary from project to project, therefore these will be firmed up while approving the specific projects.</p>

**5. Swachh Bharat Mission:**

The Swachh Bharat Mission (SBM) is jointly launched by the Ministry of Urban Development (MoUD) and Ministry of Drinking Water and Sanitation, GoI. The urban component of the mission is administered by the MoUD, GoI – with the aim to realise the vision of the National Urban Sanitation Policy 2008, i.e., all ULBs are totally sanitized, healthy and liveable and ensure and sustain good public health and environmental outcomes for all citizens with special focus on hygiene and affordable sanitation for the urban poor and women. The priority is to provide sanitation and household toilets in ULBs in the country.

The Swachh Bharat Mission aims to eliminate open defecation, eradicate manual scavenging, scientific disposal of solid wastes, bring behavioral changes on health sanitation practices, capacity building, etc., it aims to create favorable climate for private participation in both capex and opex. These objectives sought to be achieved by October 2, 2019 – 150<sup>th</sup> birth anniversary of Mahatma Gandhi. Its strategy is preparation of city sanitation plans, state sanitation strategy and to focus on special groups to provide gainful employment to manual scavengers, to integrate informal sector workers in SWM like rag pickers with formal sector, temporary toilets to construction workers, etc. The cost of implementation of different components of the mission are estimated at Rs. 62,009 crore of which GoI will contribute Rs. 14,623 crore, state to fund Rs. 4,874 crore and the remaining to be mobilized through private sector, CSR, beneficiary share, user charges, land leveraging, Swachh Bharat Kosh, borrowing and external assistance, etc.

<b>Components</b>	<p>The Mission components:</p> <ul style="list-style-type: none"> <li>• Household toilets, including conversion of insanitary latrines into pour-flush latrines;</li> <li>• Community toilets</li> <li>• Public toilets</li> <li>• Solid waste management</li> <li>• IEC &amp; Public Awareness</li> <li>• Capacity building</li> </ul>
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	<ul style="list-style-type: none"> <li>• Administrative &amp; Office Expenses (A&amp;OE)</li> </ul>																														
<b>Coverage</b>	All ULBs in the country																														
<b>Strategy</b>	<p>Mission strategy includes;</p> <ol style="list-style-type: none"> <li>Comprehensive sanitation planning, including preparation of                             <ul style="list-style-type: none"> <li>• State Sanitation Strategy</li> <li>• State Sanitation Concept</li> <li>• City Sanitation Plans</li> </ul> </li> <li>Behavioral change strategy and IEC</li> <li>Enabling environment for private sector participation</li> <li>Capacity building</li> <li>Special focus groups<sup>9</sup></li> </ol>																														
<b>Implementation Levels</b>	<p>SBM (Urban) has a three-tier mission management structure:</p> <p><b>National Level:</b></p> <ul style="list-style-type: none"> <li>• <b>National Advisory and Review Committee (NARC)</b> headed by the Secretary, MoUD, and comprises of representatives of relevant line ministries (to be notified by the MoUD)</li> <li>• <b>SBM National Mission Directorate</b> headed by the National Mission Director (NMD) (not below the rank of Joint Secretary to the Government of India).</li> </ul> <p><b>State Level:</b></p> <ul style="list-style-type: none"> <li>• <b>High Powered Committee (HPC)</b> <ul style="list-style-type: none"> <li>○ Chief Secretary with chairpersonship,</li> <li>○ members drawn from concerned departments and</li> <li>○ a MoUD representative.</li> </ul> </li> <li>• The <b>SBM State Mission Directorate</b> will be located within the Urban Development Department (UDD) in the State / UT.</li> </ul> <p><b>City Level:</b></p> <p>The ULBs should elicit the active participation of</p> <ul style="list-style-type: none"> <li>○ Ward Committees,</li> <li>○ Area Sabhas,</li> <li>○ Resident Welfare Associations,</li> <li>○ NGOs and Civil Society Groups.</li> </ul>																														
<b>Funding Mechanism</b>	<p>The estimated cost of implementation of SBM (Urban) is Rs. 62,009 Crore.</p> <table border="1"> <thead> <tr> <th>#</th> <th>Rs. In crores</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>Gol</td> <td>14,623</td> <td>23.6</td> </tr> <tr> <td>States min share</td> <td>4,864</td> <td>7.8</td> </tr> <tr> <td>Others ULBs/ PPP/ Public Contributions, etc.</td> <td>42,512</td> <td>68.6</td> </tr> </tbody> </table> <p><b>Component wise fund allocation (per unit):</b></p> <table border="1"> <thead> <tr> <th>Component</th> <th>Central Share (Rs.)</th> <th>Min State Contribution (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Household Toilets (per unit)</td> <td>4,000</td> <td>1,333</td> </tr> <tr> <td>Community Toilets (per seat)</td> <td>26,000</td> <td>8,666</td> </tr> <tr> <td>Solid Waste Management (per capita)</td> <td>240</td> <td>80</td> </tr> </tbody> </table> <p><b>Central grant for Solid Waste Management:</b></p> <table border="1"> <thead> <tr> <th>Town Population</th> <th>Central Grant (max) (Rs. in Crore)</th> <th>DPR Assistance (Rs. in Crore)</th> </tr> </thead> <tbody> <tr> <td>2 Lakh</td> <td>4.8</td> <td>0.24</td> </tr> </tbody> </table>	#	Rs. In crores	Percent	Gol	14,623	23.6	States min share	4,864	7.8	Others ULBs/ PPP/ Public Contributions, etc.	42,512	68.6	Component	Central Share (Rs.)	Min State Contribution (Rs.)	Household Toilets (per unit)	4,000	1,333	Community Toilets (per seat)	26,000	8,666	Solid Waste Management (per capita)	240	80	Town Population	Central Grant (max) (Rs. in Crore)	DPR Assistance (Rs. in Crore)	2 Lakh	4.8	0.24
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<sup>9</sup> Include manual scavengers, informal sector workers (rag pickers), migrants and homeless, construction labour and vulnerable sections such as pensioners, girl children, pregnant and lactating mothers

	5 Lakh	12.0	0.60
	10 Lakh	24.0	1.20
	Table source: Presentation of Joint Secretary, MoUD on Swachh Bharat Mission on Feb 7, 2015		
<b>Fund Release</b>	The Mission will be implemented with the following classification of funding to states/UT		
	<b>S.No.</b>	<b>Classification</b>	<b>Percentage Allocation (Central Govt. funding)</b>
	1	Project Fund based on Normative Criteria <sup>10</sup>	60%
	2	Performance Fund based on Performance Matrix <sup>11</sup>	20%
	3	Public Awareness & IEC Activities	15%*
	4	Capacity Building & A&OE	3%
	5	Research, Capacity Building & A&OE (MoUD)	2%
	<b>Total</b>	<b>100</b>	<b>14623</b>
	Note: * indicates 3% of which to be retained by MoUD		
	<b>The distribution of Project Fund</b>		
	<b>S.No.</b>	<b>Classification</b>	<b>Percentage Allocation (Central Govt. funding)</b>
	a	States/UTs other than the North-East	80%
	b	North-East States	10%
	c	Flexi Funds*	10%
	<b>Total</b>	<b>100</b>	<b>8773.8</b>
	<b>Note:</b> * indicates Flexi Funds in terms of the Department of Expenditure		
<b>Monitoring &amp; Evaluation (M&amp;E)</b>	States / UTs should send Monthly and Quarterly Progress Reports (QPRs) in prescribed formats.  A District Level Review and Monitoring Committee (DLRMC) will be constituted to ensure satisfactory monitoring of projects under the Chairpersonship of a Member of Parliament.		
<b>Issues and Concerns</b>	Some of the state wise contributions for Individual Household toilets have variations. Why?  What is Normative Criteria in funds classification?  What is a Performance matrix? How to define it.		

\*\*\*\*\*

<sup>10</sup> Normative criteria to be provided

<sup>11</sup> Performance matrix to be provided





## **4. Atal Mission for Rejuvenation and Urban Transformation (AMRUT)**

Prepared by  
Vaibhav Purandare & Hijam Eskoni Devi  
Sr. Knowledge Managers, CGG

### **Introduction**

India is urbanising and data from last two Censuses has indicated that it is urbanising at a faster rate than past. It is well acknowledged that urbanisation is going to be one of the important factors, which would define the trajectory of development. The urbanisation led by migration of rural population to urban areas in years to come is going to pose enormous challenges for urban governance – the way cities are being governed and the provision of urban services – how efficiently and effectively they are delivered to citizen on universal basis at an affordable cost. Therefore, Government of India has set the national priority to provide basic services such as water supply, sewerage, urban transport, etc., to households and build amenities in cities which will improve the quality of life for all, especially the poor and the disadvantaged.

Keeping these objectives in the forefront, GoI has launched Atal Mission for Rejuvenation and Urban Transformation (AMRUT) on 25 June 2015 to improve basic urban infrastructure in 500 cities/ towns which would be known as Mission cities/ towns. Learnings from the earlier Mission have shown that infrastructure creation should have a direct impact on the real needs of people, such as providing taps and toilet connections to all households. This means that the focus should be on infrastructure creation that has a direct link to provision of better services to people.

The purpose of AMRUT is to:

- (i) ensure that every household has access to a tap with assured supply of water and a sewerage connection;
- (ii) increase the amenity value of cities by developing greenery and well maintained open spaces (e.g. parks); and
- (iii) reduce pollution by switching to public transport or constructing facilities for non-motorized transport (e.g. walking and cycling).

All these outcomes are valued by citizens, particularly women, and indicators and standards have been prescribed by the Ministry of Urban Development (MoUD) in the form of Service Level Benchmarks (SLBs).

### **Duration and Coverage**

The Mission is being operated for five years from financial year 2015–16 to 2019–20 and aims to cover all cities and towns with a population of over one lakh with notified Urban Local Bodies (ULBs), including Cantonment Boards (civilian areas) and certain other cities like capital towns, some cities on stem of main rivers and tourist and hill destinations.

### **Components / Thrust Areas**

The components which are to be covered under the Mission are:

- i. water supply,
- ii. sewerage facilities and septage management,

- iii. storm water drains to reduce flooding,
- iv. pedestrian, non-motorized and public transport facilities, parking spaces, and
- v. enhancing amenity value of cities by creating and upgrading green spaces, parks and recreation centers, especially for children.

**Fund Allocation**

The total outlay for AMRUT is Rs. 50,000 crore for five years, i.e., Financial Year (FY) 2015-16 to 2019-20 and consists of the following four parts:

- i. Project fund - 80% of the annual budgetary allocation.
- ii. Incentive for Reforms - 10% of the annual budgetary allocation.
- iii. State funds for Administrative & Office Expenses (A&OE) – 8% of the annual budgetary allocation
- iv. MoUD funds for A&OE - 2% of the annual budgetary allocation

However, for FY 2015-16 the project fund would be 90% of the annual budgetary allocation as incentive for Reforms will be given only from FY 2016-17 onwards.

**Funding Pattern**

The funding pattern of admissible projects under the mission indicating the share of Central Government/State Government/ ULBs/private sector is given below:

**Table 1: Projects and Funding Pattern under AMRUT**

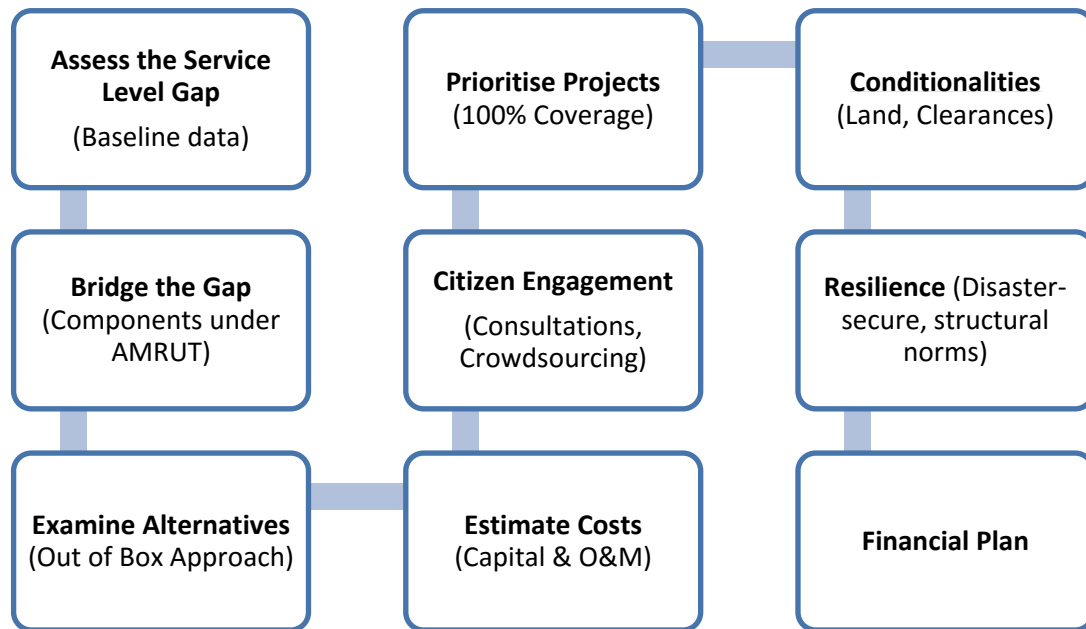
#	Projects / Project Components	Funding Pattern
1.	<b>Water Supply:</b> <ul style="list-style-type: none"> <li>• New, augmentation &amp; rehabilitation of water supply system.</li> <li>• Rejuvenation of water bodies for water supply &amp; recharge of ground water.</li> <li>• Special arrangements for difficult areas, hills &amp; coastal cities.</li> </ul>	<ul style="list-style-type: none"> <li>• One-third of the project cost as grant from Gol for cities with a population of above 10 lakh.</li> <li>• One-half of the project cost as grant for cities/towns with population up to 10 lakh.</li> <li>• Balance funding by State Governments / ULBs or through private investment.</li> </ul>
2.	<b>Sewerage:</b> <ul style="list-style-type: none"> <li>• New, augmentation and rehabilitation of sewerage systems and treatment plants.</li> <li>• Recycling water for beneficial purposes, and</li> <li>• Reuse of waste water.</li> </ul>	
3.	<b>Septage:</b> <ul style="list-style-type: none"> <li>• Faecal sludge management – (cleaning, transporting and treatment), particularly mechanical &amp; biological cleaning of septic tanks and sewers.</li> </ul>	
4.	<b>Storm water drains:</b> <ul style="list-style-type: none"> <li>• Construction &amp; improvement of drains &amp; storm water drains</li> </ul>	
5.	<b>Urban transport:</b> <ul style="list-style-type: none"> <li>• Sidewalks, foot over bridges, nonmotorized transport, buses, BRTS, multilevel parking, waterways and ferry vessels.</li> </ul>	
6.	Development of green spaces and parks with special provision for child-friendly components. For parks, ULBs will have to establish a system for maintenance with local resident participation.	One-half of the project cost by Gol*
7.	Capacity Building and Reforms support	Full cost by Gol, based on existing norms & unit costs set by Apex Committee.
8.	A&OE (PMU/PIU/DPR cost, etc.)	

Note: \* = The total expenditure on these projects will not exceed 2.5% of the State Annual Action Plan (SAAP).

**Preparation of Service Level Improvement Plans (SLIPs)**

The primary purpose is to cover all households with water supply and sewerage. For this, Service Level Improvement Plan (SLIP) has to be prepared by ULBs and the strategic steps are given below:

**Figure 1: Steps in Preparation of Service Level Improvement Plan (SLIP)**



**State Annual Action Plan (SAAP)**

The basic building block for the SAAP will be the SLIPs prepared by the ULBs. At the State level, the SLIPs of all Mission cities will be aggregated into the SAAP. Therefore, the SAAP is basically a State level service improvement plan indicating the year-wise improvements in water-supply and sewerage connections to households.

The States will decide on the inter-ULB allocation based on gap analysis and financial strength of ULBs and choose those ULBs in the first year that have higher gaps in provision of water supply and sewerage. It should be noted that the projects being proposed to the MoUD in the SAAP will include O & M for at least five years to be funded by way of levy of user charges or other revenue streams. The State contribution to the SAAP will not be less than 20 percent of the total project cost.\

Importantly, at the State level the SAAP should only contain those projects where complete project cost is completely linked with revenue sources. This will include dovetailing with other sectoral and financial programmes of the Centre and State Governments. A useful way is to create a Financial Intermediary, also a Reform in the AMRUT, in order to pool funds from all sources and release funds to ULBs in time. During the process of developing the SAAP, the States/UTs should explore the possibility of using Public Private Partnerships (PPP), which should be the preferred execution model.

## Execution of Mission

Projects will be executed by ULBs. In case the ULBs do not have adequate capacity to handle projects, they may by passing a resolution to entrust the execution of the projects by specialized parastatal agencies of the State or Central Governments and by entering into a tripartite Memorandum of Understanding (MoU) amongst the State Government and the specialized Parastatal agencies.

