Strengthening
Finances of Urban Local Bodies

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Dinesh Mehta

Presentation for the Fourteenth Finance Commission

p a s performance assessment system

CEPT University, Ahmedabad

TOR of the Fourteenth FC relating to ULB

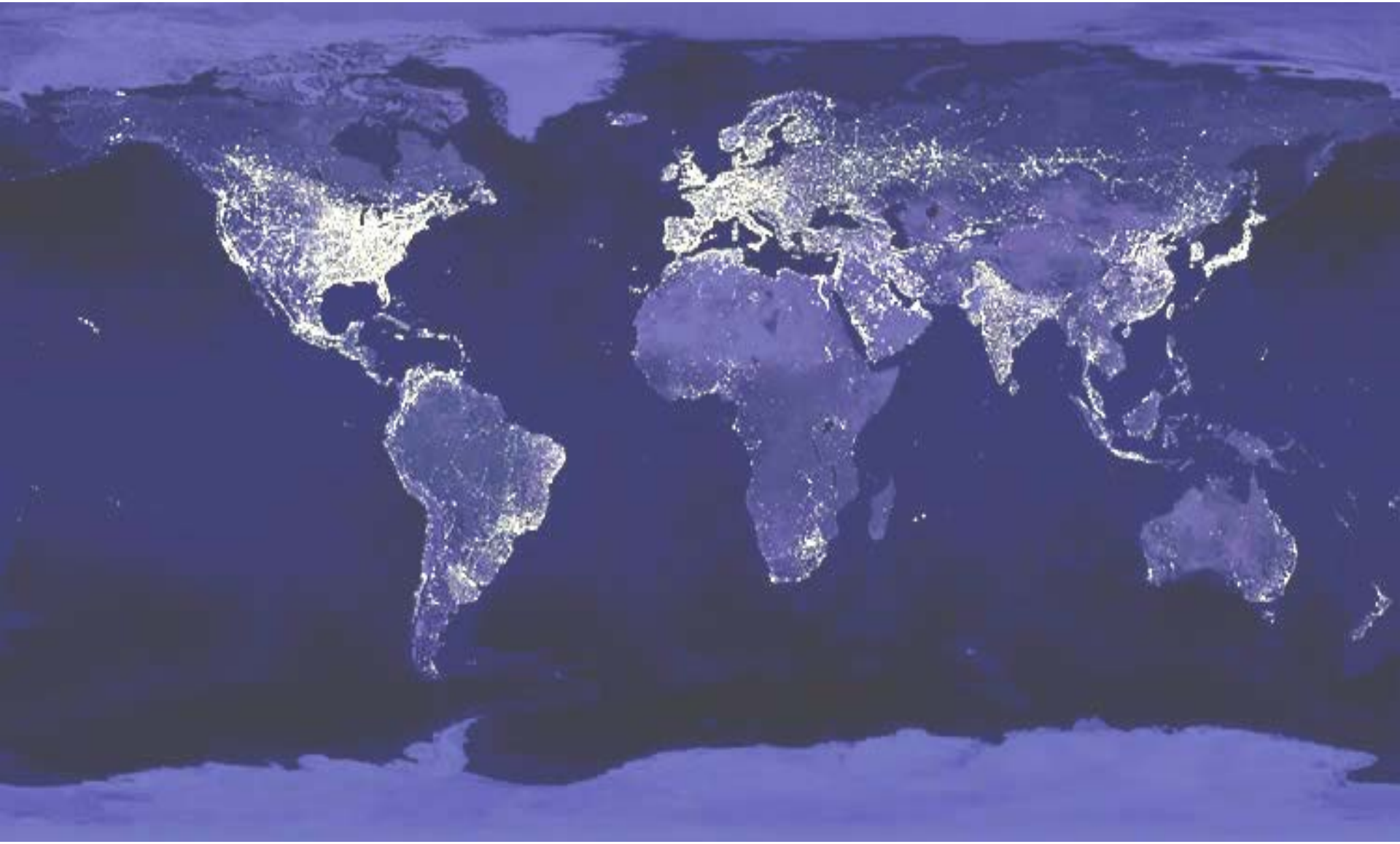
- the **measures needed to augment the consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities** in the State on the basis of the recommendations made by the Finance Commission of the State
- the **need for insulating the pricing of public utility services like drinking water, irrigation, power and public transport** from policy fluctuations through statutory provisions
- The Commission may review……; **linking outlays to outputs and outcomes**; …… and make appropriate recommendations thereon

Outline

- Need to focus on ULBs
- Status of ULB finances
  - Property tax
  - User charges
  - Measures to improve municipal finances
- Information system for outcomes – service levels in ULB
- Suggestions for the FFC

Urbanising India

Where are the cities of the world?



Contribution of urban areas to GDP

- Globally, more people live in urban areas than in rural areas, and this is likely to be the case in India as well by 2030.
- Delhi with 25 million is the second largest urban agglomeration of the world. (UN, 2014)
- The urban sector contributed about two-thirds of GDP in 2009-10 and this share is likely to increase to 75 percent by 2031 (HPEC 2011).
- Successful sustainable urbanization requires adequate investment in infrastructure and significant capacity at local level to operate and maintain the infrastructure.

India's Urbanisation: acceleration in 2011?

Table 1: Trends in Urbanisation in India (1961-2011)

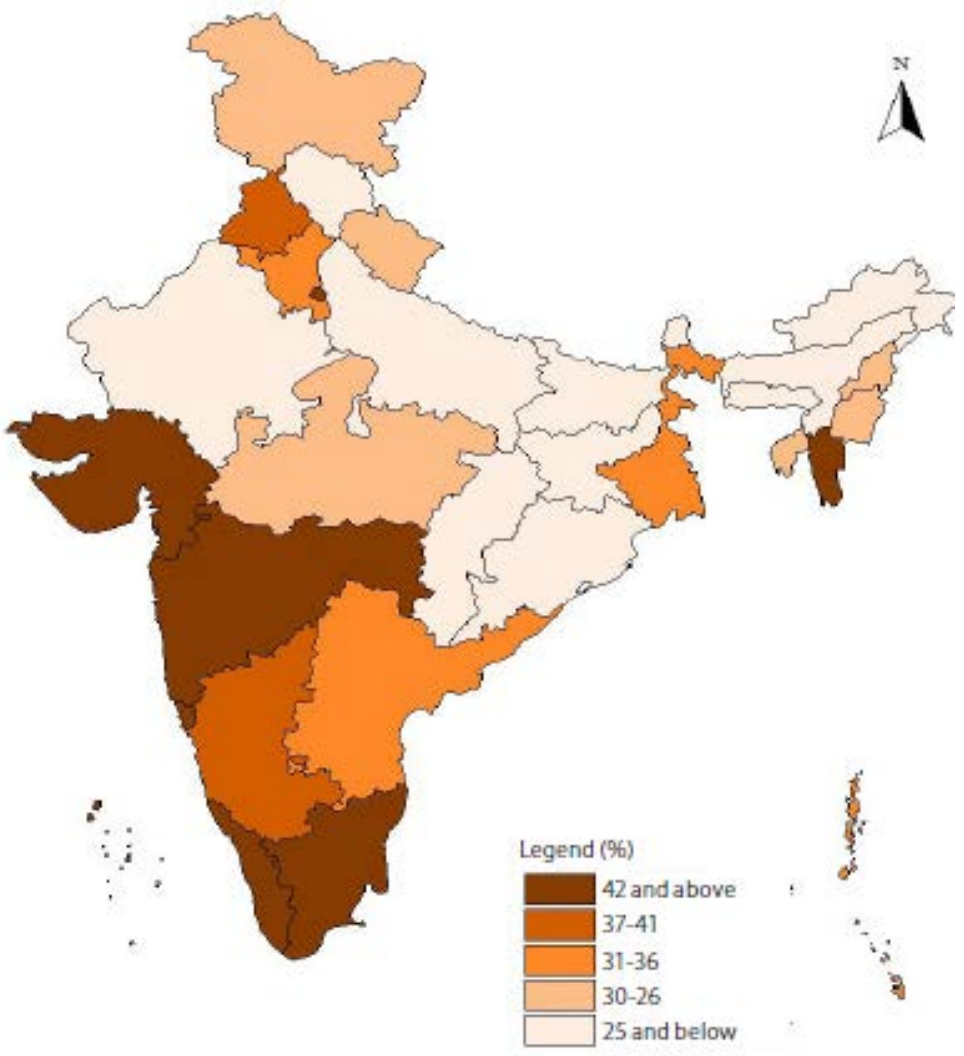
Census Year	Urban Population (in million)	Percentage Urban	Annual Exponential Urban Growth Rate (%)
1961	78.94	17.97	-
1971	109.11	19.91	3.23
1981	159.46	23.34	3.79
1991	217.18	25.72	3.09
2001	286.12	27.86	2.75
2011	377.10	31.16	2.76

Table 2: Urban-Rural Population Growth Differentials (1971-2011)

Decade	Rural	Urban	Urban-Rural Growth Differentials (Annual Exponential Growth Rate, in %)
1971-81	1.76	3.79	2.03
1981-91	1.80	3.09	1.29
1991-2001	1.69	2.75	1.06
2001-2011	1.15	2.76	1.61

Source: Census of India, various years.