The MoUD will not give project-by-project approvals or technically sanction project DPRs; the States/UTs will be solely responsible for these activities. The flow chart given below gives the details of the complete process of planning, approval and implementation of the AMRUT.

**Figure 2: Project Execution Steps under AMRUT**



## Release of Funds

The funds will be released in three instalments of 20:40:40. each Mission City will be given an advance of Rs. 25 lakh for preparation of SLIP/individual capacity building which will come from the ULB's share of the A&OE funds and will be adjusted in its share at the time of release of the first instalment. The first instalment will be released immediately after approval of the SAAP by the Apex Committee. The second and third instalment will be released on receipt of (i) Score Card, (ii) utilization certificates, and (iii) Project Funds Request.

These documents should show, (i) utilisation of 75% of the amount already released by the Centre and State Governments, (ii) utilization of the State/ULB/Private Sector shares, and (iii) meeting the service level milestones as assured in the roadmap contained in SAAP and certified in the report of the Independent Review And Monitoring Agency (IRMA). Importantly, release of the second and third instalments of central assistance will be subject to, (a) mobilizing the assured resources as given in the SAAP by the States/UTs, and (b) any other conditions imposed by the SHPSC and the Apex Committee.

**Urban Reforms**

The Mission mandates a set of 11 Reforms which have to be implemented by all the States and 500 Mission cities within a period of four years. For support reform implementation, AMRUT incentivizes Reforms implementation by setting aside 10% funds as incentives for States/ULBs. The incentive fund will be in addition to the Central Share as allocated annually. The list of reforms is as follows:

**Table 2: List of Reform with Timeline for Implementation**

#	Type	Milestones	Timeline
1	e-Governance	<b>Digital ULBs</b> 1. Creation of ULB website 2. Publication of e-newsletter <b>Digital India Initiatives</b> 3. Support Digital India (ducting to be done on PPP mode or by the ULB itself)	6 months 6 months 6 months
		<b>Coverage with E-MAAS (from the date of hosting the software)</b> <ul style="list-style-type: none"> <li>• Registration of Birth, Death and Marriage</li> <li>• Water &amp; Sewerage Charges</li> <li>• Grievance Redressal</li> <li>• Property Tax</li> <li>• Advertisement tax</li> <li>• Issuance of Licenses</li> <li>• Building Permissions</li> <li>• Mutations</li> <li>• Payroll</li> <li>• Pension</li> </ul>	24 months
		<ul style="list-style-type: none"> <li>• e-Procurement</li> <li>• Personnel Staff management Project</li> </ul>	36 months
2	Constitution and Professionalization of Municipal Cadre	1. Establishment of municipal cadre	24 months
		2. Cadre linked training	24 months
		3. Policy for engagement of interns in ULBs and implementation	12 months
		4. The State will prepare a Policy for Right-sizing the number of municipal functionaries depending on, say, population of the ULB, generation of internal resources and expenditure on salaries	36 months
3	Augmenting Double Entry Accounting	1. Complete migration to double entry accounting system and obtaining an audit certificate to the effect from FY2012-13 onwards	12 months
		2. Appointment of internal auditor	24 months
		3. Publication of annual financial statement on website	Every Year
4	Urban Planning & City level Plans	1. Preparation of Master Plan using GIS	48 months
		2. Preparation of SLIP, SAAP	6 months
		3. Establish Urban Development Authorities	36 months
		4. Make action plan to progressively increase Green cover in cities to 15% in 5 years	6 months
		5. Develop at least one Children Park every year in	Every Year

#	Type	Milestones	Timeline
		AMRUT cities	
		6. Establish a system for maintaining of parks, playground and recreational areas relying on PPPP model	12 months
		5. Make a State level policy to implement the parameters given in National Mission for Sustainable Habitat	24 months
5	<b>Devolution of Funds and Functions</b>	1. Ensure transfer of 14th FC devolution to ULBs	6 months
		2. Appointment of State Finance Commission (SFC) and making decisions	12 months
		3. Implementation of SFC recommendations within timeline	18 months
		4. Transfer of all 18 functions to ULBs	12 months
6	<b>Review of Building by-laws</b>	1. Revision of building bye laws periodically	12 months
		2. State to formulate a policy and action plan for having a solar roof top in all buildings having an area greater than 500 sq.m. & all public buildings	12-24 months
		3. State to formulate a policy and action plan for having RWH in all commercial, public buildings & new buildings on plots of 300 sq. meters and above	12-24 months
		4. Create single window clearance for all approvals to give building permissions	12 months
7	<b>Set-up financial intermediary at state level</b>	Establish and operationalize financial intermediary-pool finance, access external funds, float municipal bonds	12-18 months
8 (a)	<b>Municipal Tax &amp; Fees Improvement</b>	1. At least 90% coverage 2. At least 90% collection 3. Make a policy to, periodically revise property tax, levy charges and other fees 4. Post DCB of tax details on the website 5. Achieve full potential of advertisement revenue by making a policy for destination specific potential having dynamic pricing module	12 months
8 (b)	<b>Improvement in Levy &amp; Collection of User Charges</b>	1. Adopt a policy on user charges for individual & institutional assessments in which a differential rate is charged for water use & adequate safeguards in the interests of the vulnerable 2. Make action plan to reduce water losses to less than 20% and publish on the website 3. Separate accounts for user charges 4. At least 90% billing 5. At least 90% collection	12 months
9	<b>Credit Rating</b>	Complete the credit ratings of the ULBs	18 months
10	<b>Energy and Water audit</b>	1. Energy (Street lights) & Water Audit (including NRW or losses audit)	12 months
		2. Making STPs and WTPs more energy efficient	12 months
		3. Optimize energy consumption in street lights by using energy efficient lights and increasing reliance on renewable energy	12 months

#	Type	Milestones	Timeline
		4. Give incentives for green buildings (e.g. rebate in property tax/charges for building permission/development charges)	24 months
11	<b>Swatch Bharat Mission</b>	1. Elimination of open defecation 2. Waste Collection (100%) 3. Transportation of Waste (100%) 4. Scientific Disposal (100%)	36 months

### Capacity Building

States will take up extensive Capacity Building Activities for their ULBs to achieve urban reforms and implement projects in Mission mode. They shall submit an annual plan for capacity building, as part of the SAAP, to MoUD for approval. The plan will have two components individual and institutional capacity building.

- **Individual Capacity Building:** The key features are demand driven periodic training, recognition of practices and functionalities, independent assessment of training outcomes and mentoring and peer networking.
- **Institutional Capacity Building:** The focus will be on building the institutional capacity of ULBs by using Consulting Firms and other entities.

### Monitoring of Projects

The Mission will be monitored real-time at the State and ULB level. Moreover, information and data will be shared with citizens in the public domain. There will be a quarterly external monitoring by the IRMA. The IRMA will submit the quarterly report to the ULB/parastatal and the SLTC. The State Mission Director will submit the action taken on the IRMA report at the time of claiming funds.

*Source: Ministry of Urban Development, Government of India; Mission Statement and Guidelines for AMRUT Mission; June 2015; New Delhi*

## 5. Status Service Delivery – Water Supply and Sanitation

Prepared by  
Vaibhav Purandare & Hijam Eskoni Devi  
Sr. Knowledge Managers, CGG

### Objective of the Session

The participants will be able to have a basic understanding of urban services, key issues and their prospective solutions. Participants will have enhanced skill and knowledge on following areas:

- Gaining the overview of water supply and sanitation sector – Policies, Role of the Government and Major Programmes
- Service Delivery Mechanism in Urban Water Supply and Sanitation Sector
- Service Level Benchmarking
- Present Service Level: India and Jharkhand
- Importance of Financial Sustainability

### Trends in Urban Population

The results of the 2001 and 2011 Census indicate that the urban population evolved from 286 million in 2001 to 377 million in 2011. The share of the urban population represented slightly higher than 28% of a total population of 1,028 million in 2001 and slightly more than 31% of a total population of 1,211 million in 2011. It is estimated that the urban population will reach 590 million or about 40% of the total population of 1,470 million in 2030<sup>12</sup>.

The most urbanised states are National Capital Territory of Delhi (with ~98% of the population classified as urban), Tamil Nadu (48.4%), Kerala (47.7%), Maharashtra (45.2%) and Gujarat (42.6%). Maharashtra, with an urban population of 50 million, represents about 13% of the India's total urban population; Tamil Nadu accounts for about 34 million and Gujarat for 25 million with 9.25 and 6.82% of India's total urban population respectively. Jharkhand has an urban population of 7.9 million with an urbanisation rate of 24.05% contributes about 2.10% to India's urban population.

### Service Delivery Mechanism in Urban Water Supply and Sanitation Sector

#### ***Role of the Central Government***

The responsibility for the urban water supply and sanitation (WSS) sector in India is divided between the central and state governments. The central government is responsible for regulation and development of inter-state rivers and river basins to the extent that such regulation is in the public interest. The central government also establishes the policy framework for the management of water resources and provides funds for WSS projects via the budgetary routes.

The Ministry of Urban Development (MoUD) is the principal department of the central government that coordinates urban WSS sector activities; the Central Public Health and Environmental Engineering Organization (CPHEEO) is its technical arm. The MoUD receives assistance from the Ministry of Health and Family Welfare, Ministry of Water Resources (MoWR), Ministry of

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<sup>12</sup> McKinsey Global Institute (2010), *India's Urban Awakening: Building Inclusive Cities and Sustaining Economic Growth*



Environment and Forests, and the National Institution for Transforming India (NITI) Aayog. The MoWR has some responsibility in the regulation of ground water.

**Table 6: Institutions related to Water Supply and Sanitation at Central Government Level**

#	Ministry	Institution	Responsibility
1.		NITI Aayog	Overall Guidance
2.	Ministry of Water Sources	Central Water Commission (CWC)	Central Policy Making
		Central Ground Water Board (CGWB)	Regulatory activities of ground water concerning quality and overexploitation
3.	Ministry of Environment and Forest	National Rivers Conservation Directorate (NRCD)	Responsible for river bodies
		Central Pollution Control Board (CPCB)	Pollution watch
4.	Ministry of Urban Development	Central Public Health Environmental Organization (CPHEEO)	Standard setting and harmonization between states
5.	Others	Housing and Urban Development Corporation (HUDCO)	Funding for housing and other infrastructure sectors

***Policies Formulated and Adopted by the Government of India***

Central government policies address issues of access to WSS, water resources management and decentralisation of management responsibilities. Provision of WSS services has been included in the first Five-Year Plan as a developmental priority, but it was not until the first National Water Policy of 1987 was formulated that drinking water was given priority over other water uses. In 2002, the central government put out another major water policy statement reinforcing the importance of drinking water over other uses, and introduced the concept of private sector participation, commercialization and cost recovery. It was again revised in 2012 to address issues such as the scarcity of water, inequities in its distribution and the lack of a unified perspective in planning, management, use of water resources and climate change. A brief of these policies are as follows:

- **National Water Policy (1987):** This policy assumed a holistic view of the water sector and advocated for the development of integrated information systems, conservation of resources, emphasis on multipurpose projects and periodic groundwater assessment. It also prioritised drinking water over other water uses and stated that water rates should not only convey the value of scarcity but also cover a portion of fixed costs and the annual maintenance and operation charges.
- **National Water Policy (2002):** The policy stipulates the progressive new approaches to water management including re-enforcement that drinking water is the top priority over competing water uses, monitoring and limitation of groundwater exploitation, monitoring and enforcement of water quality measures, and increasing awareness of conservation measures and water scarcity. One of the most notable features of the 2002 Policy is the proposal to increase private participation in the sector and access to commercial borrowing.
- **National Water Policy (2012):** The main emphasis of National Water Policy 2012 is to treat water as economic good which the ministry claims to promote its conservation and efficient use. This provision intended for the privatisation of water-delivery services is being criticized from

various quarters. The policy also does away with the priorities for water allocation mentioned in 1987 and 2002 versions of the policy. The other major features are

- To ensure access to a minimum quantity of potable water for essential health and hygiene to all citizens, available within easy reach of the household
  - To curtail subsidy to agricultural electricity users
  - Setting up of Water Regulatory Authority
  - To keep aside a portion of the river flow to meet the ecological needs and to ensure that the low and high flow releases correspond in time closely to the natural flow regime.
  - To give statutory powers to Water Users Associations to maintain the distribution system
  - Project benefited families to bear part of the cost of resettlement & rehabilitation of project affected families
  - To remove the large disparity between stipulations for water supply in urban areas and in rural areas
  - To support a National Water Framework Law
- **National Urban Sanitation Policy (NUSP) 2008:** The Government of India, Ministry of Urban Development released the National Urban Sanitation Policy in 2008. The Policy lays out a vision for urban sanitation in India. It instructs states to come up with their own detailed state-level urban sanitation strategies and City Sanitation Plans. It moots the idea of totally sanitised and open-defecation free cities as a target and the setting up of a multi-stakeholder City Sanitation Task Force (CSTF) to achieve this. Environmental considerations, public health implications and reaching the un-served and urban poor are given significant emphasis in the policy. Funding options are laid out including direct central and state support including through existing schemes, Public-Private Partnerships (PPPs), and external funding agencies. It directs that at least 20% of the funds should be earmarked towards servicing the urban poor.
  - **74<sup>th</sup> Constitutional Amendment Act (CAA):** The principal objectives of the 74<sup>th</sup> Constitutional Amendment Act (CAA) were to make the municipalities as institutions of self-government. The 74<sup>th</sup> CAA lists a whole range of functions and responsibilities as falling in the domain of ULBs. These include formulation of plans for economic development and social justice, urban planning, water supply, sanitation, solid waste management, public health, urban forestry, environmental protection, slum improvement and urban poverty alleviation, among others. The 12<sup>th</sup> Schedule of Constitution (Article 243 W) included Water supply for domestic, industrial and commercial purposes and Public health, sanitation, conservancy and solid waste management as the mandatory function of Urban Local Bodies (ULBs).

#### ***Major Programmes of Government of India for Improving Water Supply and Sanitation Services***

- **Accelerated Urban Water Supply Programme:** The Accelerated Urban Water Supply Programme (AUWSP) was a centrally sponsored programme for extending access to urban WSS infrastructure. It was launched in 1993-94 and aimed at extending WSS services to households of Class IV to VI cities and towns. Central government provided 50% of the funds and remaining by state governments. It is reported that till January 2003, AUWSP had sanctioned WSS schemes in 796 towns and completed or commissioned WSS schemes in 298 towns. Towns to be covered by the programme were selected by the state committees. In selection of towns, priority was given to those towns which had low per capita water supply, distant or deep water sources,

contaminated water sources, high incidence of water borne diseases or were located in drought prone areas. The guidelines for the selection of towns required that: (i) provision for sustainable O&M mechanism and incorporated in the Draft Project Report (DPR); (ii) a sustainable WSS tariff system approved by the State government to be incorporated in the DPR; and (iii) a provision be made for a 5% contribution from the ULB towards the project cost.

- Jawaharlal Nehru National Urban Renewal Mission (JNNURM):** In the context of slow implementation of 74<sup>th</sup> CAA and other reforms to improve municipal governance, finances and service delivery, the Government of India launched JNNURM in 2005 with an investment of about over one lakh crore rupees.<sup>13</sup> The Mission has two components viz., infrastructure strengthening and governance improvement. Under the Mission, 65 ULBs were selected and funds were given for identified projects to strengthen infrastructure in the areas of water supply, sewerage, sanitation, roads, urban renewal, etc. Water Supply and Sanitation sector were given priority. Mission has approved 186 and 122 projects for water supply and sanitation respectively out of total projects approved. Major portion of total approved cost under the Mission was approved towards for water supply (34.67%) and sanitation (24.30%). Similar pattern is observed for the non-Mission cities/towns under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).

**Table 7: Projects Approved under JNNURM and UIDSSMT**

#	Sector	Sanctioned	Approved Cost (Rs. in Lakh)	% of Total Approved Cost
<b>JNNURM*</b>				
1	Drainage/Storm Water drains	76	8,36,554	12.89
2	Roads/Flyovers/RoB	104	8,16,126	12.58
3	Water Supply	186	22,49,379	34.67
4	Urban Renewal	10	46,445	0.72
5	Sewerage	122	15,76,435	24.30
6	Mass Rapid Transport System	22	5,52,980	8.52
7	Other Transport System	17	79,065	1.22
8	Solid Waste Management	46	2,11,021	3.25
9	Development of Heritage Areas	7	22,543	0.35
10	Preservation of Water Bodies	4	11,671	0.18
11	Parking lots & Spaces on PPP	5	86,042	1.33
	<b>Total</b>	<b>599</b>	<b>64,88,261</b>	<b>100.00</b>
<b>UIDSSMT**</b>				
1	Storm Water Drainage	78	93,798	3.50
2	Road	221	2,48,616	9.27
3	Parking	1	37	0.00
4	Sewerage	156	8,02,804	29.94
5	Soil Erosion	4	2,647	0.10
6	Solid Waste Management	67	51,064	1.90
7	Urban Renewal	10	5250	0.20
8	Water Body	13	12,248	0.46
9	Water Supply	507	14,63,443	54.57
10	Heritage	1	1765	0.07

<sup>13</sup> Government of India, Ministry of Urban Development (2005), *Jawaharlal Nehru National Urban Renewal Mission – An Overview*, New Delhi.

#	Sector	Sanctioned	Approved Cost (Rs. in Lakh)	% of Total Approved Cost
	<b>Total</b>	<b>1,148</b>	<b>26,81,673</b>	<b>100.00</b>

Source: Ministry of Urban Development. \* As on 08.08.2014 \*\* As on 31.03.2014.

- Atal Mission for Rejuvenation and Urban Transformation (AMRUT):** The Mission was launched by the Prime Minister of India in June 2015 with the focus of the urban renewal projects to establish infrastructure that could ensure adequate robust coverage of water supply and sewerage networks for urban transformation. The guidelines of Mission clearly indicate that universal coverage of water and sewerage is a national priority and this is the first objective to be achieved by the States and ULBs. The Mission adopts an incremental approach for achieving other benchmarks of the water supply and sanitation sector through a gradual process. While estimating the cost of the projects, an important output will be the total requirement of funds for achieving universal coverage of water supply and sewerage, which has to be achieved during the mission period.

### **Water Supply and Sanitation are State Subject**

Apart from above described functions, all matters relating to the urban WSS sector are within the functional domain of State governments which lay down policies for the allocation of water for different purposes, and establish institutional systems for their development and management. Institutional arrangements vary from State to State: State-level Public Health Engineering Departments (PHEDs), specialized State-level WSS Boards, specialized city-level Boards, and Urban Local Bodies (ULBs) deal with urban WSS related issues. The 74<sup>th</sup> Constitutional Amendment Act (CAA) of 1992 envisages WSS for domestic, industrial, and commercial purposes to be one of the 18 functional responsibilities of ULBs. However, the devolution of Funds, Functions and Functionaries (3Fs) did not take places as envisaged and different states have adopted different mechanisms to deliver WSS services, which can be observed from table below. The main responsibility for planning and implementation of urban WSS programs in cities, which do not have their own WSS Boards was given to the State-level WSS Boards and PHEDs. However, the O&M responsibility is supposed to be passed on to ULBs upon completion of the works; but due to a lack of capacity and incentives, ULBs often leave State-level entities to carry out O&M functions.

**Table 8: Institutions responsible at State and ULB-Level for Water Supply and Sanitation**

#	Agency Type	Jurisdiction	Responsibilities		Examples
			Capital Works	O&M	
1.	State-level Specialist Agency (SSA)	Entire State	SSA		<ul style="list-style-type: none"> <li>• Kerala</li> </ul>
		Large Cities	SSA	City-level specialist agency	<ul style="list-style-type: none"> <li>• Uttar Pradesh</li> </ul>
		Small Cities	SSA	ULB	<ul style="list-style-type: none"> <li>• Karnataka</li> <li>• Maharashtra</li> <li>• Tamil Nadu</li> <li>• Uttar Pradesh</li> </ul>
2.	Public Health Engineering Department (PHED)	Entire State	PHED	ULB	<ul style="list-style-type: none"> <li>• Rajasthan</li> <li>• Chhattisgarh</li> </ul>
3.	Metropolitan-level Specialist Agency (MSA)	Metropolitan Centres	MSA	MSA	<ul style="list-style-type: none"> <li>• Bangalore</li> <li>• Chennai</li> </ul>

#	Agency Type	Jurisdiction	Responsibilities		Examples
			Capital Works	O&M	
					<ul style="list-style-type: none"> <li>Hyderabad</li> </ul>
4.	Municipal Departments	Large Municipal Corporations	ULBs	ULBs	<ul style="list-style-type: none"> <li>Maharashtra</li> </ul>

### Service Level Benchmarking

Benchmarking is a mechanism for introducing accountability in service delivery. Benchmarking is setting a minimum standard performance parameter that are commonly understood and used by all stakeholders. It would provide the cities to measure performance on various parameters and compare by establishing a point of reference. Sustained benchmarking can help ULBs and utilities in identifying performance gaps and effecting improvements through the sharing of information and good practices, ultimately resulting in better services to citizens.

Recognising the importance of improving service delivery, Government of India envisaged the operationalisation of SLB framework with the aim of developing framework for (i) Water Supply, (ii) Wastewater Management (Sewerage), (iii) Storm Water Drainage (SWD) and (iv) Solid Waste Management (SWM). The Ministry prepared and released a Handbook of Service Level Benchmarks (SLB), which provides (i) a common minimum framework for monitoring and reporting on service level indicators, and (ii) guidelines on how to operationalize this framework in a phased manner. The Handbook will facilitate a shift in focus in ULBs and Parastatal from infrastructure creation to delivery of service outcomes. It is expected that ULBs and utilities will begin to integrate benchmarking into their decision-making processes leading to improved quality of planning and project development.

**Table 9: Status of Service Delivery – Service Level Benchmarking 2010-11**

#	Indicators	Benchmark	#	Indicators	Benchmark
<b>Water Supply</b>			<b>Sewerage</b>		
1.	Coverage of Connections	100%	1.	Coverage of Toilets	100%
2.	Per Capita Supply	135 lpcd	2.	Coverage of Sewage Network Services	100%
3.	Metering of Connections	100%	3.	Collection Efficiency of Sewage Network	100%
4.	Non-Revenue Water	20%	4.	Adequacy of Sewage Treatment Capacity	100%
5.	Continuity of Supply	24 hrs	5.	Reuse and Recycling	20%
6.	Water Quality	100%	6.	Quality of Sewage Treatment	100%
7.	Complaint Redressal	80%	7.	Complaint Redressal	80%
8.	Cost Recovery	100%	8.	Cost Recovery	100%
9.	Efficiency in Collection of Charges	90%	9.	Efficiency in Collection of Charges	90%
<b>Solid Waste Management</b>			<b>Storm Water Drainage</b>		
1.	HH-level Coverage of Door-to-Door Collection	100%	1.	Coverage	100%
2.	Efficiency of Collection of MSW	100%	2.	Incidence of water logging/flooding	0
3.	Extent of Segregation	100%			
4.	Extent of MSW Recovered	80%			

#	Indicators	Benchmark	#	Indicators	Benchmark
5.	Scientific Disposal	100%			
6.	Complaint Redressal	80%			
7.	Cost Recovery	100%			
8.	Efficiency in Collection of Charges	90%			

Source: SLB Handbook 2008, Ministry of Urban Development, Government of India

The Thirteenth Finance Commission (13 FC) endorsed the SLB published by the MoUD and recommended publication of service levels of the ULBs each year and the proposals for improvement for the next financial year in the state gazette for accessing the general performance grant recommended by it. The Fourteenth Finance Commission (14 FC) reiterated in its recommendation to continue SLB notification by the ULBs as one of the eligibility conditions for accessing the performance grant it recommended. Data on all these 28 indicators is available only for those cities and towns which have notified the SLBs under 13 FC and given in table:

Table 10: Status of Service Delivery – Service Level Benchmarking 2010-11

Indicators	Benchmark	National	Andhra Pradesh	Bihar	Chhattisgarh	Gujarat	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Orissa	Rajasthan	Tripura	Uttar Pradesh
<b>Water Supply</b>															
Coverage of Connections	100%	53.6	37.6	17.0	25.8	77.0	74.4	64.5	36.9	45.7	67.8	25.7	66.4	27.9	37.3
Per Capita Supply (lpcd)	135	76.6	68.9	29.2	45.2	97.3	110.3	94.1	64.1	56.9	80.8	110.7	68.7	71.3	60.3
Metering of Connections	100%	43.0	2.9	0.0	11.6	27.1	43.7	43.4	79.4	4.8	50.1	1.0	38.2	0.0	14.7
Non-Revenue Water	20%	34.1	41.2	48.1	64.9	20.6	29.4	30.9	29.1	45.1	32.1	54.6	27.1	72.7	26.7
Continuity of Supply	24 hrs	3.1	1.5	4.7	2.9	2.0	5.3	2.5	8.8	1.1	2.3	2.1	1.1	2.5	6.3
Water Quality	100%	88.9	96.6	80.0	98.8	82.8	92.7	86.5	85.6	91.8	90.6	95.8	76.7	71.5	92.9
Complaint Redressal	80%	77.4	84.0	42.3	75.0	70.0	87.0	68.7	74.1	75.0	71.4	74.4	73.2	64.8	94.8
Cost Recovery	100%	40.5	52.6	31.9	25.8	50.2	27.7	26.4	43.1	25.0	66.6	27.6	18.8	12.6	38.0
Efficiency in Collection of Charges	90%	63.5	54.4	31.9	43.8	57.7	75.3	59.1	72.3	54.6	70.6	43.7	77.3	75.4	66.7
<b>Sewerage</b>															
Coverage of Toilets	100%	71.1	77.2	49.0	69.2	77.4	87.6	70.7	84.5	73.7	66.6	56.2	68.4	62.4	71.8
Coverage of Sewage Network Services	100%	49.5	30.7	25.0	9.7	61.5	41.1	50.6	17.5	17.6	54.5	53.8	42.4	0.0	31.2
Collection Efficiency of Sewage Network	100%	55.6	56.3	65.0	0.0	63.1	43.2	58.2	100.0	33.6	51.1	7.3	41.7	0.0	53.4
Adequacy of Sewage Treatment Capacity	100%	58.4	65.9	100.0	0.0	64.8	57.0	67.1	4.5	57.4	47.2	29.0	34.1	0.0	60.9
Reuse and Recycling	20%	52.2	2.7	55.0	0.0	64.7	29.2	16.5	0.0	13.3	58.0	1.0	10.0	0.0	88.0
Quality of Sewage Treatment	100%	50.5	98.2	0.0	0.0	20.4	91.3	62.3	0.0	72.5	16.6	83.3	90.0	0.0	13.0
Complaint Redressal	80%	64.9	80.3	50.0	66.8	61.9	86.0	65.3	80.0	76.5	62.6	56.2	73.0	0.0	77.6
Cost Recovery	100%	45.7	61.9	0.0	0.0	50.8	17.2	51.0	0.0	27.0	58.9	32.8	11.0	0.0	44.0
Efficiency in Collection of Charges	90%	63.5	60.7	0.0	0.0	57.8	85.1	43.4	0.0	53.0	66.7	68.4	85.0	0.0	66.4

Indicators	Benchmark	National	Andhra Pradesh	Bihar	Chhattisgarh	Gujarat	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Orissa	Rajasthan	Tripura	Uttar Pradesh
<b>Solid Waste Management</b>															
HH-level Coverage of Door-to-Door Collection	100%	57.2	72.7	23.8	20.1	79.2	23.7	49.9	16.0	26.0	66.3	45.6	26.8	52.8	26.1
Efficiency of Collection of MSW	100%	77.2	87.1	42.8	76.2	81.3	70.8	72.1	60.4	71.0	76.2	68.9	76.1	80.7	93.5
Extent of Segregation	100%	38.5	20.3	22.5	2.0	48.8	40.6	18.4	25.7	22.8	38.8	47.5	30.0	0.0	38.3
Extent of MSW Recovered	80%	48.2	12.2	0.0	1.6	59.4	44.2	63.6	27.8	16.7	38.8	58.6	15.4	15.9	26.5
Scientific Disposal	100%	48.9	3.6	0.0	0.0	61.3	10.0	34.7	55.7	53.5	44.7	34.0	0.0	0.0	0.0
Complaint Redressal	80%	68.4	83.6	52.5	75.9	67.7	76.7	66.2	56.1	76.8	65.7	58.2	73.5	100.0	78.1
Cost Recovery	100%	26.2	13.6		17.9	45.5	12.9	12.1	8.5	8.8	32.4	10.5	20.0	38.2	0.5
Efficiency in Collection of Charges	90%	47.6	65.4	12.5	44.7	55.1	64.0	36.5	77.5	42.9	42.2	45.0	0.0	76.4	37.6
<b>Storm Water Drainage</b>															
Coverage	100%	52.9	69.3	33.8	33.4	47.8	19.8	52.7	16.3	55.2	63.5	12.6	60.5	2.2	52.6
Incidence of water logging/ flooding	0	9.5	20.7	2.4	7.5	2.3	28.7	5.6	47.7	11.3	19.3	9.0	16.1	28.0	22.7

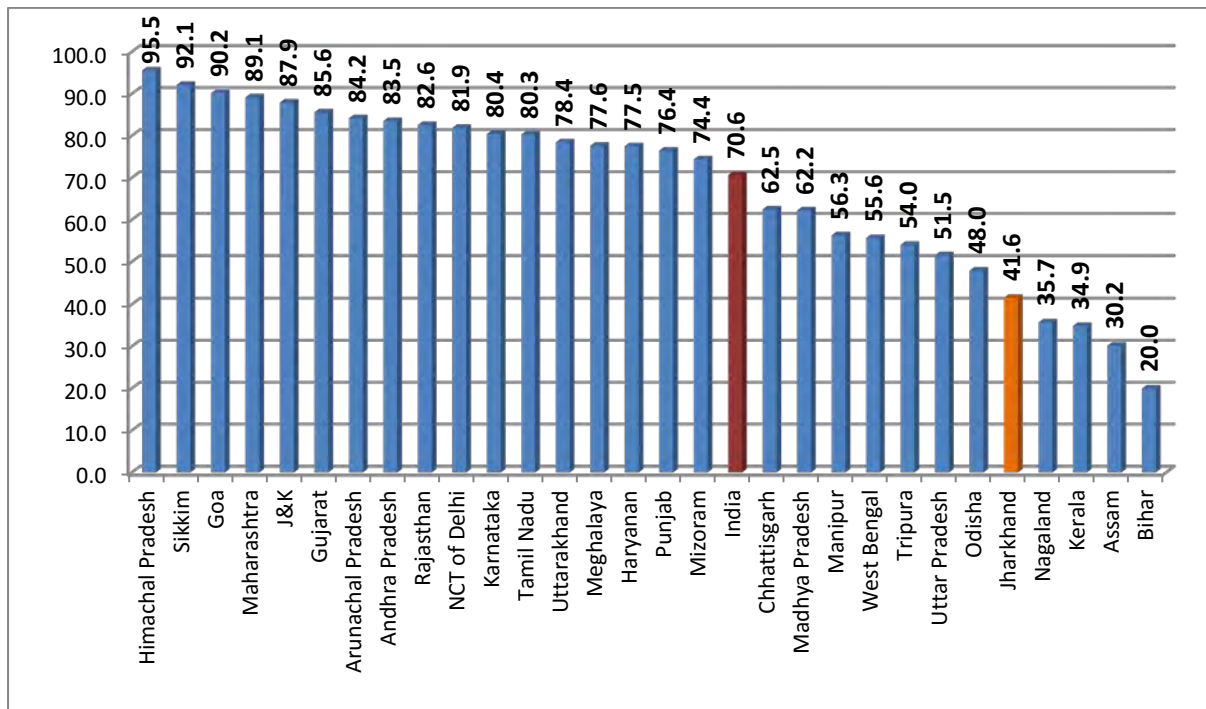
Source: Government of India, Ministry of Urban Development, Service Levels in Urban Water and Sanitation Sector: Status Report (2010-11), New Delhi.