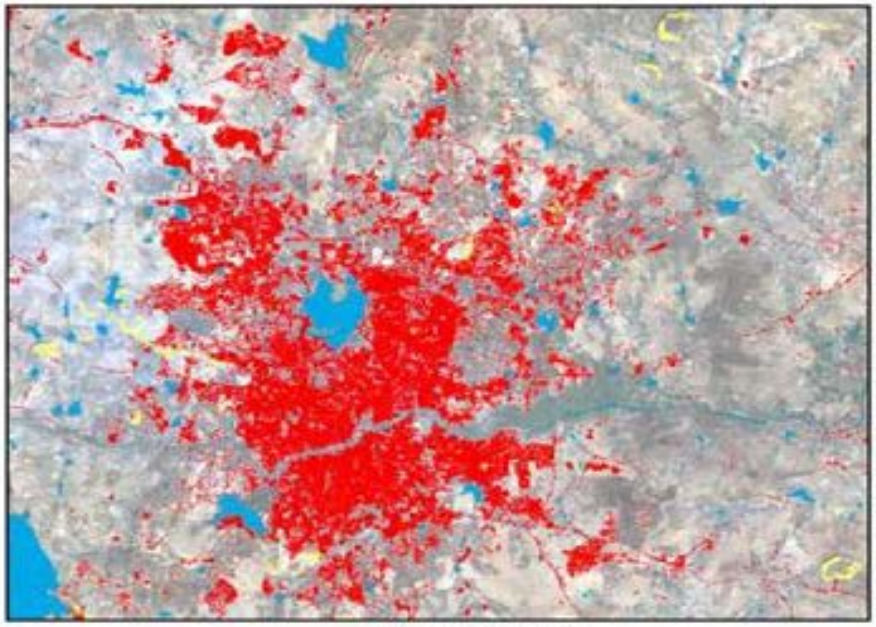
Bhagat, (2011), Urbanisation in India, EPW, August 20, 2011



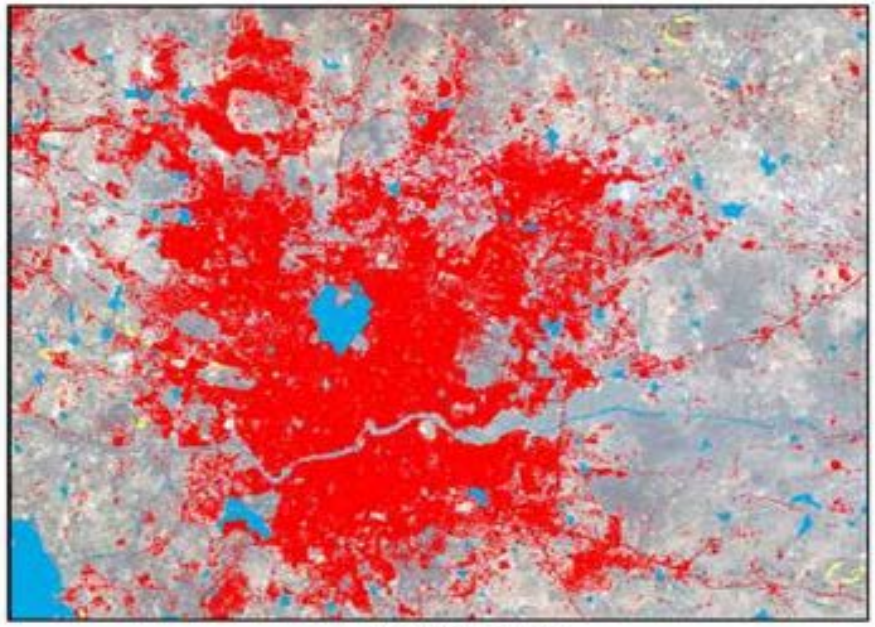
90 million added in Urban and Rural areas

There is also rapid urban expansion that exacerbates the need for infrastructure investment

Hyderabad, India



T_1: 21-Nov-89



T_2: 29-Oct-01

0 4 8 12 16 km

1:300,000

Water

Excessive slope

Built-up area

N

Measure	T_1	T_2	Annual % Change
Population	4,887,789	5,707,677	1.31%
Built-Up Area (sq km)	166.96	301.89	5.09%
Average Density (persons / sq km)	29,275.98	18,906.43	-3.60%
Built-Up Area per Person (sq m)	34.16	52.89	3.73%
Average Slope of Built-Up Area (%)	2.82	3.12	0.84%
Maximum Slope of Built-Up Area (%)	14.43	17.16	1.46%
The Buildable Perimeter (%)	0.94	0.93	-0.04%
The Contiguity Index	0.75	0.88	1.36%
The Compactness Index	0.37	0.38	0.22%
Per Capita Gross Domestic Product	$1,541.53	$2,343.04	3.57%

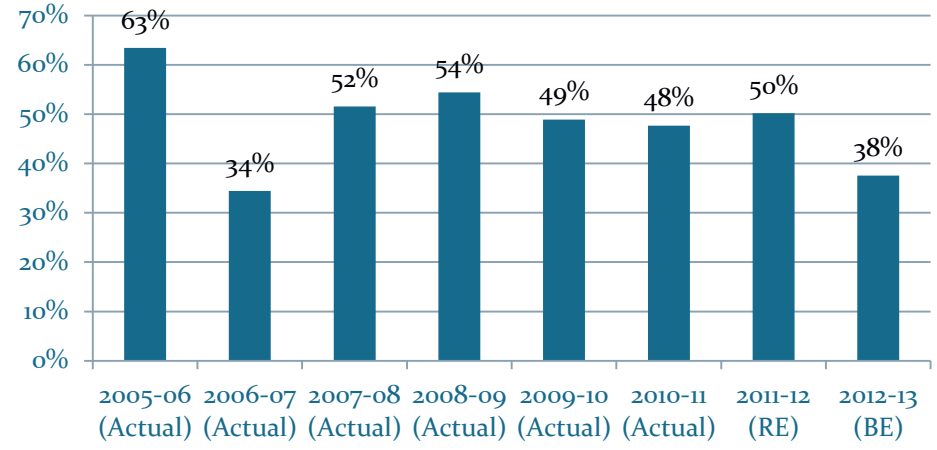
State allocation for Urban Development

Gujarat UDD Budget : Highlights

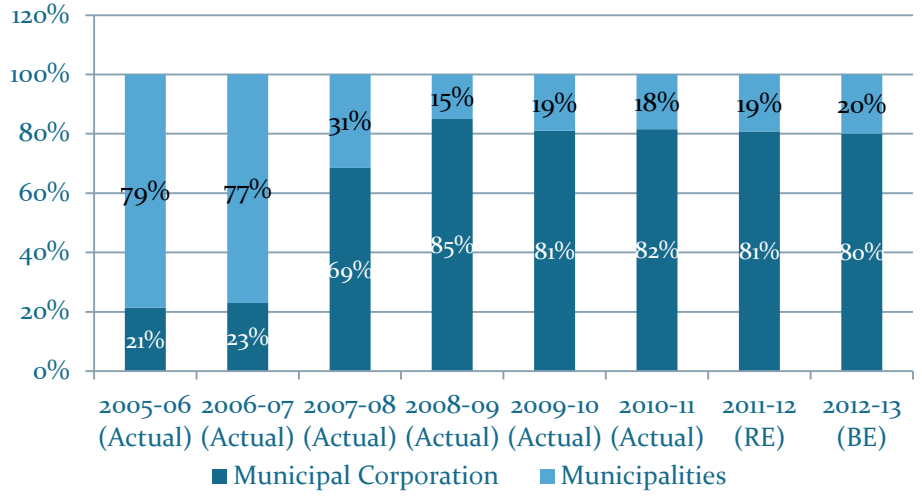
Budget Allocation in UDD (Rs in Millions)

	2005-06 (Actual)	2006-07 (Actual)	2007-08 (Actual)	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (RE)	2012-13 (BE)
UDD Budget	**6,611**	**15,054**	**22,333**	**40,939**	**47,810**	**49,118**	**48,214**	**66,782**
Central Scheme/Programme (Fully/Partially)	270	5,876	5,993	8,620	8,008	8,900	5,477	7,059
State Scheme/programme	694	1,181	2,076	6,782	13,593	13,532	9,164	21,666
Formula Linked Grant (incl Octroi compensation)	**4,193**	**5,183**	**11,514**	**22,275**	**23,387**	**23,411**	**24,191**	**25,077**
Others	1,454	2,814	2,750	3,263	2,822	3,275	9,381	12,980

Formula Linked Grant to ULBs
% of Total UDD Budget



Formula Linked Grant to ULBs:
Municipal Corporation V/S Municipality

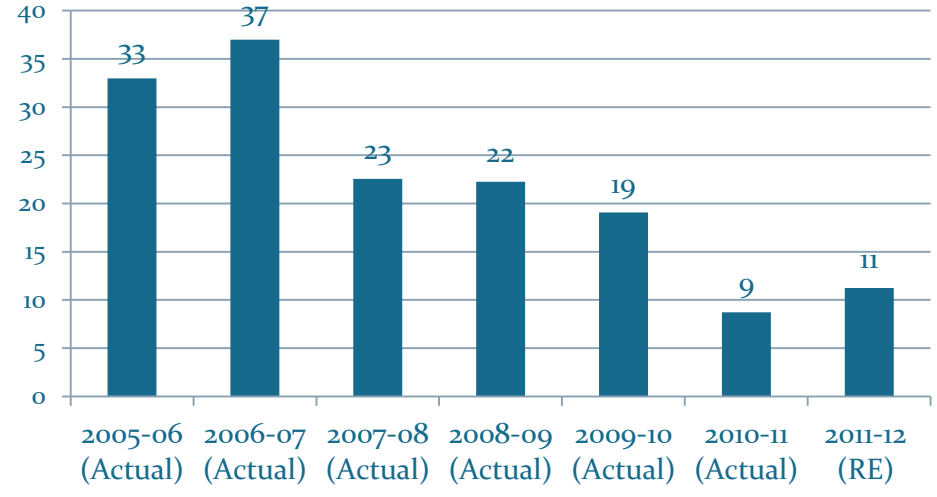


Source: State Budgets Documents, GoG

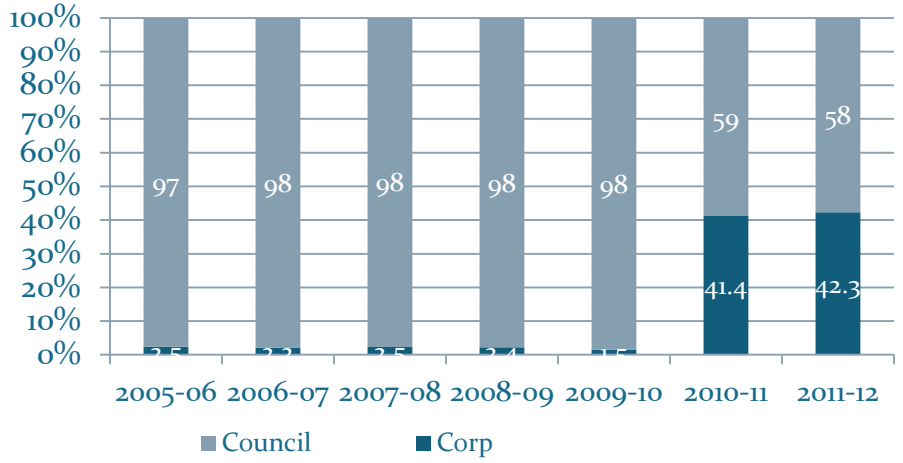
Maharashtra UDD Budget : Highlights

Budget Allocation in UDD (Rs in Millions)								
	2005-06 (Actual)	2006-07 (Actual)	2007-08 (Actual)	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (RE)	2012-13 (BE)
UDD Budget	14,020	19,283	26,062	27,524	48,276	42,971	51,291	51,626
Central Scheme/Programme (Fully/Partially)	2,528	5,800	14,300	17,260	22,393	18,975	22,350	23,326
State Scheme/programme	6,868	6,351	5,886	4,139	16,680	20,243	23,179	20,380
Formula Linked Grant	4624	7132	5876	6125	9203	3753	5762	7,920