## Present Service Level as per Census of India 2011

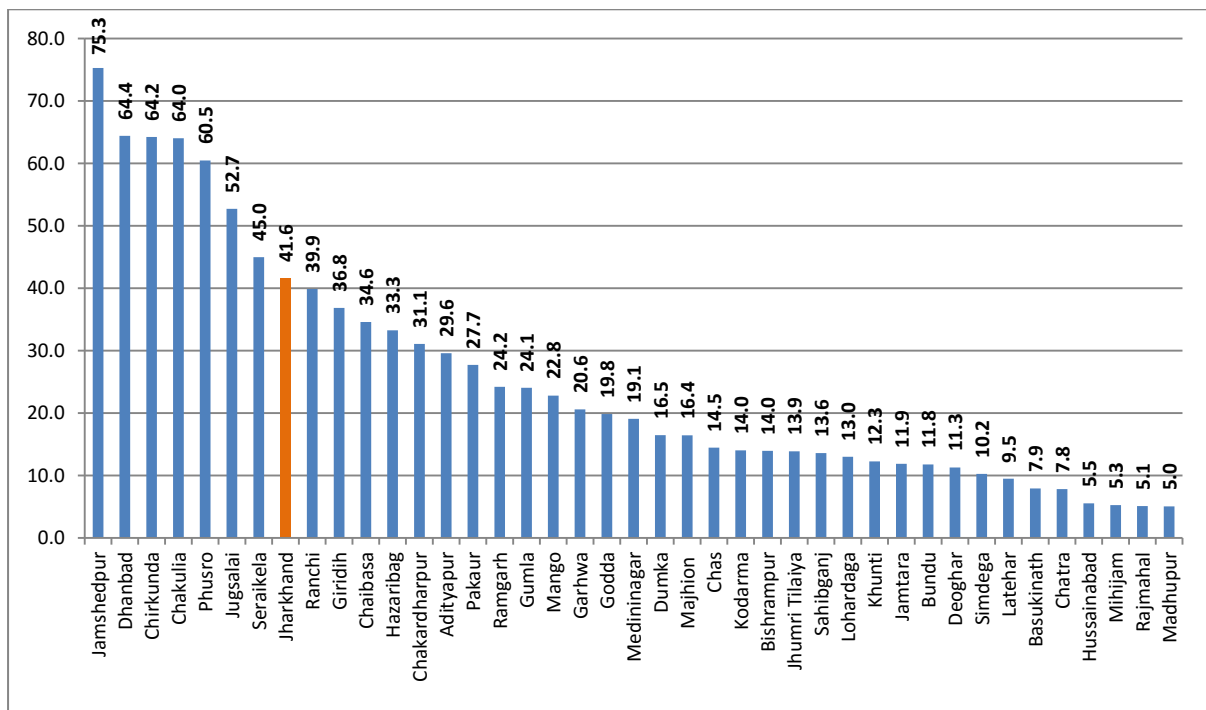
### Water Supply

#### Access to Water Supply (Tap) – State-wise



Source: Census of India 2011

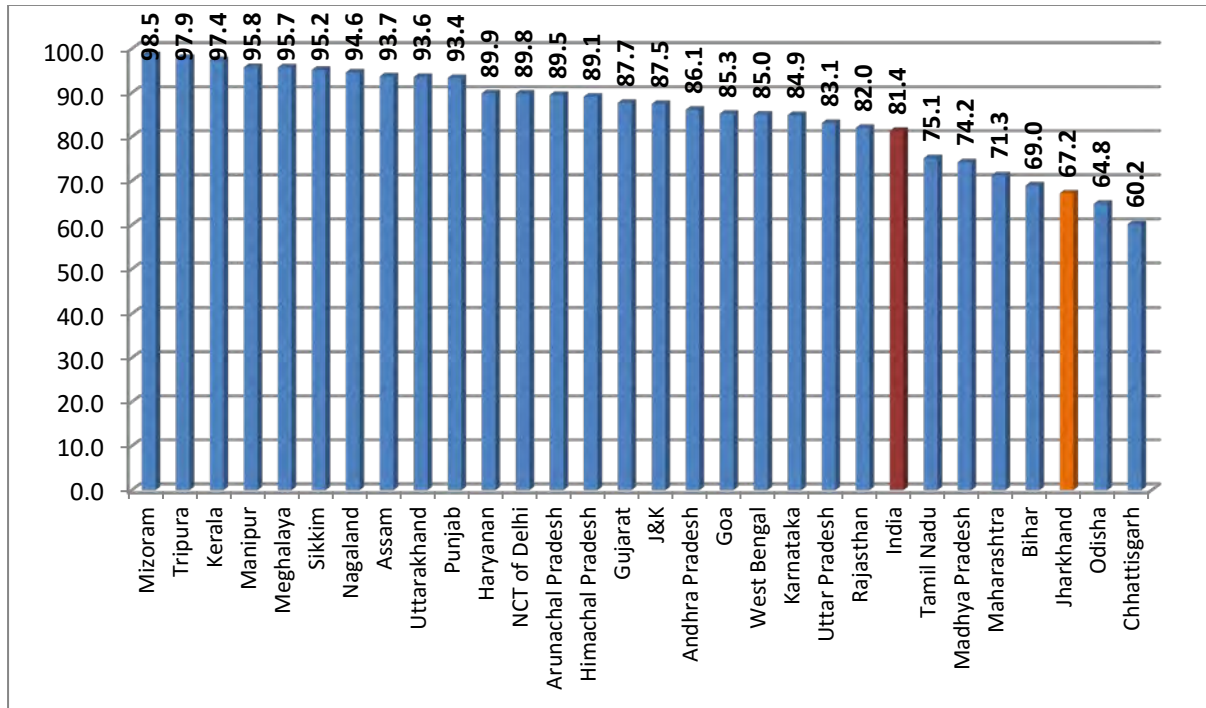
#### Access to Water Supply (Tap) – ULBs of Jharkhand



Source: Census of India 2011

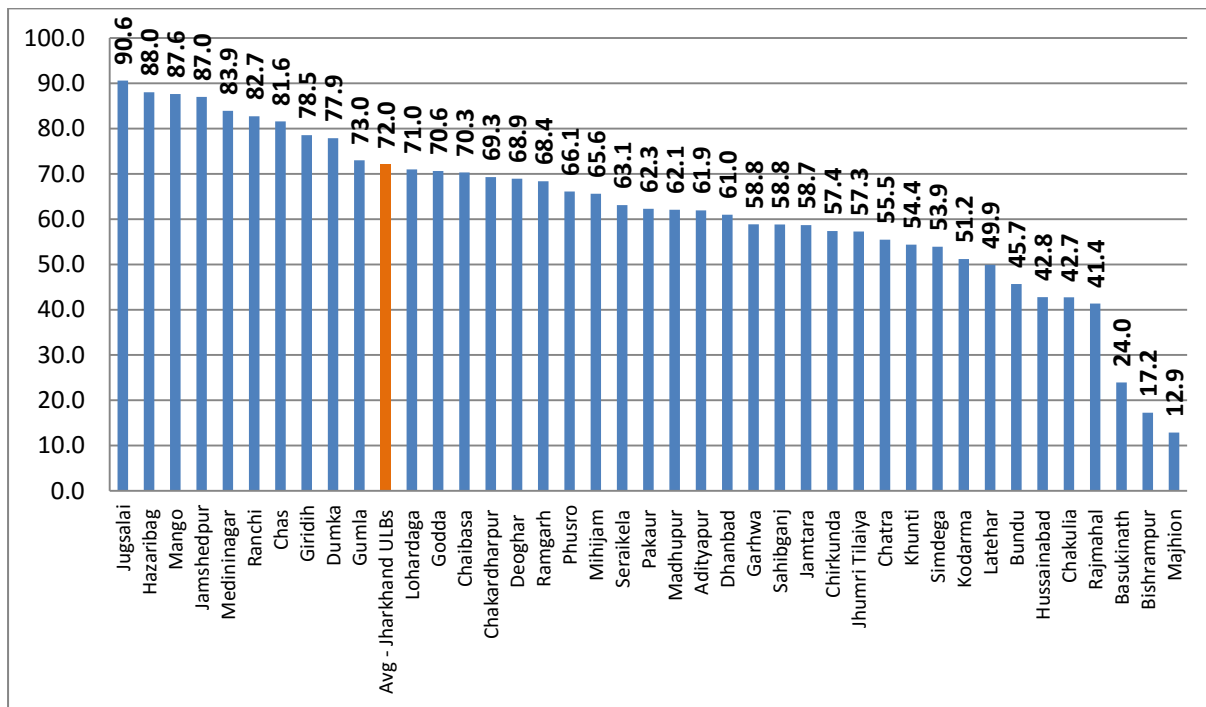
## Sewerage

### Access to Toilets – State-wise



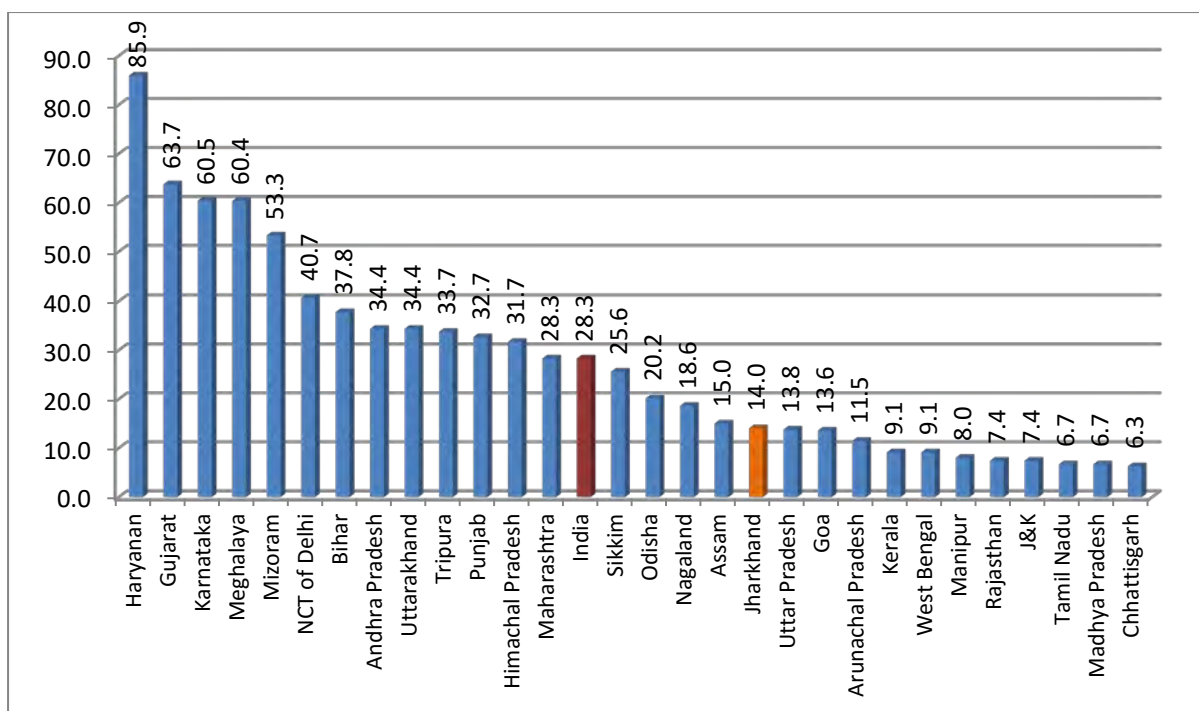
Source: Census of India 2011

### Access to Toilets (Safe Latrine) – ULBs of Jharkhand



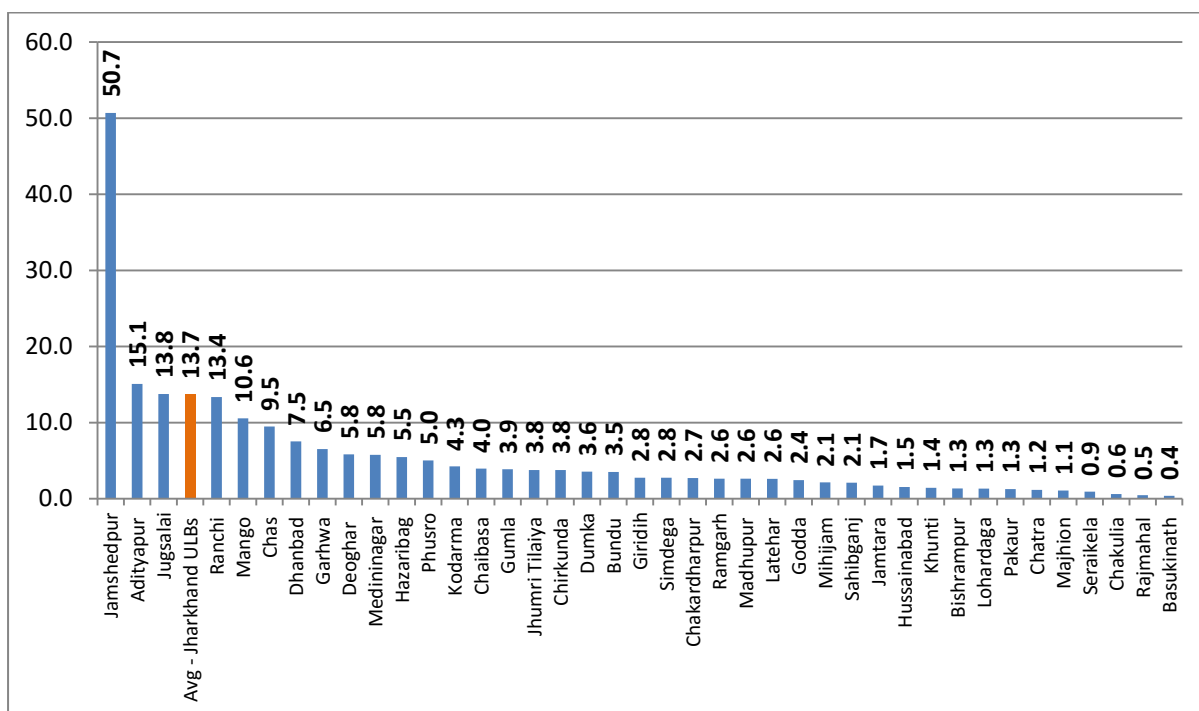
Source: Census of India 2011

Access to Sewerage – State-wise



Source: Census of India 2011

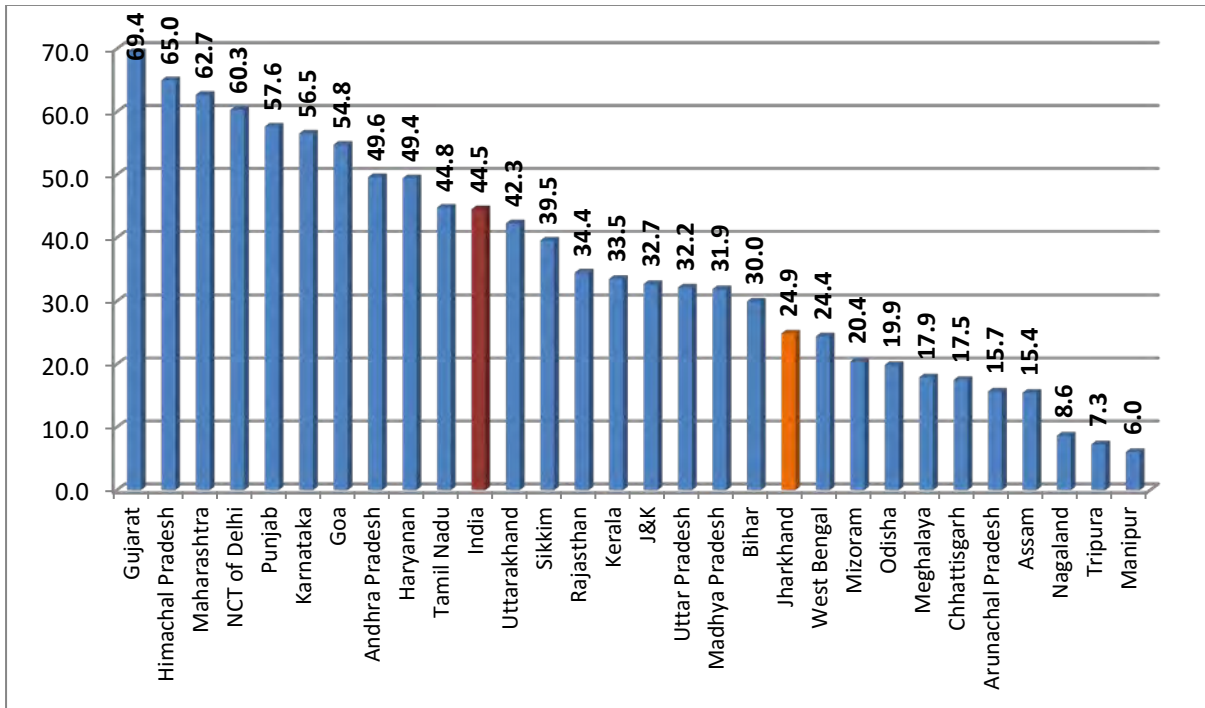
Access to Sewerage ((Sewerage, Open Drains, etc.) – ULBs of Jharkhand



Source: Census of India 2011

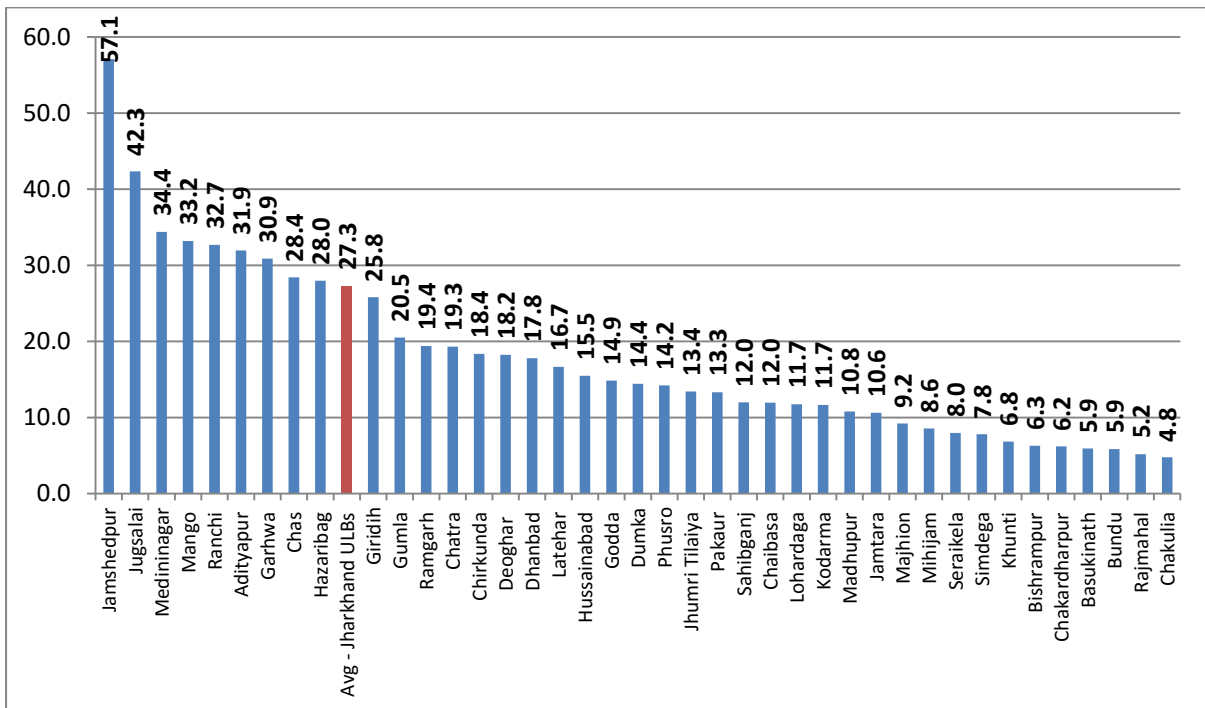
## Drainage Facility

### Access to Drainage – State-wise



Source: Census of India 2011

### Access to Drainage – ULBS of Jharkhand



Source: Census of India 2011

## **Financial Sustainability of WSS Services**

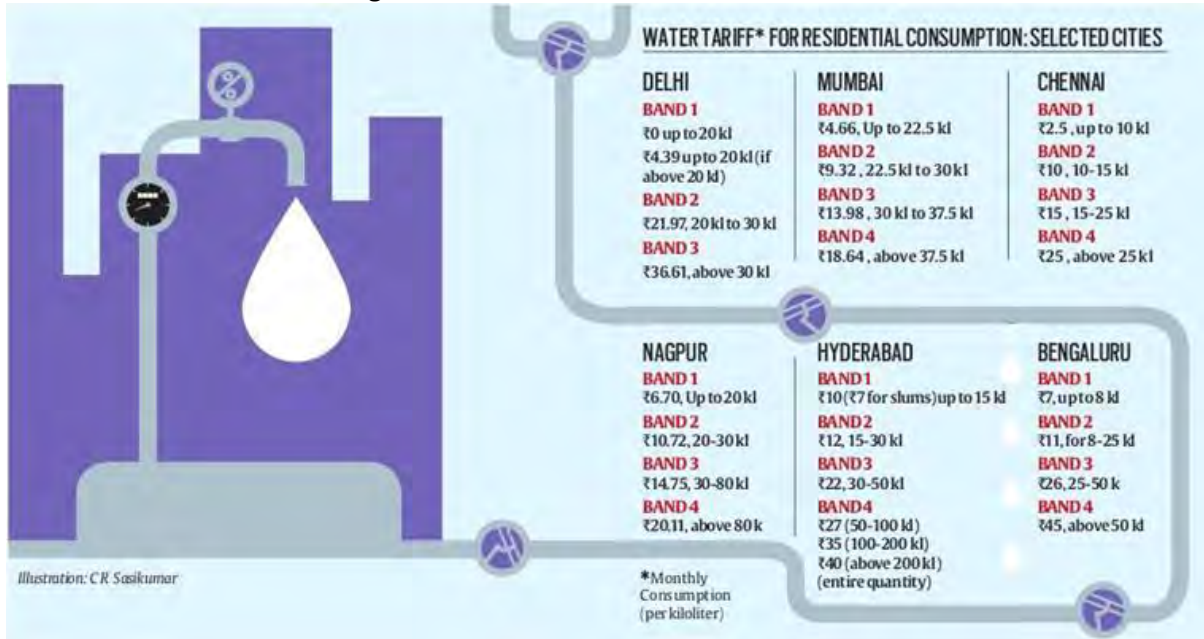
Best practice worldwide suggests that “financially sustainable” WSS service providers recover Operation and Maintenance (O&M) costs, and ideally capital costs, from user charges, rather than from taxes. Only a few Indian cities recover such costs. Revenues generated by most piped water systems have to be complemented by ULB and/or State fiscal transfers. Financial dependence of WSS operations has led to well below standard O&M, deterioration of WSS assets, poor level of service and, as a consequence, low willingness to charge by decision makers despite evidence of willingness to pay for a good quality service by users.

Despite advocacy from the Central government for financial self-sufficiency the current financial situation of the UWSS sector is alarming. Most WSS operations do not generate sufficient revenues to recover their O&M expenditures. The main factors contributing to the lack of financial sustainability are mostly; (i) poor financial management and accounting system; (ii) inadequate tariff level and distorted tariff structure; (iii) high capital and O&M costs; (iv) overstaffing; and (v) high level of Non-Revenue Water (NRW).

- **Poor Financial Management and Accounting Systems:** In most small to medium ULBs, WSS related revenues and expenses are handled and recorded in various departments within and outside of the municipality; this makes it difficult to provide a clear overview of the financial situation of WSS operations. There are many recorded and unrecorded subsidies in the accounts, and the cash based single entry accounting system widely used in India does not provide sufficient information for constructing accurate individual financial statements, needed to make sound management and investment decisions. ULB-based WSS operations are also handicapped by a limited degree of autonomy on staffing, often shared with other services, and on financial matters.
- **Inadequate Tariff Level and Distorted Tariff Structure:** With a low or even declining quality of service, decision makers are not willing to raise tariffs, despite a proven willingness to pay for improved WSS service. In the absence of systematic metering (only about 43% of the connections are metered – Table 5) and because the poor reliability of meter reading in a non permanent water supply situation, bills are often established on assessed consumptions or simply on a lump sum basis.

WSS tariff structures are complex and generally skewed to benefit high and middle income domestic consumers. Most tariff structures include a lifeline tariff aimed at low income households, which in fact benefits middle income households, as the poor seldom have access to piped water. The following figure provides details of volumetric tariff adopted by some of the cities:

Figure 4: Tariff Structure of Selected Cities



Source: Isher Judge Ahluwalia; *Cities at Crossroads: There's No Such Thing as Free Water*; Published in online Columns of The Indian Express dated 22 June 2016

- **High Capital and O&M Costs:** Because of the absence of reliable data, it is difficult to assess whether the WSS service is provided in an efficient manner. Standard design criteria which do not take into account elasticity of demand to pricing may be too generous, in particular in small towns. Planning of infrastructure development is often deficient and selection of new water sources or waste water treatment plants is not always done on the basis of a rational cost benefit analysis.
- **High Non-Revenue Water (NRW):** NRW which measures the amount of water that is produced but does not generate revenues includes, in addition to physical losses, metering inaccuracies, unbilled consumption and unauthorized consumption. Across India average NRW is estimated at 34% (Table 5).

### Suggestion for Improvement

- **Develop Performance Improvement Plans:** Even when ULB-level WSS agencies have been created, the performance of the WSS service is seldom monitored, beyond access to WSS infrastructure. States have provided and are still providing grants and/or loan guarantees without being able to properly monitor their outcomes. In addition to coverage, the key indicators to closely monitor should be: (i) technical indicators such as the permanence of the WSS service, unaccounted for water (UfW) and non revenue water (NRW), quality of water distributed and effluent discharged; (ii) efficiency indicators such as staffing ratio and energy consumption; (iii) commercial indicators such as metering, billing and collection ratios; and (iv) financial indicators such as working and operating ratios, cash contribution to the capital expenditure program (Capex), debt service coverage and debt/equity ratios. This would require that good practice in the urban WSS industry, such as bulk and individual metering and permanent supply to guarantee reliability of meter reading (in addition to protecting water quality) be introduced. This would also require that a major accounting

reform be implemented to convert the existing single entry cash accounting by a double entry accrual accounting.

- **Price the WSS Service According to Sound Principles:** Pricing of the WSS Service requires financial, economic, equity and simplicity objectives be met. To ensure financial sustainability of a WSS operation, user charges should generate revenues sufficient to cover O&M costs, asset depreciation and yield a return on WSS assets. In our context, an initial objective should be to recover O&M costs from user fees. For rapidly expanding WSS utilities, a contribution to the capital expenditure program (Capex) from internally generated revenues can also be used to estimate the appropriate level of average tariff.

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## 6. Municipal Finance

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### Objective of the Session

After reading this lesson, the participant will be in a position to explain:

- Various sources of revenue to ULBs in India,
- Classification of revenue sources,
- Classification of income for accounting purposes under NMAM
- Classification of expenditure in terms of revenue and capital
- Classification of expenditure in terms of its nature
- Classification of expenditure for accounting purpose under NMAM

### Municipal Fund

As it was discussed under the module of “Municipal Governance”, ULBs are created by State Legislatures and they assume authority through an Act passed by the Legislature. It was also discussed therein that the revenue sources to ULBs are also delegated by the Act.

Under Art.243X of the Constitution, as inserted by 74<sup>th</sup> Amendment, the Legislature of a State may, by law,-

- (a) authorise a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;
- (b) assign to a municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- (c) provide for making such grants-in-aid to the municipalities from the Consolidated Fund of the State; and
- (d) provide for constitution of such Funds for crediting all moneys received by or on behalf of the municipalities and also for the withdrawal of such moneys therefrom as may be specified in the law.

By reading the above provision, the municipalities may

- levy, collect and appropriate certain taxes , fees, tolls etc. ( may be called internal sources)
- be assigned some taxes levied and collected by State Government (external source)
- be provided with grants-in-aid by the State Government (also external source)

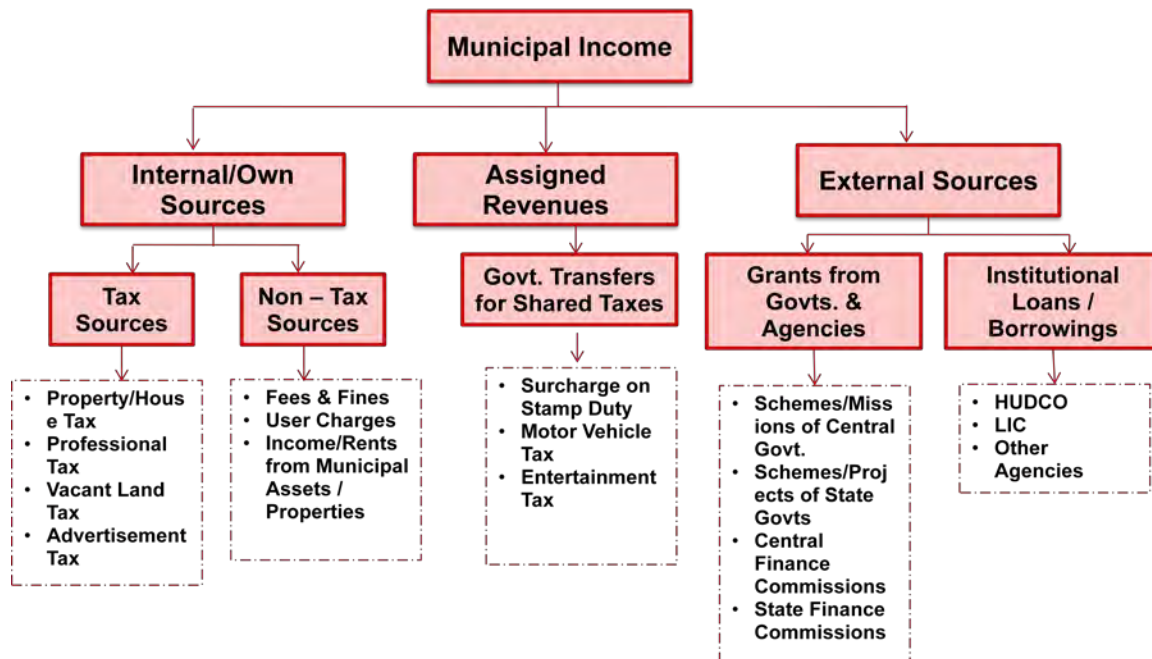
Secondly, the Constitution authorised the municipalities to have a Fund to receive the moneys and to withdraw moneys therefrom. It provides therefore that a municipality has to maintain a separate fund (called Municipal Fund) and operate the fund both for receipts as well as for expenditure.

### Municipal Revenue

As seen from the above para, the municipal revenues can be classified as follows. Majority of states in the country (in general) provided the municipalities with the following resources:



Figure: Sources of Municipal Income



## Taxes

- Property tax (Tax on buildings and lands)
- Tax on professions
- Tax on animals, carts and non-motored vehicles
- Advertisement tax

## Non taxes (in the form of fees, user charges and rents etc.)

- Trade licence fee
- Building licence fee
- Fee from markets and slaughter houses
- Extract fee from municipal records
- Water charges
- Sewerage charges
- Contributions to water supply/sewerage connections
- Betterment / Development / other town planning charges
- Rents from municipal shop rooms and buildings

**Assigned revenues** - Various States assign different taxes/levies to municipalities. Some of them are:

- Entertainment Tax
- Surcharge on stamp duty

## **Grants-in-aid**

Grants-in-aid may be in the form of general purpose grants or specific purpose grants. General purpose grant may be utilised for any purpose in the municipality, whereas specific purpose grant may be utilised for the purpose for which it is released. The grants may also be released by the state government as well as by central government. Sometimes grants may also be released from International agencies like USAID, JICA etc.

General purpose grants (also called as non-plan grants. They are released from State Governments)

- Compensations (reimbursement for abolition of certain municipal levies by the state like tolls and octroi etc.)
- Per capita grant
- Support to newly constituted municipalities
- State Finance Commission Grants

Specific purpose grants (also referred as plan grants). These grants are released both by State Government and Central Government.

### **Grants-in-aid by State Government**

- State contribution for various central government programmes
- Salary grant to municipal employees
- Environmental improvement of urban slums
- Economic support programmes for urban poor
- Provision of basic facilities in municipal schools
- Fencing of parks and playgrounds
- Municipal internal roads
- Water supply and sewerage improvements
- State-specific development/social welfare schemes
- State Housing schemes

### **Grants from Central Government**

- Swarna Jayanthi Sahari Rojgar Yojana (SJSRY)
- Swachh Bharat Mission
- Smart Cities Mission
- Atul Mission for Rejuvenation and Urban Transformation (AMRUT)
- Prime Minister's Awas Yojana (PMAY)
- Central Finance Commission Grants

Municipalities also get resources in the form of grant-in-aid from local and external donors, corporate and companies etc.

## **Borrowings/Loans**

The ULBs borrow loans from financial institutions like HUDCO, LIC and banks. In some cases borrowings can also be taken from International agencies like World Bank, IMF, USAID and JICA etc.

Some ULBs also raise loans through capital market/municipal bonds. The borrowings are generally raised with the guarantee of State Governments.

As seen above, the municipal revenues will be in the form of (i) taxes, (ii) non-taxes, (iii) assigned revenues (iv) grants-in-aid and (v) borrowings. While items (i) and (ii) are considered internal revenues; Items (iii), (iv) and (v) are considered as external sources.

### **Classification of 'Income' for accounting purpose**

As a measure of accounting reforms, the municipal accounts have to be prepared under accrual system of accounting and the accounts have to be prepared as per the procedure prescribed under National Municipal Accounting Manual (NMAM).

'Income' under accrual system of accounting means the amount receivable as well as the amount actually received. Accrual based system of accounting attempts to record the financial effect of transaction in the period in which they occur, rather than recording them in the period in which cash is actually received. Incomes are reflected in the period in which they accrue; and the demand assessed and receivable shall be accounted in respective Income Receivable Accounts. The items levied and collected against demand cover property tax, water charges, trade licence fees, market rentals, rentals from shop rooms and non-plan (non-specific) grants etc. The items of incomes, which are not ascertainable in advance have to be recognised on collection basis, i.e., income for which no demand is raised has to be recognised only after collection. They are for example, distraint fee/warrant fee, transfer of title fees, water tanker charges, road cutting charges, building licence fee, copy application fees and miscellaneous sales etc. There is no receivable account for these incomes. The receipt is directly credited to the respective income account

Under NMAM, the income of the municipality is classified into (i) revenue income and (ii) capital income. Revenue income means ordinary income through taxes, fees, user charges, devolutions, non-plan grants etc. Capital income means income other than revenue income, e.g., plan grants, loans, income through sale of assets. In other words, capital receipts are liabilities and liabilities are claims of outsiders against the assets of ULB.

### **The classification of Revenue Income under NMAM is**

- (1) Tax Revenue: All tax related incomes like property tax, vehicle tax, tax on animals, advertisement tax, octroi and toll etc.
- (2) Assigned revenues and compensations: Taxes and Duties collected by others and assigned to municipalities and compensation in lieu of taxes/duties/concessions.
- (3) Rental income: From municipal properties like markets, function halls, staff quarters, parking places, shopping complexes, office buildings, guest houses and lands etc.
- (4) Fees and user charges: Registration charges for contractors, trade licence fee, encroachment fee, building permit fee, fee for grant of permits, fee for extracts of municipal records, development charges, penalties, fines and various user charges.
- (5) Sale and hire charges: Sale of products like tree guards, house number plates, rubbish, garbage etc., sale of tender schedules, sale of obsolete stores, hire charges of road rollers, equipment etc.