Formula Linked Grant to ULBs % of Total UDD Budget

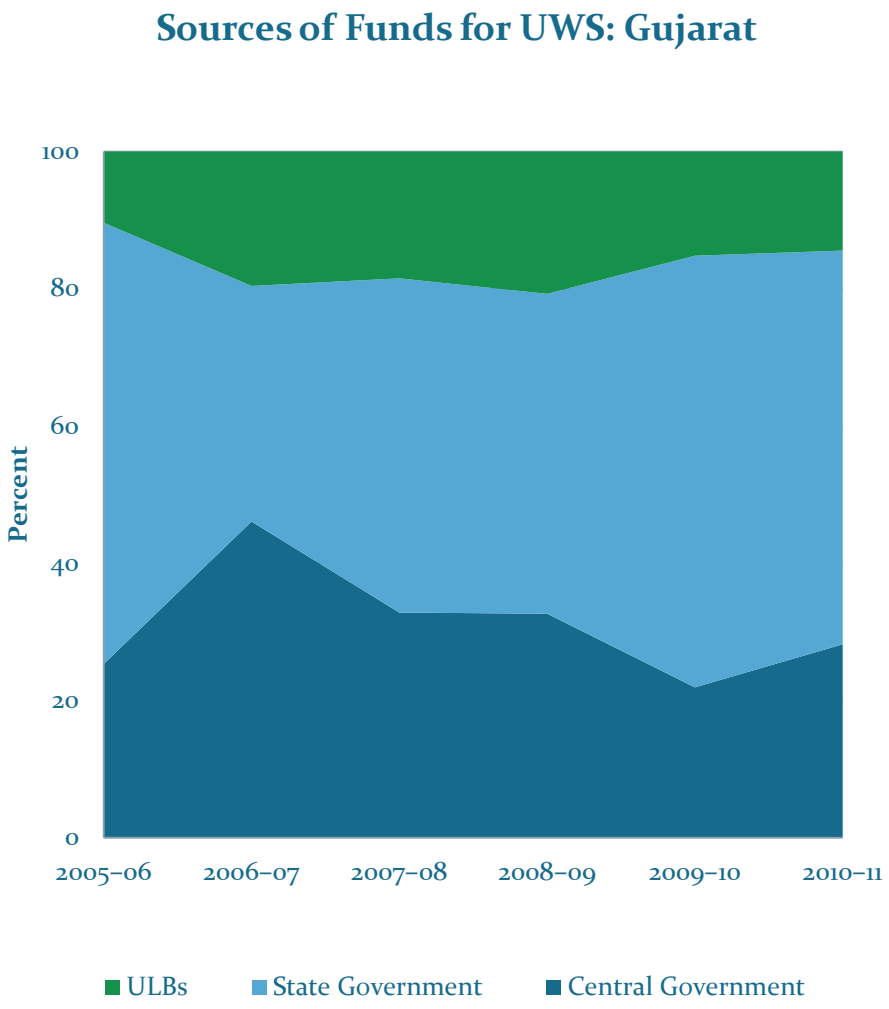


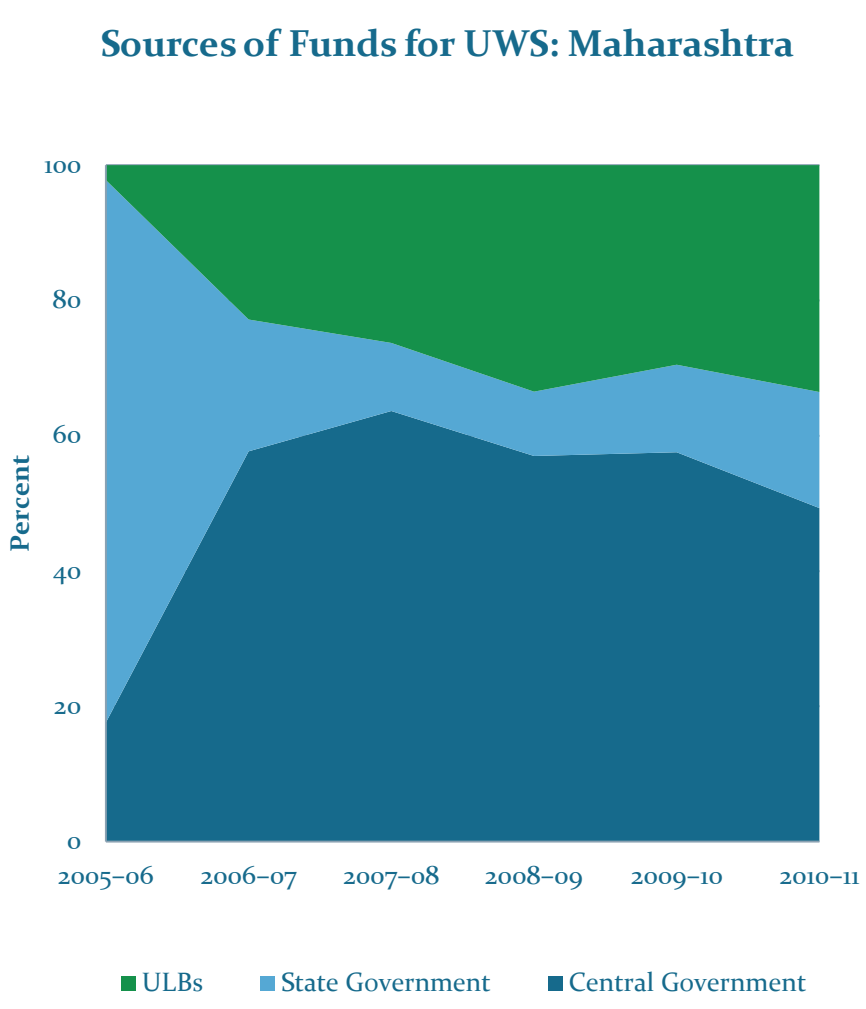
Formula Linked Grant to ULBs Municipal Corporation V/S Municipality



Source: State Budgets Documents, GoM

Sources of funds for Urban Water and Sanitation





Aspects of decentralisation

- Level of predictability in funding
- Level of autonomy for ULBs in the use of funds
- Reform and performance-linked funding
- Funds earmarked for the poor
- Disparities between Municipal corporations and smaller municipalities

Fiscal decentralisation(state to local): a cause for concern

	Maharashtra			Gujarat		
Dimension of decentralisation	**Central Govt. funds**	**State Govt. funds**	**Total Urban Dev Funds**	**Central Govt. funds**	**State Govt. funds**	**Total Urban Dev Funds**
Predictability % share of formula based funds	11.4	23.6	16.4	8.5	31.3	20.5
Local Autonomy % share of partially tied funds	62.8	81.26	56.02	73.9	89.5	81.5
Reforms Linked % share of reform linked funds	82.5	10.3	60.1	93.0	12.4	42.1
Earmarking for the poor % share of funds earmarked for the poor	22.8	7.5	18	23.8	11.5	16.1
Horizontal Equity % share of MCs	83	73.4	81.28	83.1	35.4	60.0
% share of Municipalities	17	26.6	18.72	16.9	64.6	40.0

Municipal Finance

Do we know enough about the ULB finances?

- No systematic information on ULB finances exists in India. Most available studies are “one-off”, based on a “sample” of ULBs, often with a bias for larger cities.
- What we do know is that the share of “own revenue” is declining and dependence on “grants” (tied and untied) is rising, thus undermining one of the basic tenets of decentralisation
- Expenditure needs of ULBs are generally based on financial norms (based on Zacharia 1964 norms adjusted for inflation)
- No information on “outcome” of this expenditure in terms “service levels”

Gujarat and Maharashtra: Issues in assessing Municipal Finance

- ULBs are required by law to have a balanced budget – but in practice, they overestimate revenues and underspend on essential services
- Many ULBs follow unified or single budget formats in which segregation of revenue and capital expenditure is difficult
- The BPMC Act provides for separate budgets or ring fencing some part of budget but this is not practiced in Maharashtra
- Inconsistent municipal budgeting and accounting structure
- Difficult to assess the debt repayment capacity

Increasing dependency of ULBs

Table 6: The Finances of Municipalities, All States

Finances	2002-03		2007-08		CAGR %
	Amount Rs. crore	Per Capita Rs	Amount Rs. crore	Per Capita Rs	
Revenue Income					
Own tax revenue	8,838.13	311	15,277.72	492	11.57
Own non-tax revenue	4,441.84	156	8,243.66	265	13.16
Total own revenue	13,279.97	466	23,521.38	757	12.11
Assignment and devolution	3,657.06	128	9,171.11	295	20.19
Grants-in-aid	2,259.76	79	5,676.25	183	20.23
Others	1,137.52	40	2,818.32	91	19.90
Transfers from the Central Government	308.86	11	2,372.97	76	50.35
Finance Commission Transfers	276.53	10	869.02	28	25.74
Total revenue income	20,919.69	733	44,429.05	1430	16.26
Expenditure					
Revenue expenditure	15,691.46	550	28,431.45	915	12.62
Capital expenditure	5,938.28	208	18,594.08	598	25.64
Total expenditure	21,629.74	758	47,025.53	1,513	16.80
Gross domestic product (GDP) (India)[45]	22,61,415	21,415	43,20,892	37,969	13.83
Own tax as % of GDP	0.39		0.35		
Own revenue as a % of GDP	0.59		0.54		
Municipal expenditure as % of GDP	0.96		1.09		

Note: Gross Domestic Product at factor cost (current prices).
Source: TFC data.