- (6) Revenue grants, contributions and subsidies: Revenue grants like road maintenance grant, per-capita grant, reimbursement of election expenses and contribution towards schemes etc.
- (7) Income from investments: Interest on fixed deposits and dividends on debentures or mutual funds etc.
- (8) Interest earned: interest from SB accounts and interest on loans and advances given to employees etc.
- (9) Other income: Any income not covered above.

**Similarly, capital income is also classified as**

- (1) Earmarked/Special Funds: City development fund, urban poverty fund, sinking fund, pension fund, GPF fund, employee welfare fund etc.
- (2) Grants/Contributions for specific purposes: Grants from central government, state government, other government agencies, and international organizations.
- (3) Secured/Unsecured Loans (Borrowings): Loans from central government, state government, government agencies, international agencies, banking and financial institutions etc
- (4) Deposit works: Deposit works from central government agencies, state government agencies and other institutions.
- (5) Deposits: Deposits from contractors and suppliers, rental deposits, security deposits from employees etc.
- (6) Payables: Payables to contractors, suppliers, employees, payables to other government agencies (recovered from contractors and employees ) like TDS, VAT, GPF, bank installments etc
- (7) Other liabilities: Any liability not covered above.

**Municipal Expenditure**

The purposes for which municipal expenditure can be incurred include all objects (i) expressly declared obligatory by law or rules, (ii) generally everything necessary for safety, public health, public convenience or education of inhabitants, (iii) amenities of municipalities, and (iv) incidental to administration.

**Figure : Municipal Expenditure**

The items of municipal expenditure basically cover,

- Establishment expenditure
- Administration expenditure
- Maintenance of services
- Capital works
- Loan repayment

**The municipal expenditure can also be categorised as**

- Ordinary Expenditure, which means (i) expenses incurred in normal course of administration and (ii) expenses incurred on maintenance of services
- Capital Expenditure, which include (i) expenditure resulting in acquisition of long lived fixed assets and (ii) expenses on construction of civic amenities

**Ordinary Expenditure covers**

- (i) Salaries which include salaries, allowances, leave salary, pension etc. of various categories of officers and employees of the municipality.
- (ii) Contingencies, which include traveling allowances of municipal officials, cost of material used in the maintenance of services like public health, sanitation, water supply and street lighting etc.
- (iii) Administration expenses like rents, telephone charges, postal services and stationery material etc.
- (iv) Operation & Maintenance (O&M) expenses, ie., maintenance of civic services and amenities.

**Capital Expenditure covers**

- (i) Acquisition of items having fixed asset value like lands, buildings, vehicles, machinery etc.
- (ii) Construction/provision of civic services/ amenities like laying of roads, providing water supply, construction of buildings, providing parks, playgrounds etc.

**Classification of Expenditure for accounting purpose**

As a measure of accounting reform, the municipal accounts have to be prepared under accrual system of accounting and the accounts have to be prepared as per the procedure prescribed under National Municipal Accounting Manual (NMAM).

Further, 'expenditure' under accrual system of accounting would be recognised when liability for payment arises. Accrual based accounting attempts to record the financial effect of an expenditure in the period (month or year) in which it occurs, rather than recording it in the period in which it is actually made. Revenue expenditure is reflected in the period in which it is due or payable and it shall be accounted in respective Expenditure Payable Account. The items like salary payments, contractor/supplier payment (when work is complete or supply is made), loan interest etc. would be recognised when liability for payment arises. The items of expenses, which are not ascertainable in advance have to be recognised only when the payment is made.

Secondly, the expenditure is also classified as 'revenue' and 'capital' nature. "Revenue Expenditure" is a cost the benefits of which do not extend beyond that period, for example salaries, contingent expense, annual maintenance cost etc., whereas Capital Expenditure is one where asset is created.

**The revenue expenditure is classified under NMAM in the following heads of account.**

- (1) Establishment expenditure: Salaries, wages, allowances, other benefits, pension, other terminal and retirement benefits.
- (2) Administrative expenditure: Office rents, office maintenance, communication expenses, cost of printing and stationery, cost of books and periodicals, travelling costs, insurance costs, audit costs, legal costs etc.
- (3) Operations & Maintenance: Fuel costs of vehicles, hire charges of vehicles, repairs and maintenance of infrastructure assets, civic amenities, buildings, vehicles, O&M expenses etc.
- (4) Interest and finance charges: Interest on loans taken from various agencies and institutions, bank charges and other finance expenses.
- (5) Programme expenditure: Expenses on various programmes like Environmental Awareness Programme, Voluntary Garbage Disposal Programme, Community Organisation / Mobilisation, Special Nutrition Programme etc.
- (6) Revenue grants, contributions and subsidies: Ordinary and minor contributions made by the municipality to various institutions.
- (7) Provisions and Write off: Provisions for doubtful receivables, revenues written off, assets written off, miscellaneous expense written off.

- (8) Miscellaneous expenditure: Expenditure not covered in any of the above classifications.
- (9) Depreciation - Depreciation on various assets.

### **Capital expenditure**

Capital expenditure is the one other than revenue expenditure. In other words, capital expenditure means asset creation. Asset is any resource that has potential either to generate future cash-inflow or reduce cash-outflow and it represents the investment made by the ULB.

**Capital expenditure is classified** in the following heads of account.

- (1) Fixed Assets: Land, Buildings, Roads and Bridges, Sewerage and Drainage, Water Works, Public Lighting, Plant and Machinery, Vehicles, Office and Other Equipment, Furniture, Fixtures, Fittings and Electrical Appliances.
- (2) Capital-works-in-progress: – Capital works under execution
- (3) Investments: Central Government Securities, State Government Securities, Bank fixed deposits etc.
- (4) Stores/Stock-in-hand: Engineering Stores, Transport Stores, Medical Stores, Central Stationary Stores etc.
- (5) Receivables: Receivables under property tax, other taxes, fees and user charges and dues from government
- (6) Cash and bank balances: Cash and bank balances in various banks
- (7) Advances: Loans and advances to employees, PF loans from employees, loans from others, advances to contractors/suppliers etc.
- (8) Other Assets: Any asset not covered in the above classification.

### **Income and Expenditure Account and Balance Sheet**

Under the accrual system of accounting, the Income and Expenditure Account is developed from ordinary income and ordinary expenditure: while the Balance Sheet or Asset and Liabilities Statement is developed from capital expenditure and capital income.

### **State Finance Commission of Jharkhand**

According to the Article 243 I of the constitution, every State has to constitute a State Finance Commission (SFC) to recommend principles governing distribution of the net proceeds of taxes, duties etc., between the State and the Local Bodies, awarding taxes, duties, tolls or grants-in-aid and to suggest measures to strengthen their financial position.

First SFC constituted by the Jharkhand Government in January 2004 recommended (April 2009) a “Core Municipal Services Provision Grant (Water Supply, Sanitation, Street Lights, Primary Education, Health and Municipal Roads)” of Rs. 375 per capita in 2009-10 with annual growth rate of 10 per cent for four subsequent years.

### **Non-revision of Rate of Tax on Holdings**

As per section 152 (8) of JMA, 2011, ULBs are required to revise the rate of taxes (Holding tax, water tax, latrine tax, etc.) on Annual Rental Value every five years or earlier with prior approval of the State Government. However, it is being reported, most of the ULBs had revised the rate of taxes for last several years, ranging from 5 to 42 years. Clearly, the ULBs in Jharkhand are foregoing huge revenues every year on account of non-revision of holding tax.

### **Exclusive Use of Fund for Particular Purpose**

Ministry of Urban Development (MoUD), GoI, suggested earmarking of funds for basic services to the urban poor within local body budgets as a mandatory reform under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Accordingly, State Government made provision in section 105 of JMA, 2011, for creation of a separate fund called Basic Services to the Urban Poor Fund, in every municipality for which a minimum of 25 per cent of the funds within the municipality's budget shall be earmarked and credited to the said fund on yearly basis. For this purpose, the municipality shall prepare a separate budget known as P-Budget along with the municipal budget, every year depicting the details of income and expenditure of fund.

However, some reports indicated that till 2013, neither the fund, nor the separate budget was prepared by any of the test checked ULBs. This defeated the reform measures and intent of upliftment of urban poor as envisaged in the Act.

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## 7. Municipal Finance – Resource Mobilisation

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### Objective of the Session

After reading this lesson, the participant will be in a position to explain:

- Functional responsibility of ULBs,
- Finances of ULBs,
- Mismatch between Functions and Finances,
- Resource mobilisation – Reform under AMRUT, and
- Revenue Improvement Action Plan (RIAP)
- Alternate sources of revenue

### Functional Responsibilities of ULB

Urban local bodies (ULBs) in India are traditionally mandated to undertake certain basic civic functions like water supply, roads, drains, street lighting, and sanitation. They cover provision of services as well as maintenance. They also perform certain regulatory functions like issue of trade licences, regulation of land use, issue of building permissions and removal of encroachments etc.

The Constitution (74<sup>th</sup> Amendment) Act envisaged that the State Governments may, by law, endow the ULBs with such powers and authority to enable them to function as institutions of self-government and such law may also contain provision for devolution of powers and responsibilities upon municipalities with respect to (i) preparation of plans for economic development and social justice; and (ii) the performance of functions and implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

The 74<sup>th</sup> Amendment Act inserted Twelfth Schedule to the Constitution and the Schedule provided an illustrative list of 18 municipal functions which include:

- (1) Urban planning including town planning
- (2) Regulation of land use and construction of buildings
- (3) Planning for economic and social development
- (4) Roads and bridges
- (5) Public health, sanitation, conservancy and solid waste management
- (6) Fire services
- (7) Urban forestry, protection of the environment and promotion of ecological aspects
- (8) Safeguarding the interests of weaker sections of society, including the handicapped and the mentally retarded
- (9) Slum improvement and upgradation
- (10) Water supply for domestic, industrial and commercial purposes
- (11) Urban poverty alleviation
- (12) Provision of urban amenities and facilities such as parks, gardens, and playgrounds
- (13) Promotion of cultural, educational and aesthetic aspects
- (14) Burials and burial grounds, cremations, cremation ghats/grounds, and electric crematoria

- (15) Cattle pounds, prevention of cruelty to animals
- (16) Vital statistics including registration of births and deaths
- (17) Public amenities including street lighting, parking lots, bus stops and public conveniences
- (18) Regulation of slaughter houses and tanneries

These functions covered development programmes along with traditional civic functions. Many State governments have amended their laws and endowed the municipalities with the functions enlisted in the Constitution. Added to this, happening globalization, liberalization and more critically, the urban explosion increased the volume of functions/services to be performed/ delivered by the ULBs. Municipal functional domain is radically changing from infrastructure provision to regulatory and then commercialization.

### **Finances of ULBs**

As we have discussed in another module, the finances of ULBs cover

- Taxes
- Non-taxes
- Assigned revenues
- Grants-in-aid
- Loans/Borrowings.

Even though the 74<sup>th</sup> Constitution Amendment Act has listed the functions to be performed by ULBs, it did not spell out the Finances to be devolved on the ULBs. This power has been delegated to the State and the State Legislature has to make law and

- (i) Authorise the municipality to levy, collect and appropriate such taxes, duties, tolls and fees (taxes and non taxes)
- (ii) Assign to the municipality such taxes, duties, tolls and fees levied and collected by the State Government (assigned revenues)
- (iii) Provide such grants-in-aid to the municipalities ( State Government grants)

### **Mismatch between Functions and Finances**

The financial powers have not been enlarged and they remained static and statutorily restricted. The increased responsibilities and the aspirations of people for greater service levels resulted that the ULBS could not meet the functions with the finances.

While the avenues of income sources are limited, the costs of services have jumped to high side. The cost of staff salaries, administration expenses and other contingencies are also on the increase. Many ULBs are not in a position to pay wages/power bills/petty maintenance expenditure regularly

The abnormal capital costs for infrastructure and services is another factor for high degree of mismatch between functions and finances. The costing of capital projects have been made by various studies. McKinsey (2010) suggests that India would need 5.31 million crore rupees for capital expenditure by 2030. The largest demand for capital funding would come from housing and mass transport. If cost of housing is excluded, it would be 3.54 million crore rupees. The High Power Expert Committee (HPEC) for estimating the investment requirement for urban infrastructure services projects estimated that India would need 3.92 million crore rupees for urban infrastructure investment over a period of 2012-31.

Studies on service deficiency by the ULBs across the country were also made by various institutions and they present a very pathetic state. The water supply, drainage, sanitation, housing, road network - all services are considered inadequate and deficient.

It therefore obvious that the existing finances are not sufficient to meet the functions and become necessary to augment the resources within the existing framework of law and it can be done in the following ways

- Exploit available resources through Revenue Improvement Action Plan (RIAP)
- Tax Reforms
- Revision of rates of fees/service charges
- Maximise recovery
- Rationalise expenditure
- Institutional/Management Reforms through Institutional Development Action Plan (IADP) which include -
  - Computerisation
  - Citizen charter
  - Grievance Redressal
  - Performance evaluation
  - Training/Capacity building
  - Transparency/dissemination, like Press meets/Cable TV/Portal/Dial Mayor/Dial Chairperson
- Accounts/Finance Reforms
  - Updating of accounts
  - Auditing of accounts
  - Asset management
  - Expenditure management
  - Accounting reforms
  - Budget reforms

The above measures require (i) Detailed Action Plan, (ii) Timely Action, (iii) Close Monitoring; and (iv) Commitment/Attitude

### **Revenue Improvement Action Plan (RIAP)**

The following measures to improve revenue in various areas in the ULB and few general measures for overall revenue improvement are suggested.

#### **House Tax**

House tax is a major source of revenue and the following plan of action is needed to generate revenue in this area:

- Detection of un-assessed and under-assessed properties and bring them to tax-net
- Since rate of tax on the basis of residential and non-residential properties is different, the properties need be classified correctly
- Since rental values are different among various categories of buildings, the classification on the nature of construction and use of building etc. should be thoroughly verified and classified

- Wherever age of the building is relevant for the purpose of assessment, correct age of the building should be ascertained.
- The revenue officials have to furnish the lists of new constructions and additional constructions for making assessments every month. If there are no new constructions or additional constructions, a nil report may be insisted.

### **Vacant Land Tax**

Vacant land is assessed to tax to discourage the owners on speculating the land values and to encourage construction of houses. The revenue officials have to make a survey of vacant lands and bring all vacant lands to assessment.

### **Advertisement Tax**

Advertisement tax has become a major source of revenue particularly in big towns and cities. The fast increase of business/commercial activities in towns and cities quite naturally leads to increasing advertising of their products. The increasing publicity and advertising are highly advantageous to the ULBs since it automatically increases income from the advertisement tax. All advertisements have to be surveyed and assessed to tax.

### **Water Charges**

ULB should fix the user charges to be equivalent to the maintenance cost of the service. The charges collected from water should ensure that it meets the maintenance cost. The ULB has to examine this matter and take action to revise the water charges suitably.

### **Market Fees**

In case the ULB desires to outsource the collection of fee in the markets/slaughter houses etc., it should conduct public auction of leasehold right to collect fees every year in the month of February/March, to enable the lessee to collect fee from the beginning of the year itself, i.e., April of every year. The ULB has to enter into agreement with the lessee and get it registered.

The ULB collects 3-months rent as deposit and it would be adjusted towards the lease amount of the last 3 months' kist amount i.e. January - March of the year. The ULB has to collect monthly kist within the stipulated time, else insist on penal interest. If lease amount for one month falls into arrear, action has to be taken to cancel the lease and re-auction the leasehold right. The ULB should ensure that the lease amount should not fall in arrear under any circumstances and should always be in an advantageous position.

### **Rents on Shop Rooms**

If ULB owns shop rooms/ buildings etc. and desires to let them out, it has to be done through public auction and the lease period should generally last for three/five years. There should be provision for renewal of lease at enhanced rent.

The ULB should collect 3 or 6 months' rent as deposit to be adjusted during the later part of lease period. Every month's rent has to be collected before a fixed date, else, penalty be insisted for belated payments. A lease deed has to be executed and registered. The ULB has to initiate action immediately, if one month's rent falls due and action taken for cancellation of lease and re-auction

of the shop room. The ULB should ensure that the lease amount should not fall in arrear under any circumstances and should always be in an advantageous position.

### **Trade Licence Fees**

Licence fee for various trades is another important source of non-tax revenue to ULBs. If all trades are listed and licences granted duly collecting trade licence fee, it will fetch considerable income to the ULB. The licence fee should be regulated by the public health staff in ULBs.

In the first instance, all trades, for which licence is required as per law, have to be booked through door-to-door survey and listed. This is at the beginning of the year. Trades that have come up later have to be booked through monthly lists. This will considerably improve income to the ULB. Trade licence must be collected from all trades without leaving a single trade unlicensed to avoid loss of revenue from this important source of revenue.

### **Building License Fees**

There has been large scale migration of rural population to urban areas and this trend results in increasing construction activity. Building license fee is a major source of revenue in Town Planning section. The town planning officials should regularly watch the unauthorised constructions in the city and ensure no building is constructed without permission/license. If any unauthorised construction is noticed, action should be taken immediately either to demolish the construction or ensure issue of permission by collecting compounding fees.

### **Encroachment Fees**

Encroachment fee fetches considerable income to ULBs, if properly monitored. Most of the municipal sites and road margins are encroached upon by business establishments. All such encroachments be booked at the beginning of the year through door-to-door survey and be classified as objectionable or unobjectionable. All objectionable encroachments should be removed and unobjectionable encroachments be allowed after collecting the prescribed fee. Encroachments that have come up during the course of year have to be booked through monthly lists.

### **Parking Fees**

Fast growing cities can generate substantial revenue if parking places are provided, particularly in congested and busy commercial localities like main roads, bus stand area, market area etc. and collect fee therefrom. The ULB has to identify parking places, fix rate of fee and collect the fee through letting out as in the case of markets.

### **Service Charges on Central Government Properties**

Under the Constitutional provisions, Central Government properties are exempt from payment of property tax. Government of India however permitted ULBs to levy service charges on Central Government properties. Levying service charge is limited to Central Government properties only. The central government undertakings are liable for property tax like any other person/institution.

In pursuance of the orders of the Supreme Court, Government of India (2009), have issued guidelines that the Union of India and its departments will pay service charges to the Municipalities

and Municipal Corporations. No property tax will be paid. Service charges will be paid on the basis of services utilized by the central government properties at the following rates:

75% of property tax	Where properties of the central government are provided with all services/facilities as were provided to other areas
50% of property tax	Where central government properties are provided with some of the services/facilities
33.3% of property tax	When properties do not avail any of the services provided by the municipalities

The Municipal Commissioner has to take the following action in the matter.

- He shall make intensive survey of various central government properties and identify the head of the office. He should also identify various services utilized (fully, partially and none) by the central government properties.
- He has to intimate the heads of central government properties in the city about the civic services provided by the ULB in the vicinity of concerned central government properties and request them to furnish full data regarding their properties to enable the ULB to work out the service charges. After receipt of required data, the Commissioner has to calculate the service charges payable at 75%, 50% or 33.3% of property tax according to the level of services provided to the central government properties.
- He has to issue a self contained (speaking) order to the head of central government property indicating the process followed in working out the service charges and the amount of service charges payable per annum.
- He has to enter into an agreement with the head of central government department for payment of service charge till the next general revision of property tax.
- The Commissioner shall not resort to coercive steps like stoppage of service and not resort to revenue recovery proceedings for recovery of service charges

### **General Measures for Revenue Improvement**

ULBs have to take certain immediate measures to improve municipal revenues. One of the reform measures under AMRUT under "Municipal tax and fees improvement" is atleast 90 coverage and 90% collection. To achieve the reform, the measures include

- Updating and computerisation of all tax records such as property tax, advertisement tax, market/shop rents, trade licence fee etc
- Focusing on all major tax payers and benchmarking
- Bringing all tax payers into the tax net and revise the tax periodically
- Assessing all unauthorised constructions to tax and impose penalty (if allowed)
- Plugging of leakages and evasion of tax payments through enhancing collection efficiency
- Instituting rewards for good performance and punishments for non-performance

### **Other Measures under the RIAP also cover the following:**

- Capacity Building to officers concerned on assessment and recovery procedures
- Updating of demand registers (both current and arrear)
- Micro-analysis of arrears

- Intense review of collections
- Attempt to achieve collection of 100 per cent of taxes
- Sharing responsibility of collection work
- Clearing transfer of title applications
- Disposal of Revision/Compliant/Appeal Petitions
- Service of demand notices/bills
- Collection of taxes/dues through collection centres/ banks/online system
- Making use of recovery procedure permitted under the Act
- Institution of prosecutions/civil suits
- Informing the Council/Standing Committee/Tax Committee
- Take the assistance of Mayor/Councillors in collections
- Compromise/taking the assistance of Lok Adalat on pending civil suits

In addition to the above measures, the ULBs may also observe the following modern management practices to improve collection efficiency

- Establishing credibility
- Improving municipal performance
- Improving service delivery
- Responding public grievances
- Maintaining public relations
- Observing transparency, and
- Disseminating information.

### **Other Alternatives/Strategies**

In addition to the improvement of existing resources, the ULBs may consider the following alternate sources of revenue like:

- Privatisation
- Public-Private Partnership (PPP): Cost recovery, Commercially Viable Projects (CVPs)
- Market borrowings: Banks/Institutions, Municipal Bonds

### **Privatisation**

At the municipal level, privatization may be considered by (i) entrusting the functions/ services like execution of municipal works, sanitation services and street lighting to private institutions for maintenance; (ii) entrusting regulatory functions like advertisements, collection of fees in markets and collection of parking fees; (iii) leasing out municipal assets like guest houses, function halls/kalyana mantapams and parks; and (iv) community contracting. In any case, the Ownership remains with Municipality.

### **Public Private Partnership (PPP)**

Unlike privatization, PPP applies to new ventures. In the earlier years, taking up high cost projects was governments' responsibility, since private sector could not raise high capital cost. Now, the situation has changed with liberalization, privatization and globalization (LPG). Private sector can generate any amount of capital and they go for construction of airports, roadways, bridges, power projects, water supply etc. Here, the Government would part with land/ asset based on the

arrangement/ mechanism and it would be the Government share. Liberalisation brought in foreign investment also.

### **Models of PPP**

- BOT – Build, Own, Transfer
- BOO – Build, Own, Operate
- BOOT – Build, Own, Operate, Transfer
- BOLT – Build, Own, Lease, Transfer

### **Requirement for PPP**

The agency going for PPP has to consider the pricing/cost recovery, commercial viability of the project, return on investment, competitive pricing, beneficiaries, concessions/cross subsidy/social pricing, willingness to pay, willingness to charge, better collection practices, better service delivery and most importantly, the political will.

### **Legislative Measures**

Since PPP involve high capital investment, long term contractual obligation, various regulatory and legal issues, it should be supported by well laid out legal provisions. Some states like Gujarat and Andhra Pradesh have made separate law to undertake schemes under PPP model. If PPP has to be adopted in ULBs, Municipal laws to be amended to permit the PPP mechanism. Any case, there should be well laid out political will for its operation and success.

### **Market Borrowing**

The next measure is borrowing from banking institutions and financial institutions like HUDCO, LIC, HDFC, IDBI and ICICI etc. In case, the ULB is the borrower, the lending institute insists Government guarantee.

### **Municipal Bonds**

Another area of market borrowing is to raise municipal bonds. The ULB raises loan from market/public. The bonds may be general purpose bonds or specific purpose bonds. Govt. of India may also permit tax-free bonds. In this case, the period of tenure and rate of interest pay a major factor. The municipal bonds can be raised with improved finances, working systems and legal and administrative measures. Finally, to raise municipal bonds, establishing the credibility of the municipality is the prime factor.

### **Credibility/Credit Rating**

Municipal Credibility has to be established by RBI approved agencies like CRISIL (Credit Rating Information Services of India Limited) or ICRA (Investment Information and Credit Rating Agency). In India, this is not a popular model and very few ULBs have gone for municipal bonds.

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## 8. Municipal Accounts

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### Objective of the Session

After reading this lesson, the participant will be in a position to explain:

- What does Municipal Accounts mean
- Need for updation of accounts
- General outlines of accounting
- General principles of accounting
- Method of accounting
- Fund-based accounting; and
- Classification of transactions in the accounting system
- Preparation of accounts; and compilation of monthly and annual accounts.

### Introduction

An account is a record of the financial transactions. Accounting system can be defined as ‘the series of tasks in an organisation / institution by which transactions are processed as a means of maintaining financial records.’ Such a system should recognise, calculate, classify, post, analyse, summarise and report transactions.

### Need for Up-to-date Municipal Accounts

Accurate preparation of municipal accounts within the stipulated time is of vital importance in the overall functioning of urban local bodies (ULBs), among others, for the following reasons.

- i) Timely preparation of municipal accounts in an accurate manner is essential for good urban governance.
- ii) Up-to-date municipal accounts are quite necessary for collection of all taxes and non-taxes due to the ULBs.
- iii) A true picture of the financial position of the ULBs is possible when the municipal accounts are up-to-date.
- iv) To ensure utilisation of funds strictly in conformation with financial standards.
- v) To ensure adherence to the budgetary provisions in the utilisation of funds.
- vi) Municipal accounts are essentially required for preparation of Budget Estimates and Administration Report.
- vii) Detection of misappropriation and misapplication of funds, frauds and errors is possible, if the municipal accounts are up-to-date.
- viii) To ensure timely conduct of audit and to initiate appropriate measures on the Audit reports.

## **General Outlines of the System of Accounts**

The general outlines of the system of municipal accounts are briefly stated and are as follows:

- a) All receipts on behalf of the municipality are paid into the municipal treasury or the bank. All moneys received by municipalities shall be lodged in the nearest Government Treasury or in a Bank (where Government Treasury operates).
- b) Payments on behalf of municipality are made at the bank by way of cheques issued by the Commissioner/Executive Officer/Chief Officer.
- c) Accounts for each month shall be closed during the first week of the succeeding month. Approval of Municipal Council has to be obtained for the monthly account. An abstract of monthly account has to be forwarded to the Auditor before the end of the succeeding month.
- d) Commissioner shall arrange for preparation of detailed annual account of the Municipality, get approval of Council and forward a copy to the Auditor not later than 15<sup>th</sup> June following.
- e) The Commissioner, as the Executive Authority of the municipality, is responsible for the correct and up-to-date maintenance of accounts and their submission to the Auditor.

## **General Principles and Methods of Accounts**

### **Period of Accounts**

The annual accounts of municipality shall record the transactions, which take place during a financial year running from the first day of April to the thirty first day of March.

### **Cash Basis of Accounts**

The transactions in municipal accounts represent the actual cash receipts and disbursements during a financial year. It is called cash-based accounting or single entry system. It was the traditional practice. ***(Now the system is changed – discussed in the following module)***

### **Municipal Fund**

All moneys received by the municipal council constitute a fund called 'Municipal Fund'. This is also provided under Art.243X of the Constitution. For all moneys received by a municipal officer or employee, a receipt has to be issued to the payer.

There are four kinds of receipts. They are (i) cash receipts at the municipal treasury and money orders (ii) cheques / demand drafts / pay orders, (iii) adjustments at Govt. treasury and (iv) voucher adjustments.

All cash collections shall be brought into a register called 'chitta'. All the four categories of receipts shall be entered in the Cash Book. All monies received by the municipality shall be lodged into Government treasury or into a bank where transactions are operated by the treasury. No money received shall be utilized for expenditure without being remitted into the bank.

### **Fund based accounting**

Municipal Accounts are prepared on Fund-basis. Generally, the following Funds are maintained in the municipal accounting.

- i) General Fund
- ii) Water Supply & Sewerage Fund
- iii) Elementary Education Fund
- iv) Secondary Education Fund
- v) Loan Fund, and
- vi) Development Fund

### **General Fund**

General Fund consists of all receipts and expenditures, except those relating to the other specific funds. In the General Fund account, there are two main divisions, namely,

- I. Ordinary Account consisting of Receipt Heads -Ordinary and Expenditure Heads-Ordinary.
- II. Capital Account consisting of Receipt Heads-Capital and Expenditure Heads-Capital.

‘Ordinary’ means normal. The ordinary income or expenditure is of a recurring nature. Taxes, fees, charges etc. usually levied and recovered every year comes under ordinary income. Ordinary expenditure is also, generally speaking, of a recurring nature, i.e., which is incurred on maintenance of services just for keeping the administration going. Familiar examples of ordinary expenditure are charges on establishment, salaries, public health and sanitation; and repairs to buildings, roads, water supply systems and drains. These are incurred just to keep the administration going, to keep water supply, drainage, sanitation, roads, buildings, lighting in good condition, and to prevent them from deteriorating.

‘Capital receipts’ are receipts of non-recurring nature, such as loans, grants from Government for special works, contributions for water supply, amounts transferred from ordinary receipts, sale proceeds of buildings and other assets. Various grants received from the Central and State Governments for specific purposes like SJSRY, AMRUT, PMAY, Swacch Bharat Mission etc. come under ‘Capital Receipts’. ‘Capital expenditure’ is of non-recurring nature. It is incurred on acquiring capital assets i.e., expenditure which makes one richer for it. The purchase of lands, construction of new buildings, improvement or additions to existing buildings, water supply schemes, Provision of new street lights, extension of new water supply pipe lines, construction of new roads and drains, purchase of vehicles, equipment etc., come under capital expenditure. Expenditure incurred from the Grants received under capital receipts will be shown under ‘capital expenditure’.

### **Other Specific Funds**

All monies received and spent for specific purpose are named after the specific nature of funds. Examples being water supply and drainage fund, education fund, loan fund or development fund etc. The objective of separate fund for specific purpose is to ensure that the amounts received are spent for the specific purpose for which they are meant; and not diverted.

### **Classification of Transactions in Accounts**

#### **General Principles of Classification**

The classification of transactions in municipal accounts shall have closer reference to the functions, programmes and activities of the municipality. The classification of each item of receipt and payment has to be made according to the head of account to which it relates. Every item of receipt and payment need be carefully differentiated and classified.

### **Heads of Account**

The transactions of Municipal Accounts are generally classified into the following Heads of Account.

- A. General Account
- B. Lighting Account
- C. Elementary Education Account
- D. Water Supply and Drainage Account
- E. Town Planning Account
- F. Remunerative Enterprises Account
- G. Deposits and Advances Account
- H. Endowments Account
- I. Conservancy Fund Account

*(This classification has been changed in NMAM – It would be discussed in the following module)*

### **Sub-Classification of Accounts:**

The accounts are further classified into the following Heads from the above sectors.

- 1) Major Head
- 2) Minor Head
- 3) Detailed Head

The following illustration is given for classification of accounts.

- (1) Sector:                   A General Account
- (2) Major Head:           General Taxation and Miscellaneous
- (3) Minor Head:           Taxation
- (4) Detailed Head:        Property Tax

### **Preparation of Accounts**

The 'cash' and 'accounts' branches in the municipality has to be kept distinct from each other and under distinct officers who will be termed, respectively as 'Shroff/Cashier' and 'Accountant'. Each branch will prepare its accounts independent of each other and reconciliation will be made at the end of the day. In no case shall the same person receive the cash and compile the municipal accounts.

The Shroff, who will be in-charge of the cash branch, will maintain chitta, while the Accountant, in-charge of accounts section will maintain Cash book, Miscellaneous Receipts and Posting Register of Receipts and Charges etc.

The other sections/departments in the municipality like Public Health and Town Planning etc. will maintain Registers of Miscellaneous Licenses of their respective sections. The Revenue section will

maintain registers relating to Property Tax, Vacant Land Tax, Water charges, Market leases, Slaughter House Leases, Shop Room Rents and Licensing for Vehicles and Animals etc.

### **Preparation of Municipal Accounts**

It involves classification of all amounts received (receipts) and all amount spent (expenditure) into relevant heads of account (major, minor and detailed) and maintenance of the following records and registers.

- 1) Revenue Registers
- 2) Expenditure Registers
- 3) Debt Heads
- 4) Main Books of Account
- 5) Posting Register of receipts and payments (ledger-like register)

### **Compilation of Monthly Accounts/Annual Accounts**

With the help of the entries made in the Posting Register, monthly accounts and then annual accounts are made.

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## 9. Municipal Accounting Reforms – NMAM & DEABAS

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### Objective of the Session

After reading this lesson, the participant will be in a position to explain:

- Municipal accounting system (traditional system)
- Cash based accounting system
- Advantages and disadvantages of cash based system
- Changed municipal domain and need for accounting reforms
- Accrual based accounting system and benefits it carries
- Various interventions – Supreme Court, Finance Commission, Gol
- National Municipal Accounts Manual (NMAM)
- Andhra Pradesh and Reform Agenda
- Centre for Good Governance, Hyderabad
- JNNURM – Reform agenda
- Municipal eGovernance
- Training in accrual based accounting
- Thirteenth Finance Commission – General Performance Grant
- Andhra Pradesh's initiative
- Fourteenth Finance Commission – Performance Grant
- Legal framework

### Municipal Accounting System

Traditionally, accounting of financial transactions in municipalities is being done on cash based system. Under this system, receipts and payments are recorded after they are actually received or paid out in cash. This is also called single entry system of accounting. At the end of the year, annual accounts are prepared. The process is simple. All receipts and payments are recorded in the cash book, they are classified into various heads of account in the ledger, classified statement of receipts and payments is prepared; and with the help of opening balance, net closing balance at the year-end is arrived. This closing balance becomes the opening balance for next year. *The municipal account therefore finally means a statement of receipts and payments of the year.* Nothing is mentioned about the financial performance or financial status of the municipality under this system. The municipal laws (Andhra Pradesh examples - municipalities act<sup>14</sup>, corporations act<sup>15</sup> and accounting rules) provide that municipal accounts have to be prepared on cash based system.