Source: ADB (2011), India Municipal Finance Study, available at http://www.adb.org/projects/documents/municipal-finance-mattersindia-municipal-finance-study-tacr

Gujarat ULBs :Dependency on Grants

Own Source revenue (Tax income) to total revenue

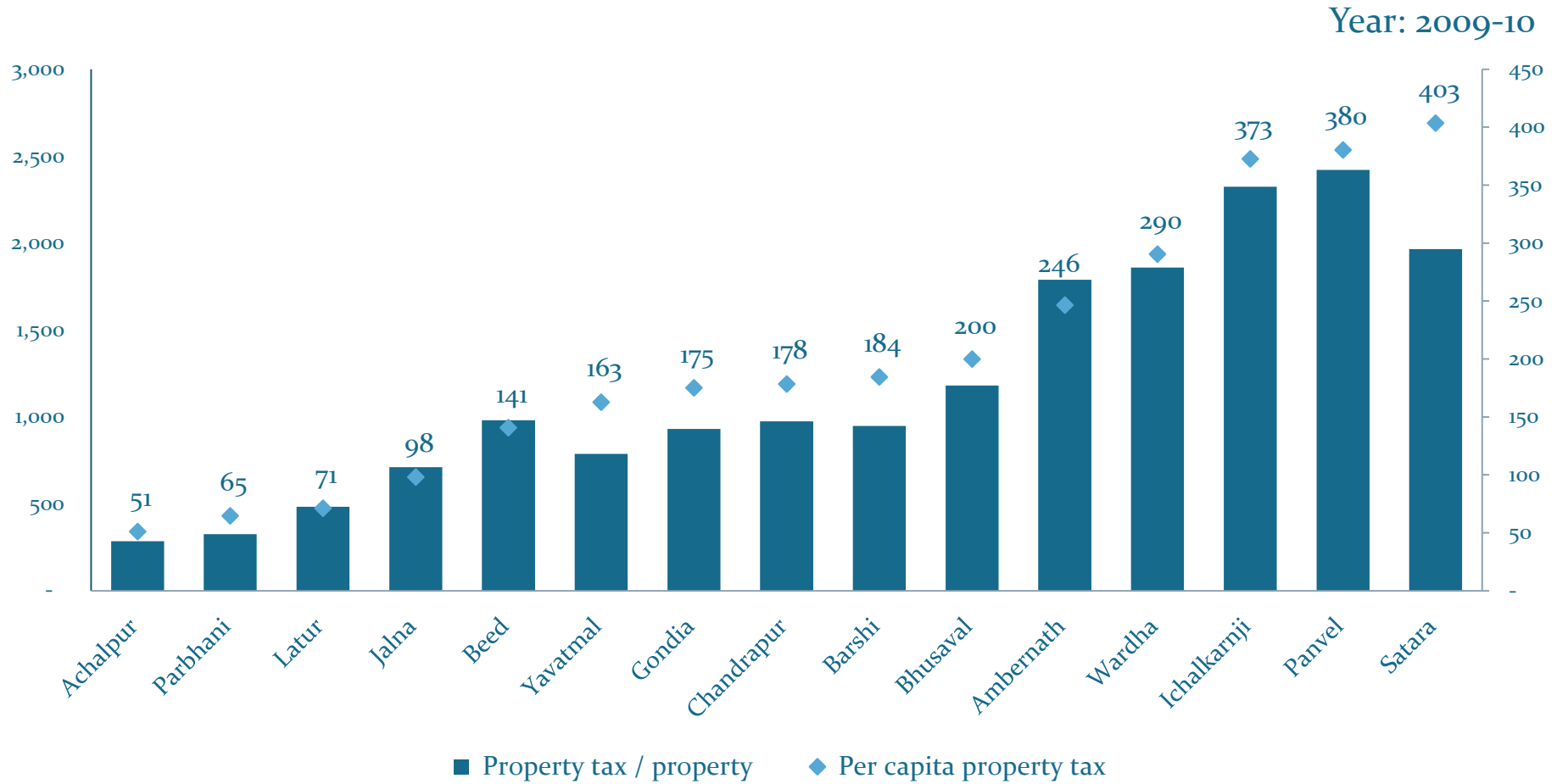
Class	Average	Median	< 20%	20 – 30%	30 – 40%	40 – 50%	50 – 60%	> 60%
A (18)	36%	34%	2	6	3	3	3	1
B (33)	43%	31%	5	10	8	5	0	5
C (45)	26%	22%	17	11	4	4	2	1
D (63)	42%	29%	15	15	10	4	6	9
Total (159)	**37%**	**28%**	**39**	**42**	**25**	**16**	**11**	**16**

- ULBs generate only about one-third of their income from own sources
- The primary reasons for low dependence on taxes:
  1. Low tax rate
  2. Low collection efficiency

Median values of taxes/per property levied by Municipalities(not all ULBs levy all these taxes)

ULB class	Property tax	Special water tax	General water tax	Drainage tax	Special safai tax	General safai tax	Light tax
A	668	600	600	200	100	91	100
B	523	600	600	225	100	96	68
C	453	600	150	225	60	60	53
D	332	600	75	175	60	60	50

Maharashtra: Property tax - is there potential for more?



- ULBs have adopted different property tax rates, infrequent revision of property tax
- Non -coverage of properties under the property tax net
- Low demand and poor collection efficiency of the property tax by the ULBs

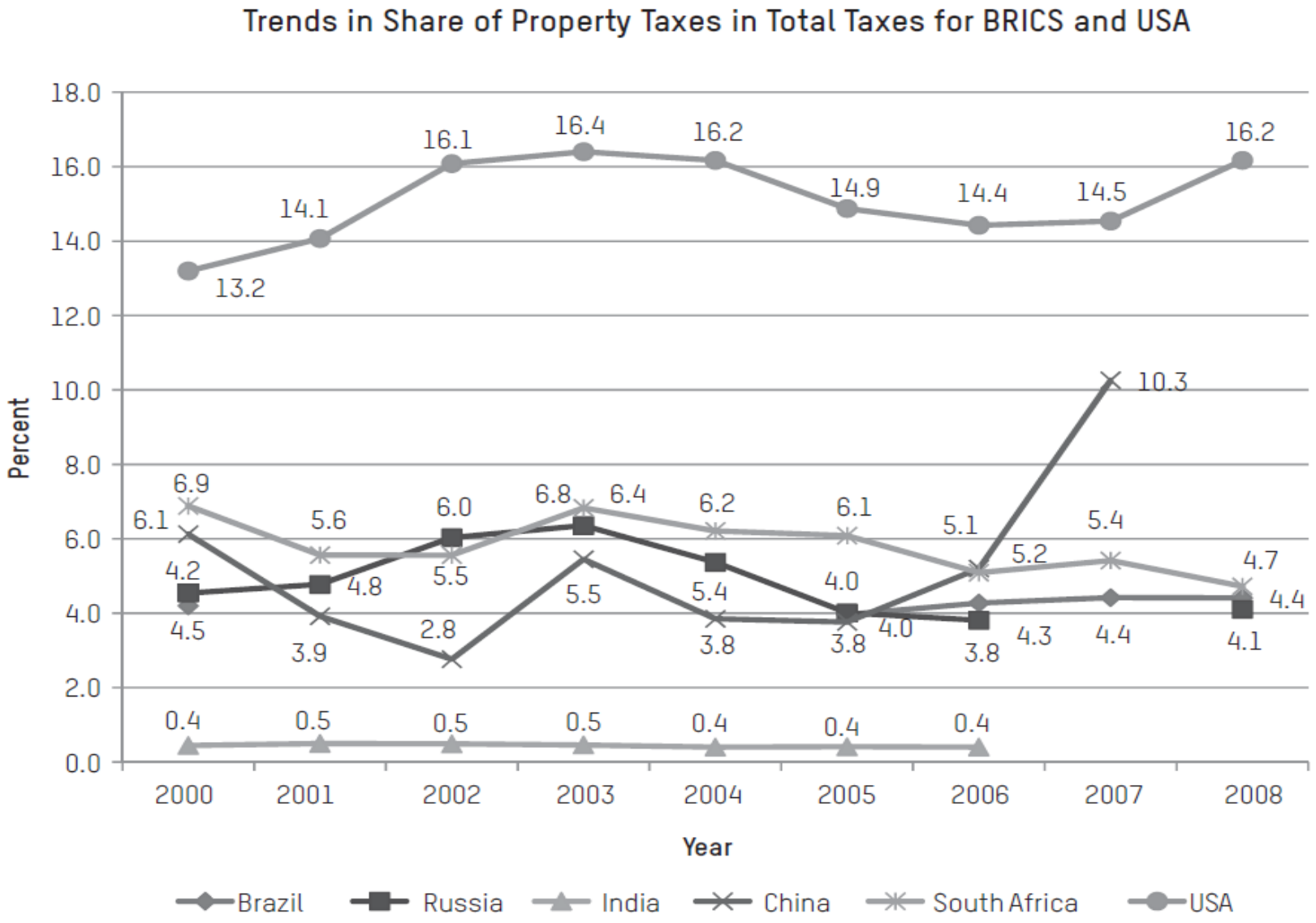
Gujarat Property tax: Collection Efficiency

- UIDSSMT and MMSVY -Reforms target mandate that ULBs collect 90% of the demand raised
  - only 31 cities meet the reform target.
  - 46 cities collect less than 55% of the demand raised
  - Critical in class D cities, more than half collect less than 60%

Class	Median	Number of ULBs according to Collection Efficiency of Property tax				
		< 40%	40 – 55%	55 – 70%	70 – 85%	> 85%
A (18)	65%	0	5	5	4	4
B (33)	76%	0	5	4	13	7
C (45)	71%	4	6	11	16	8
D (63)	58%	13	13	19	6	12
Total (159)	68%	17	29	39	39	31

Property Tax: an underutilised resource

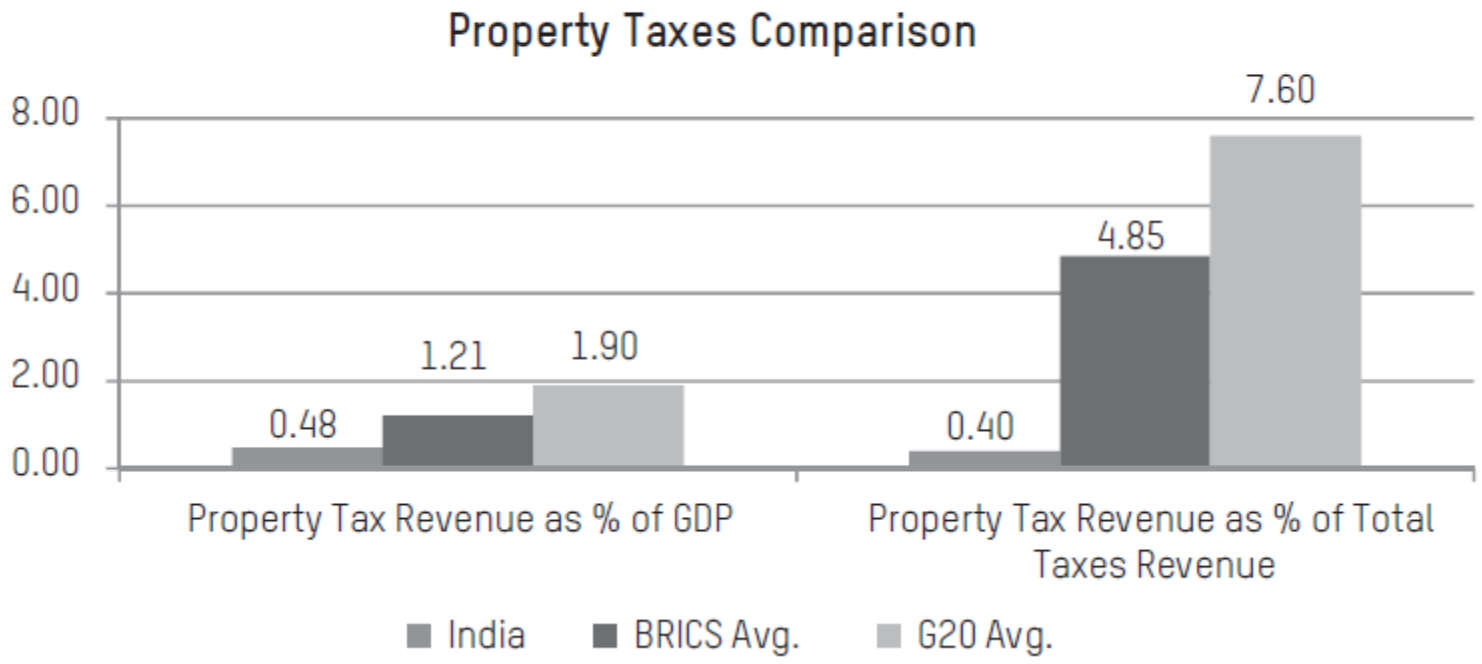
CHART 3.2



Prakash P (2013): Property taxes Across G20 countries: Can India get it right? Oxfam India working papers series January 2013

Property Tax Comparison

CHART 7.2



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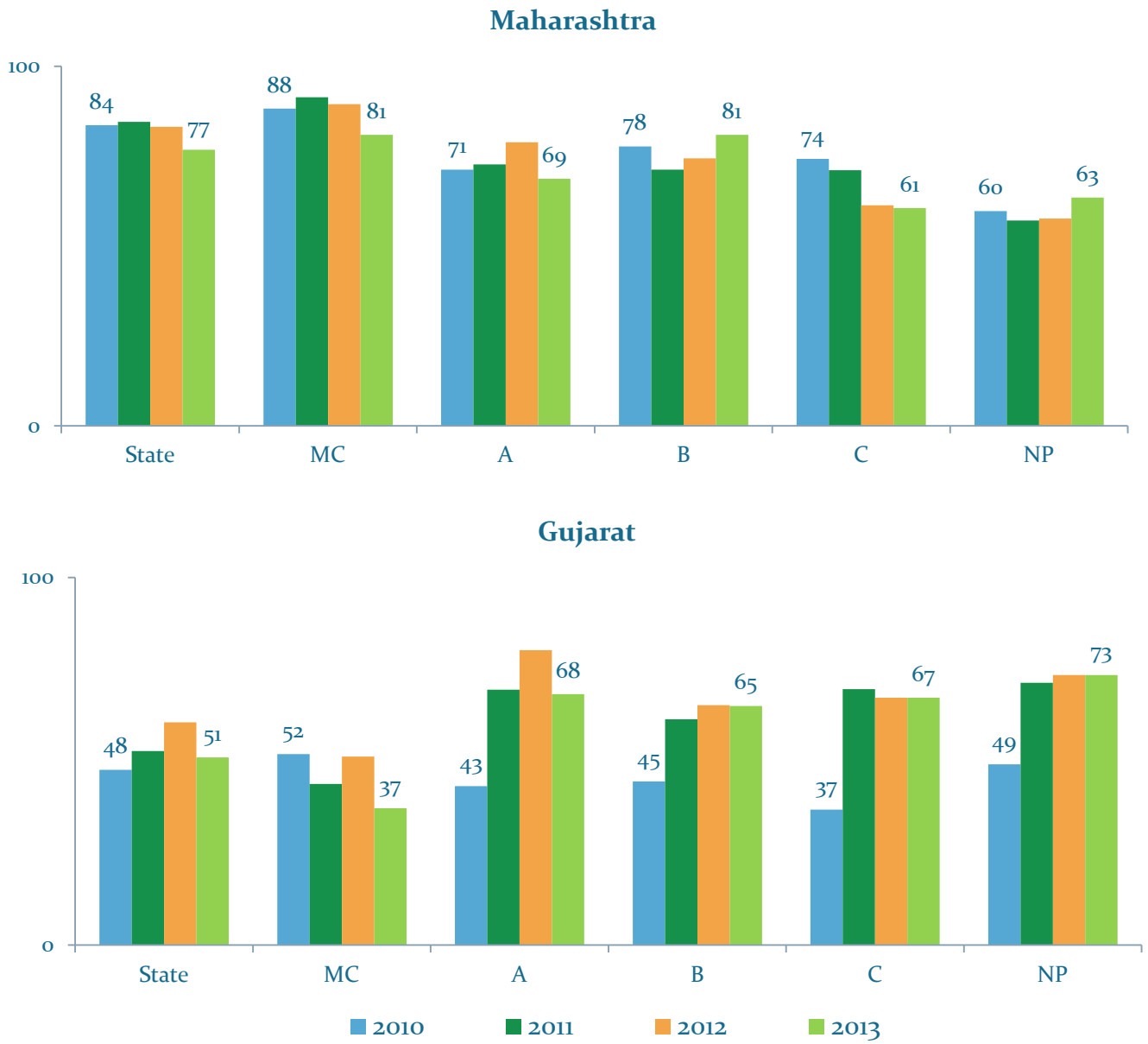
User charges/taxes

Cost recovery in Water in ULBs

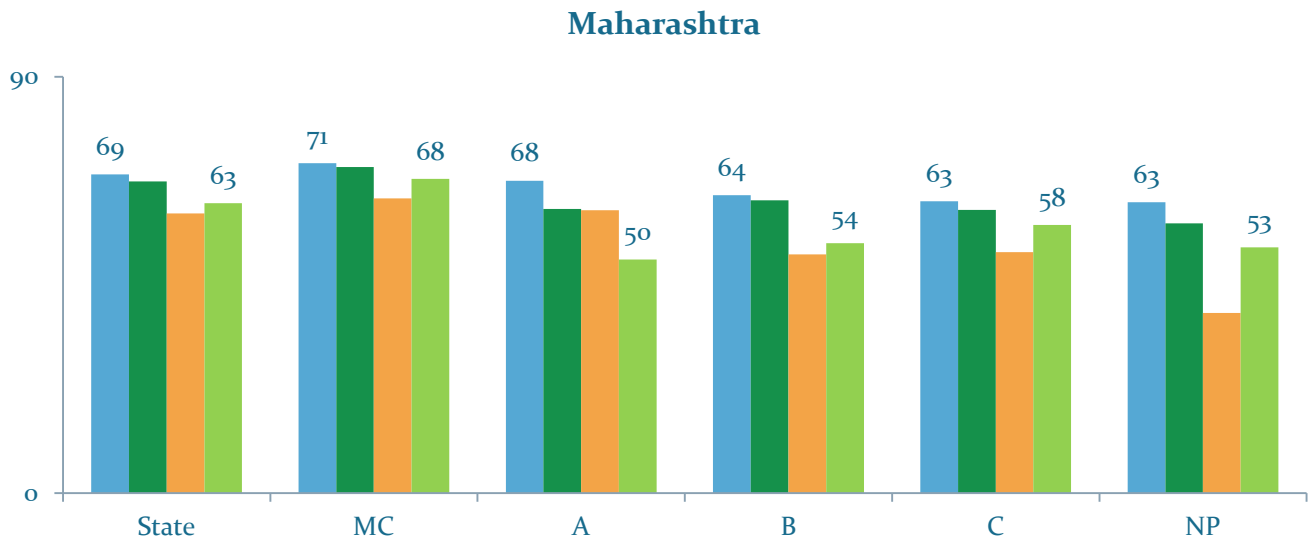


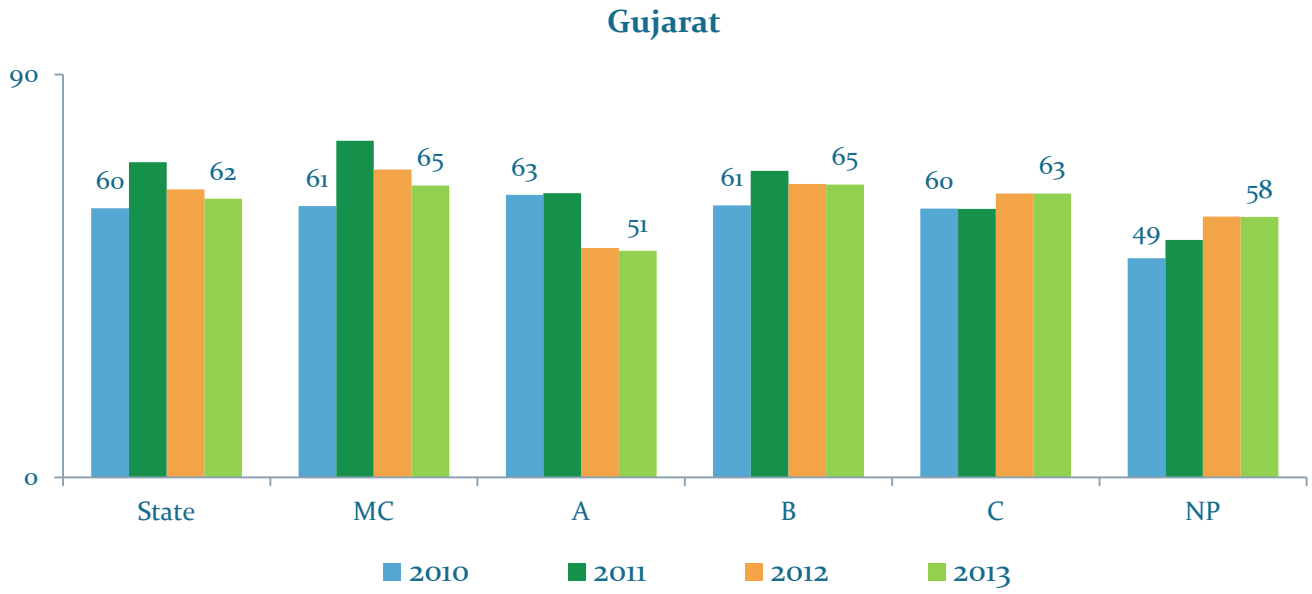
ULBs in both the states do not fully recover O&M costs (billed demand/ O&M expenditure) of provision of water services