No doubt, there are advantages in this system of accounting. It is simple and easy to maintain. After cash is received or paid out, an entry would be made in the cash book and the receipts and payments are classified under various heads of account and cash balance is worked out at the end of every month and finally the year. Another advantage is that the heads of account are similar for

<sup>14</sup> Andhra Pradesh Municipalities Act, 1965

<sup>15</sup> Greater Hyderabad Municipal Corporation Act, 1955

receipts as well as payments and they (heads of account – ie., classification of transactions) have closer reference to functions, programmes and activities of municipality.

There are certain disadvantages as well in the system. The major disadvantage is that the accounts reflect the amounts received and not the receivables. Similarly, the amounts actually paid are reflected and the payables not reflected. Another feature is that the amounts received or paid may relate to the current year, or previous years or future years and actual performance of the current year not reflected. Above all, the accounts do not reflect assets and liabilities, ie., balance sheet of the municipality.

Since money transactions are done in cash, the cash based accounting system became the logical and accepted system of municipal accounting. Simplicity is one of the main advantages of the system, and its continuance is also influenced by the legal and institutional arrangements. Further, the objective of the municipalities being service-oriented, nothing matters as to the financial performance, financial status, better utilization of resources and/or savings etc.

### **Changed Municipal Domain**

Municipal functional domain is radically changing from infrastructure provision to regulatory and then commercialization. The 74<sup>th</sup> Constitution Amendment Act has enhanced the functional domain of municipalities, which even included preparation of plans for economic development and social justice. However, the financial powers have not been enlarged and they remained static. There is increased gap between functional responsibilities and available finances. The resources are statutorily restricted necessitating augmentation within existing sources. This process was exhaust and it becomes necessary to look for alternate sources like privatisation, PPP, or capital market. Heavy cost of infrastructure also made the municipality go for commercial borrowing/capital market. These alternate sources, to materialize, require credit rating and interest from potential investors. All these factors necessitate that the accounting system be converted to facilitate determination of financial performance as well as assessment of financial status of municipalities instead of just a statement of receipts and payments.

### **Accrual Based Accounting System**

*Determination of financial performance and assessment of financial status can be accomplished through accrual based accounting system. Accrual based accounting is a method of recording financial transactions based on accrual, i.e. on occurrence, in respect of incomes or expenses, assets or liabilities, of claims and obligations based on happening of an event, passage of time, rendering of service, fulfillment (partially or fully) of contract, diminution in value etc., even though actual receipt or payment of money may not take place. In this system, there is change in accounting of transactions and reporting of financial results, so as to provide the municipality with the financial reports, in the form of two important financial statements (i) Income and Expenditure Account to determine the financial performance, and (ii) Statement of Assets and Liabilities. Ie. Balance Sheet to assess the financial status of the municipality.*

Accrual based accounting system carries certain benefits and they include

- Revenue is recognized as it is earned and 'income' constitutes both revenue received and receivable

- Expenditure is recognized as and when 'liability for payment' arises and thus it constitutes both the amount paid and payable
- Revenues which are not received and expenditure which is not paid are carried forward and kept under constant review
- Receivables and payables can be effectively followed up
- Distinct difference is maintained between items of ordinary nature and capital nature
- Transactions in respect of 'income' and 'expenditure' relate to the year of accounting; and of other years are suitably segregated
- Presents true picture of financial position and helps in better financial management
- Facilitates credit rating organizations to appraise the financial position of municipality

Further, accrual system has to be recorded through double entry system. In a double entry system of accounting, each transaction consists of two elements, a 'debit' and a 'credit'. Debit must always equals credit and because debits equal credits, it prevents arithmetical inaccuracies.

Accrual based double entry accounting is not an invention. It is very well in use in the country. All commercial establishments, big or small adopt this system and arrive at loss or profit account as well as balance sheet at the year end. Since municipalities are not commercial-oriented, they do not adopt the system, but now they felt its need. Apart from the felt need at municipal level, Government also desired to implement accounting and finance reforms in the urban sector as governance reform agenda.

Let us now see how Government intervened in the municipal accounting reform.

- **Supreme Court Directive**

In the year 2001, in response to a writ petition before it, a Bench of the Hon'ble Supreme Court of India ordered that the Municipal Corporation of Delhi and the New Delhi Municipal Council would be required to maintain accounts as per the mercantile system of accounting. The Hon'ble Supreme Court has also directed that the Urban Local Bodies (ULBs) in India should take immediate steps to get their accounts converted from cash basis to accrual basis.

- **Eleventh Finance Commission**

Government of India (GOI), based on the recommendations of the 11<sup>th</sup> Finance Commission, issued guidelines during 2002 to the Comptroller and Auditor General (C&AG), to prescribe formats of Budget and Accounts for Panchyat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) amenable to computers. Accordingly, a Task Force was constituted by C&AG in February 2002 under the Chairmanship of Deputy Comptroller & Auditor General and members representing Ministry of Urban Development (MoUD), GoI, State Governments and Municipal Corporations. In April 2003, GoI had accepted the Task Force Report and forwarded the same to the State Governments for implementation.



- **National Municipal Accounts Manual (NMAM)**

The MoUD, GoI reviewed the progress made by the States on the Task Force Report in September 2003. During the review, it was agreed that instead of various formats, the C&AG may as well prepare National Municipal Accounts Manual with the support of USAID - FIRE (D) programme. It was also agreed that NMAM would be provided to the State Governments based on which, States would develop State Municipal Accounting Manuals according to their specific requirements. It was also suggested that NMAM should provide preparation of municipal accounts on accrual based system. Accordingly, C&AG has developed National Municipal Accounts Manual (NMAM) and it was made available to all States in December 2004 for development of state specific Budget and Accounts Manuals conforming the provisions of NMAM to be used by the ULBs.

### **Andhra Pradesh and Reform Agenda**

Like many other ULBs in the country, ULBs in Andhra Pradesh (AP) have been following single entry cash based system of accounting. In early 2000s, Govt. of Andhra Pradesh (GoAP) was contemplating governance reforms as a general policy. It has decided to introduce the reforms in budgeting and accounting in all ULBs and issued an order<sup>16</sup> which reads that “the Urban Local Bodies/Corporations adopt with immediate effect the accrual based accounting system within their jurisdiction”.

The Municipal Corporation of Hyderabad (MCH) desired to go for municipal bonds and get credit rating. Even though the Act does not permit, the MCH, on the basis of executive orders of Government introduced modified accrual based double entry system of accounting from the financial year 2002-03. The system is still continuing.

### **Centre for Good Governance, Hyderabad**

In this connection, it is necessary to know about Centre for Good Governance (CGG) at Hyderabad. The Centre for Good Governance (CGG), Hyderabad was established by the Govt. of Andhra Pradesh (GoAP) in October, 2001 to help it achieve the goal of Transforming Governance. CGG coordinates and supports the design and implementation of GoAP's Governance Reform Programme. CGG undertakes action research, provides professional advice to, and conducts change management programmes for government departments and agencies to help them implement their reform agenda successfully. CGG works closely with policy-makers like Ministers, senior officials, management experts, institutions and prominent citizens towards ushering in a caring government centered on the people.

The focus areas on which the CGG is concentrating under its current plan of activities include (i) Simplifying Government, ie. to assist government departments in improving the quality of services by simplifying the process of service delivery, reducing administrative and non-productive expenditure and using e-governance tools; and (ii) e-Governance, ie., to apply tools of information technology to simplify cumbersome processes and procedures of government departments and agencies and to reduce the interface of the public with government officials and to provide domain support covering functions, functionaries, finances and fields for development of meaningful e-applications and to link information systems across departments for improving the efficiency of the

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<sup>16</sup> GO Ms. No.233 MA dated 22-5-2002 (AP Municipal Accounts Manual – [www.cgg.gov.in](http://www.cgg.gov.in))

government machinery as a whole.

### **Andhra Pradesh Municipal Accounts Manual (APMAM)**

GoAP requested the Centre for Good Governance (CGG), Hyderabad in 2005 to prepare state specific accounts and budget manuals keeping the NMAM guidelines in view. Accordingly, CGG with its available expertise developed the Andhra Pradesh Municipal Accounts Manual (APMAM), the AP Budget Manual, the AP Audit Manual and AP Asset Management Manual. The manuals were approved by GoAP<sup>17</sup> and were published and made available to all ULBs.

### **Jawaharlal Nehru National Urban Renewal Mission (JNNURM)**

In the year 2005-06, Govt. of India has launched JNNURM, a major initiative in the urban sector and the goals are (a) to improve the existing services in a financially sustainable manner and (b) to ensure improvement in urban governance and service delivery. The scheme is extended initially to 3 cities in AP and they are (i) Hyderabad, (ii) Visakhapatnam and (iii) Vijayawada; and later to one more city, ie., (iv) Tirupati. As a measure of improved governance, JNNURM<sup>18</sup> proposed 7 mandatory reforms at the level of States and 6 mandatory reforms at the level of ULBs and parastatal agencies. One of the mandatory reforms at ULB level is “adoption of modern, accrual-based double entry system of accounting in ULBs and parastatals”. Since Hyderabad has already introduced accrual based accounting from 2002-03, Visakhapatnam and Vijayawada have introduced accrual based accounting in their respective ULBs with effect from 2007-08 and complied with the mandatory reform to access funds from JNNURM. CGG provided domain support to the two municipal corporations including training the employees.

### **APUSP – Municipal Reforms**

Incidentally, in Andhra Pradesh, DFID funded Andhra Pradesh Urban Services for Poor (APUSP) programme aimed at reducing urban poverty was in operation since the year 2000-01. Besides infrastructure improvement of urban slum areas, the scheme provided reform component which included various institutional reforms. Under this component, the APUSP<sup>19</sup> proposed to implement accounting reform, ie converting municipal accounting system from cash basis to accrual basis. With the domain support of CGG, the accrual based accounting was launched in 34 project towns during the year 2008-09 and they were in different stages of implementation. The project was closed later and the programme did not continue.

### **Municipal e-Governance**

The municipal accounting reform is two-fold, (a) migration from cash based system to accrual based system (knowledge based) and (b) manual accounting to computer accounting (skill based) in view of emerging technology. Besides domain knowledge, CGG had expertise in developing e-tools for government departments. GoAP therefore requested CGG to develop an accounting software, which complies NMAM guidelines. Accordingly, CGG developed ‘Municipal eGovernance’. It is a web based comprehensive software covering (i) Accounting (ii) Budgeting (iii) Payroll and (iv) Fixed Assets. The

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<sup>17</sup> G.O. Ms. No. 619 MA dated 21-8-2007 (AP Municipal Accounts Manual – [www.cgg.gov.in](http://www.cgg.gov.in))

<sup>18</sup> JNNURM guidelines ([www.jnnurm.nic.in](http://www.jnnurm.nic.in))

<sup>19</sup> Evaluation of DFID support to Andhra Pradesh – Lessons learnt from municipal service delivery – [www.cgg.gov.in](http://www.cgg.gov.in)

accounting software has been developed on the lines of NMAM and is simple in operation. Any municipal employee who has exposure to computer can enter various transactions in the system and he need not have any knowledge of double entry accounting or accrual based accounting. With very little training, the system can be operated and the ULB can generate the financial statements at the end of the year.

### **Training in Accrual Based Accounting**

CGG has also developed training module under accrual based accounting system and supported the Government in training municipal employees of various levels and backgrounds. Various modules have been developed and they include (i) sensitization workshop to elected representatives (chairpersons and councilors) and senior level municipal officers (ii) training to middle level functionaries and (iii) hands-on-training to the accounting functionaries. CGG has delivered training not only in its headquarters at Hyderabad, but also in various municipal offices across the state. More than 1,600 persons of various levels have been trained under this programme by CGG. In addition, Dr. MCR HRD Institute of Andhra Pradesh and Regional Centre for Urban & Environmental Studies, Osmania University are also providing training to the municipal functionaries on accounts, audit and finance management.

### **Thirteenth Finance Commission – General Performance Grant**

The Thirteenth Finance Commission<sup>20</sup>, among others, was required to make recommendations (with reference to local bodies) on “the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of recommendations made by the Finance Commissions of the State”.

The Finance Commission has considered the issue at length and recommended Rs.15,098 crores as General Basic Grant and Rs.7,983 crores as General Performance Grant to ULBs. While the General Basic Grant is proposed on certain weightage points on criteria like population, area, index of devolution and FC grants utilisation index etc., the General Performance Grant is based on certain incentive framework. Nine conditions were stipulated by the Finance Commission to access General Performance Grant and one of the conditions is “that the ULBs to maintain accounts consistent with accounting formats and codification as per NMAM”.

The XIII FC also recommended that State Governments should appropriately strengthen their local fund audit departments through capacity building as well as personnel augmentation. It is thus evident that XIII Finance Commission has envisioned a comprehensive Accounting and Auditing reform, and not just the accounting aspect of the reform.

### **Andhra Pradesh’s Initiative**

In the background for need for accounting reforms in the municipalities and the Central Government’s intervention, the GoAP<sup>21</sup> has positively reacted to the issue and ordered that accrual based accounting system be implemented in all ULBs of the State with effect from 1-4-2011 and set

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<sup>20</sup> [www.fincomindia.nic.in](http://www.fincomindia.nic.in)

<sup>21</sup> GO Rt. No. 287 MA dated 21-2-2011 ([www.aponline.gov.in](http://www.aponline.gov.in))

up a live real time web based online accounting system in the ULBs. It was also ordered that the accounting be carried out from 2009-10 (backlog operations) using CGG software.

Though the new accounting system is in implementation in certain ULBs like Hyderabad, Vijayawada and Visakhapatnam (JNNURM mandate), and had been piloted in a few ULBs (APUSP initiative), a policy decision has been taken by GoAP to introduce the new system earnestly in all ULBs of the State. Another important part of the decision is to introduce the accounting software developed by CGG. It was decided by the Government that ULBs would start the data entry into CGG software from day one of the reform implementation.

### **Operating and Monitoring of Accounting Reforms**

Detailed instructions were issued by Govt. of Andhra Pradesh<sup>22</sup> for operating and monitoring the accounting reforms. The ULBs have been grouped on the basis of population and Chartered Accountant Firms have been positioned at the ULBs through bidding process for each of the groups and Regional CA firms would assist the ULBs in rolling out the accrual based accounting system. The software developed by CGG would be used for the purpose. The Director of Municipal Administration and the Director of State Audit are monitoring the implementation of the reform.

In order to sustain the accounting and auditing reforms, Government constituted (i) Municipal Accounts & Audit Reforms Cell (MAARC) and (ii) Municipal Accounts & Audit Coordination Committee (MAACC). While MAARC monitors the accounting reforms and coordinates training activities, the MAACC reviews progress of accounts and audit of ULBs and looks after strengthening and institutionalization of process initiated in this front and of all accounting & auditing reforms taken up in AP

The MAARC and MAACC are regularly meeting and reviewing the progress and all ULBs have finalised the accounts under new system till 2014-15 and most of them till 2015-16. Some ULBs have gone to live and every transactions are entered in the software.

### **Fourteenth Finance Commission – Performance Grant**

The FC has recommended grants to ULBs in two parts - a basic grant and a performance grant. The purpose of the basic grant is to provide a measure of unconditional support to the municipalities for delivering the basic functions assigned to them under their respective statutes.

As regards performance grants, the ULBs have to address three issues, namely (i) making available reliable data on local bodies' receipt and expenditure through audited accounts; (ii) improvement in own revenues; and (iii) measure and publish service level benchmarks for basic services. The performance grants will be disbursed from the second year of the award period, that is, 2016-17 onwards, so as to enable sufficient time to State Governments and ULBs would attend to the requirements.

It is therefore obvious that the ULBs have to complete the preparation of accounts (receipts and expenditure) on accrual basis and get them audited, among other requirements, to have access to performance grant under 14 FC

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<sup>22</sup> GO Ms. No, 270 MA dated 15-7-2011([www.aponline.gov.in](http://www.aponline.gov.in))

## **Legal Framework**

As has been detailed in the earlier paragraphs, the municipal legislations governing municipalities and municipal corporations provide that municipal accounts have to be prepared on cash basis of accounting and the annual accounts should contain the statement of yearly receipts and payments and cash balance at the end of the year. Unless the acts are amended to provide preparation of accounts on accrual basis, any amount of government directions do not stand to legal scrutiny. In Andhra Pradesh, municipal acts governing the municipalities and municipal corporations have been amended recently<sup>23</sup> providing preparation of annual accounts with income and expenditure account and assets and liabilities statement.

In the government scheme of things, the law passed by the Legislature do not cover all aspects and role of subordinate legislation, ie, issue of rules by the Executive, ie., Government is necessary. In this case also, the detailed accounting rules are not issued by the Government so far. The CGG has developed draft accounting rules and forwarded to Government and the matter is under consideration of Government; and would be materialized shortly.

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<sup>23</sup> Act No.22 of 2011