Maharashtra is better in cost recovery of water

No major change in trend despite conditions imposed by centre (JnNURM) and State

Collection Efficiency of User charges (Water)

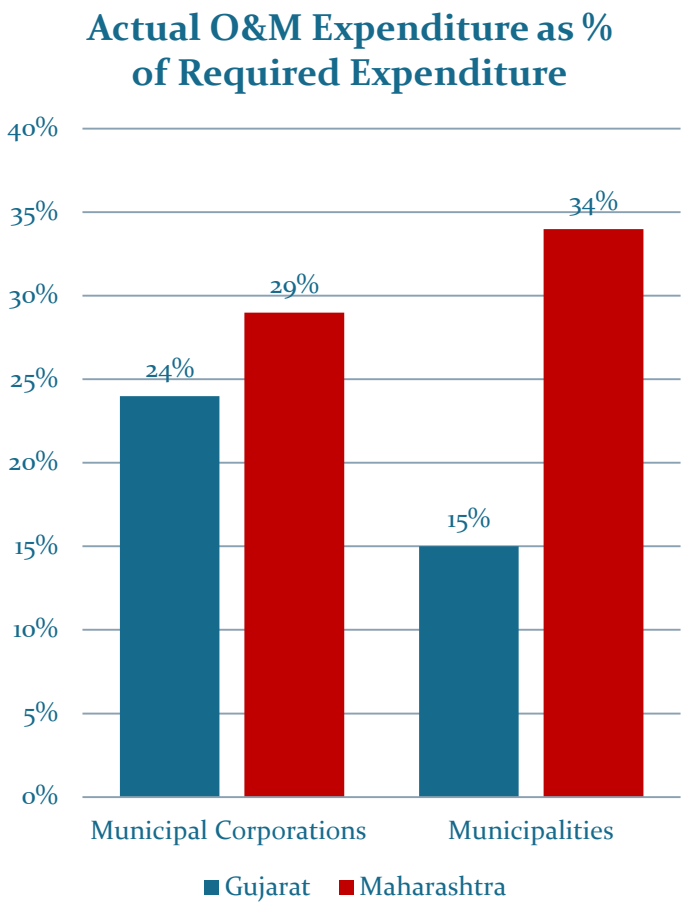




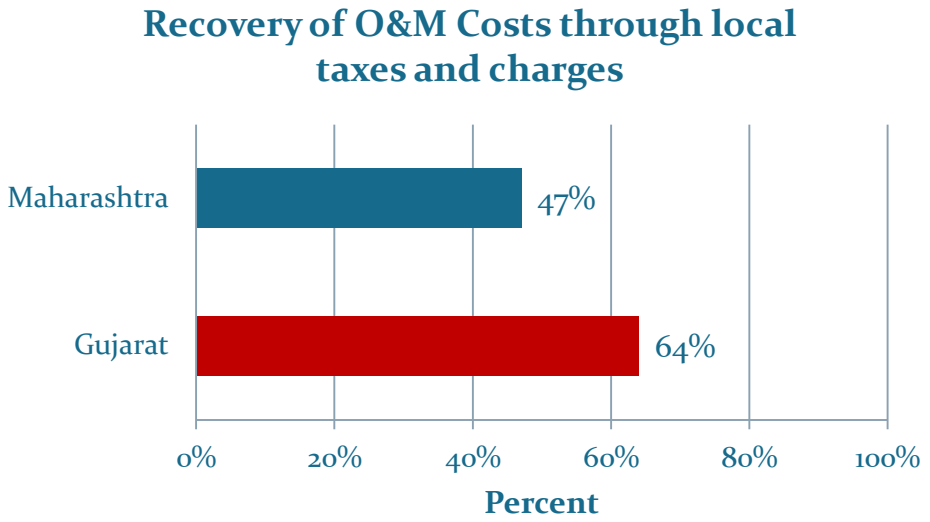
Actual Cost recovery is further lowered as ULBs fail to collect all the demand raised.

ULBs in both states collect only about 60% of the demand raised

Can ULBs sustain infrastructure?



Note: Actual O&M expenditures are compared with HPEC norms



Obsession about computing the need for investment in urban infrastructure (HPEC, McKinsey, etc)

Even when major investments in urban infrastructure (funded by Central and State) are made, ULBs are nether able to recover the O&M expenses through local charges and taxes for services

Linking outlays to outcomes

Linking outlays to outputs and outcomes

- The Commission may review……; **linking outlays to outputs and outcomes**; …… and make appropriate recommendations thereon

- In an earlier study it was observed that, "the study would have been more complete if the outcomes in terms of finances of the cities could be related to the levels of service delivery. **Unfortunately, none of the ULBs have a systematic record on the levels of services provided.** In the absence of data on the levels of services for each ULB, we cannot use the physical norms to assess the conditions but have to rely entirely on financial norms."

Source: Bandopadhyay and Rao (2009), NIPFP working paper

Monitoring outcomes in ULBs

- It is possible to implement monitoring of outcomes for key services – water supply, Sanitation, Solid Wastes
  - ✓ Framework of Service Level Benchmarks (SLB) developed by Ministry of Urban Development has been in use since 2009
  - ✓ CEPT University has operationalised this framework with online system and which collects annual information for 400+ cities in Gujarat and Maharashtra
  - ✓ Both states have institutionalised the system of annual monitoring of SLBs with help of CEPT University and partners
  - ✓ Ministry of Urban Development has suggested to state governments to adopt this framework

PAS

Performance Assessment System

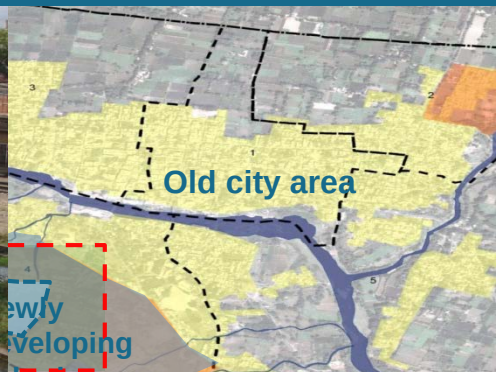
Annual Service delivery profile for **419** Cities in **2** States

covering **32** Key indicators and **88** local action indicators

www.pas.org.in

Sectors : Water supply, Waste Water, Solid waste Management & Storm Water

Focus on **Measurement, Monitoring & Improvement**



Online Monitoring

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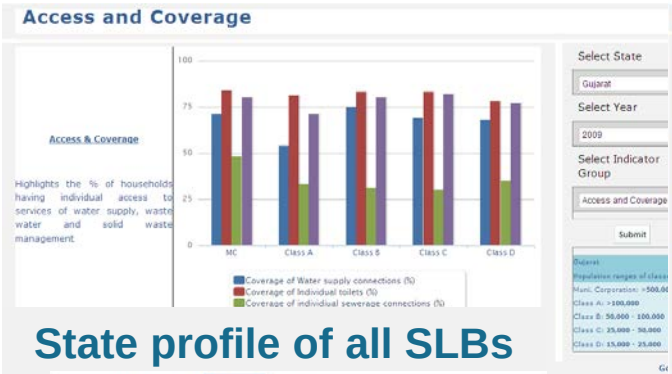
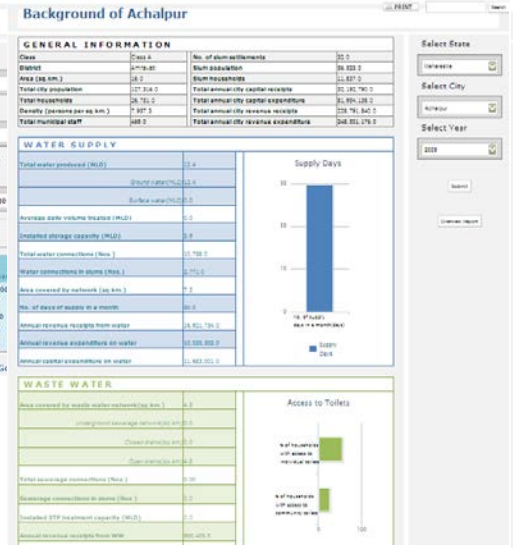
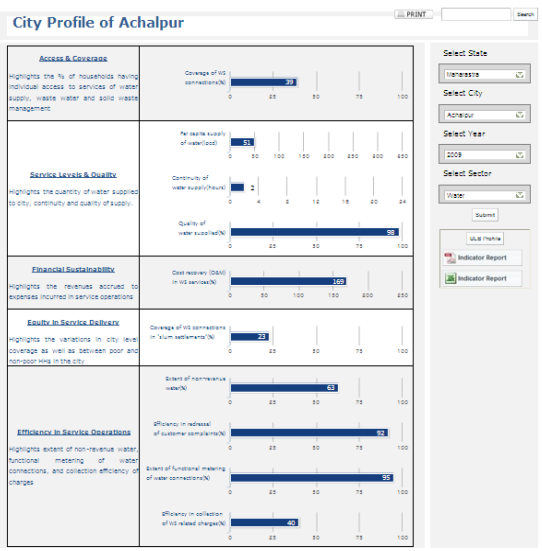


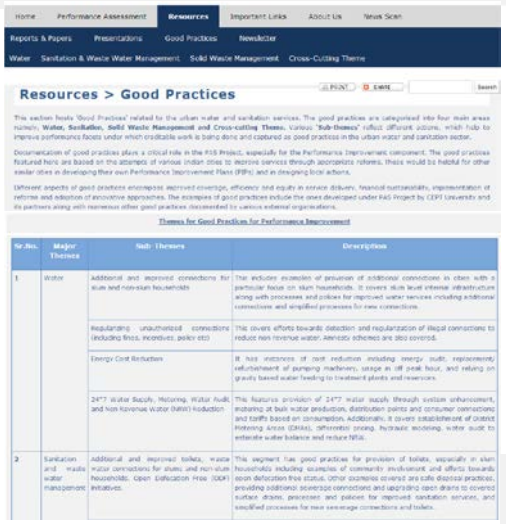
State profile of all SLBs



Overview of all cities



City profile of all SLBs



Documentation of good practices

On-line data entry module

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PERFORMANCE ASSESSMENT SYSTEM (PAS) PROJECT
Amod

General Information | Water Supply | Sewerage and Drainage | Solid Waste Management | Equity Related Information | Reliability

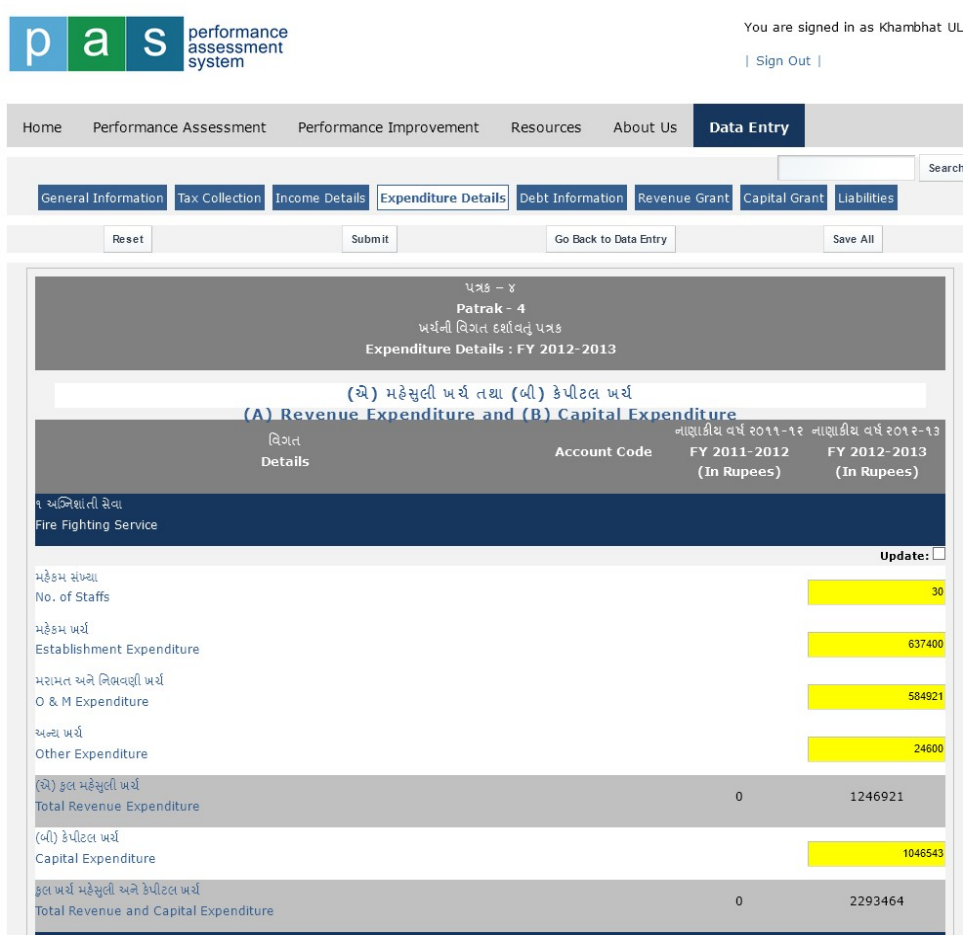
WATER SUPPLY : FY 2012-2013

1. COVERAGE OF WATER SUPPLY CONNECTIONS

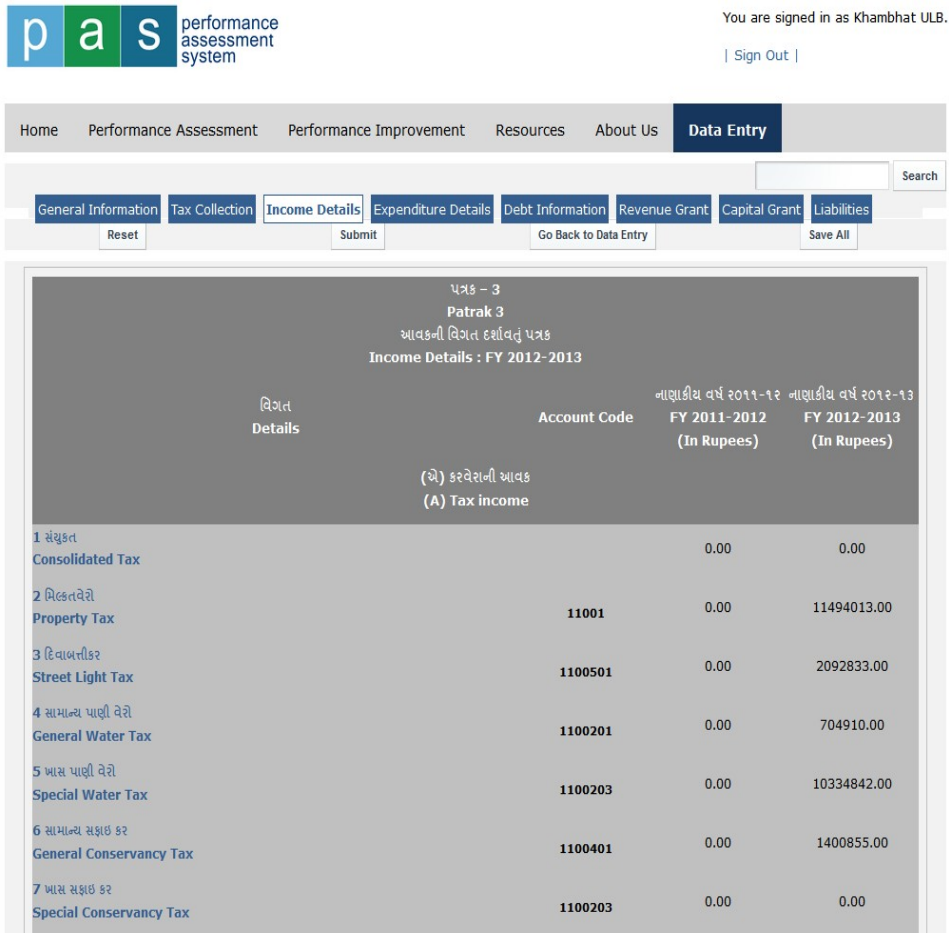
Water Service Coverage - Number of Connections

Item	Unit	2011-2012	2012-2013
1.1 Domestic Connections (Metered Functional)	Number	NA	NA
1.2 Domestic Connections (Metered Non-Functional)	Number	NA	NA
1.3 Domestic Connections (Unmetered)	Number	3200	3001
Domestic connections (Total)	Number	3200	3001
1.4 Bulk supply Apartments (Metered Functional)	Number	NA	NA
1.5 Bulk supply Apartments (Metered Non-Functional)	Number	NA	NA
1.6 Bulk supply Apartments (Unmetered)	Number	NA	NA
Bulk supply Apartments (Total)	Number	0	0
1.7 Bulk supply Layouts/Societies (Metered Functional)	Number	NA	NA
1.8 Bulk supply Layouts/Societies (Metered Non-Functional)	Number	NA	NA

Online Module for Municipal Finance – Gujarat



Format Showing Revenue/Capital Expenditure of ULB



Format showing income details of ULB

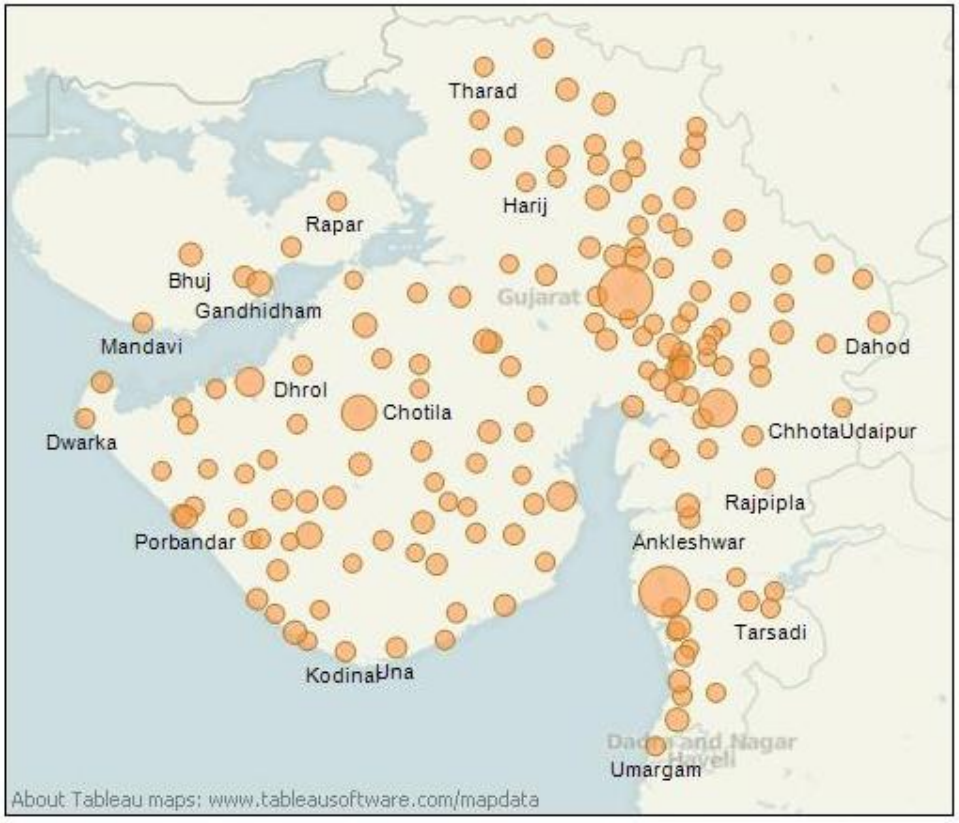
STATE

Dashboard Showing Performance Indicators of SWM for **Gujarat**

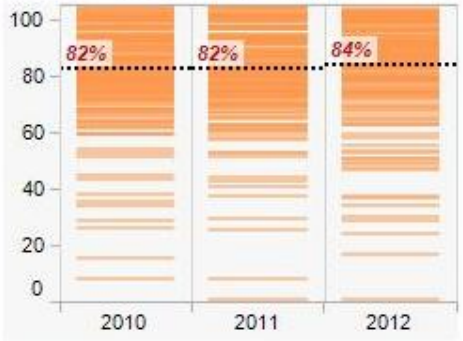
Class: All

Class (All)

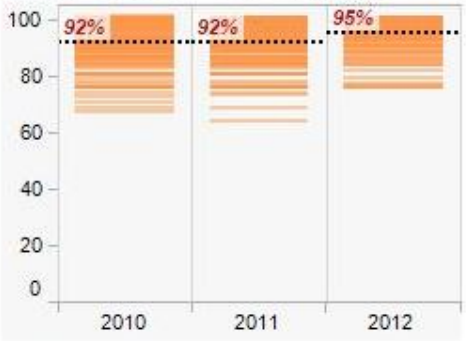
State Gujarat



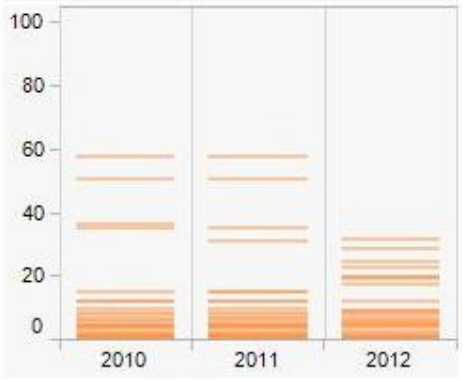
HH Level Coverage



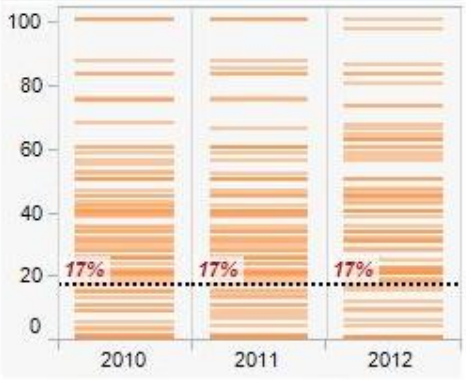
Collection Efficiency of MSW



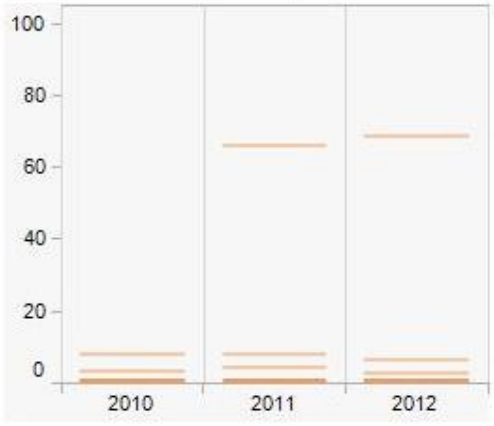
Extent of Segregation



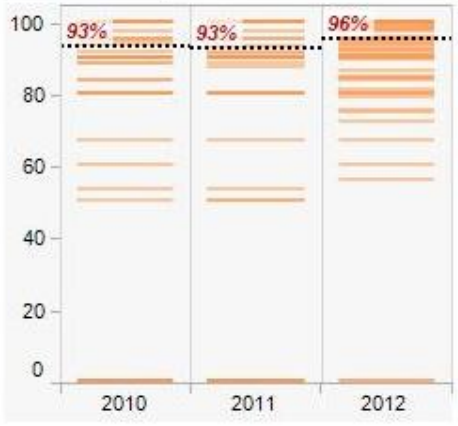
Extent of MSW Recovered



Scientific Disposal

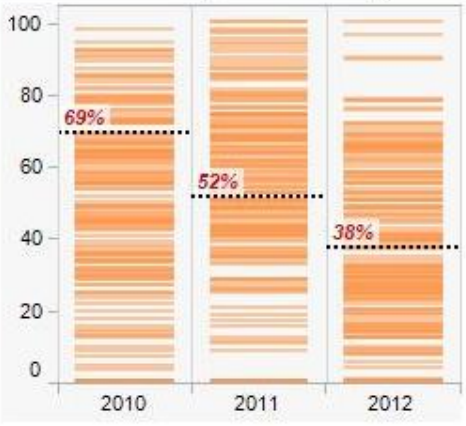


Complaint Redressal



Cost Recovery

Col. Efficiency of User Charges



CITY

Dashboard Showing SWM SLBs for **Ahmedabad**

Class: MC

State (All)

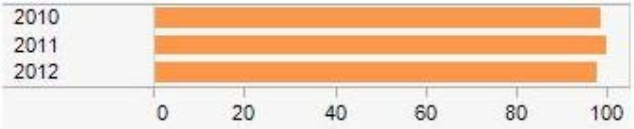
ULB (All)

Back to State

Access & Coverage

Captures the door to door collection of MSW.

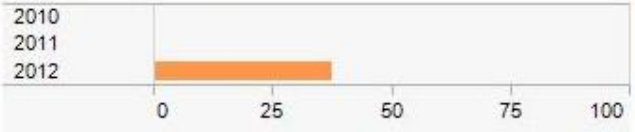
Coverage



Equity in Service Delivery

Highlights the variations in city level coverage as well as between poor and non-poor HHs in the city

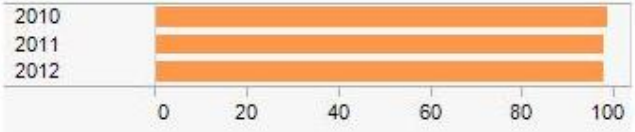
Slum Coverage (%)



Service Levels & Quality

Highlights the collection efficiency, extent of segregation and extent of recycling of MSW.

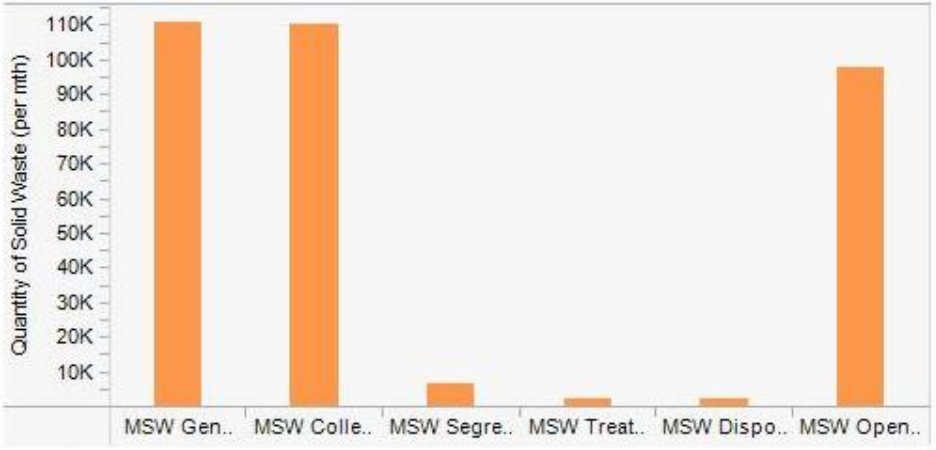
Collection Efficiency of MSW



Extent of Segregation

Extent of MSW Recovered

SWM Value Chain

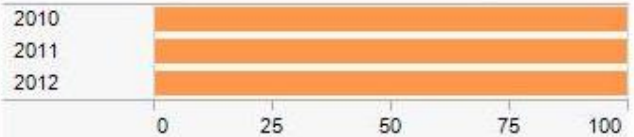


Year 2012

Efficiency in Service Operations

Highlights extent of scientific disposal, efficiency of complaint redressal and collection efficiency of charges.

Complaint Redressal Efficiency



Extent of Scientific Disposal

Financial Sustainability

Highlights the revenues accrued to expenses incurred in service operations

Collection Efficiency of Taxes/ Charges

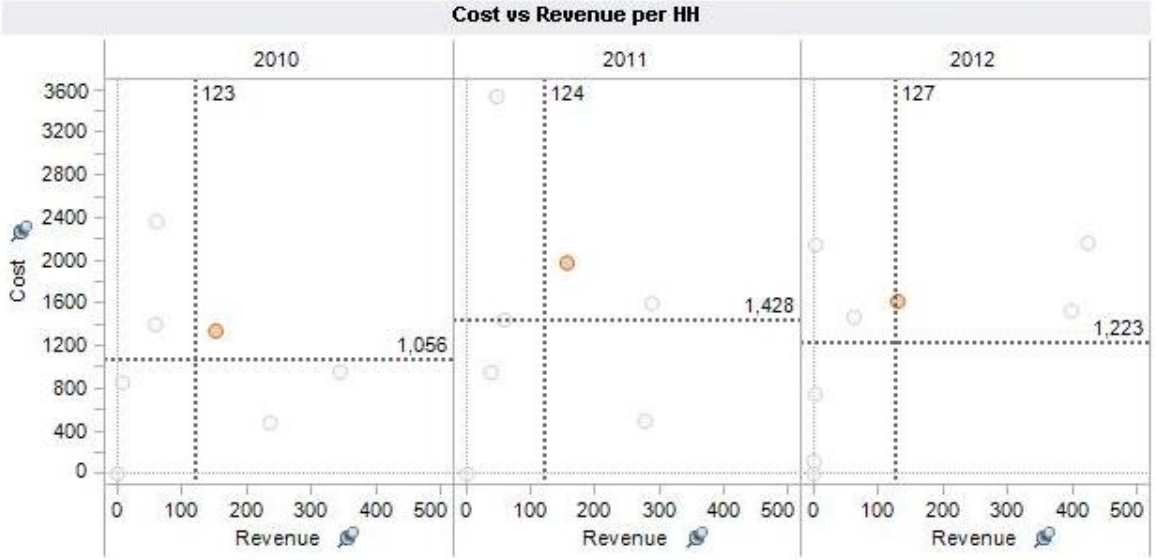
Cost Revovery

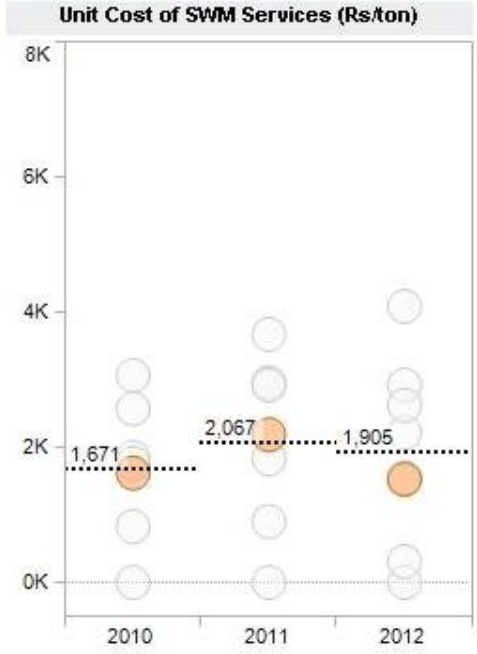
CITY Details

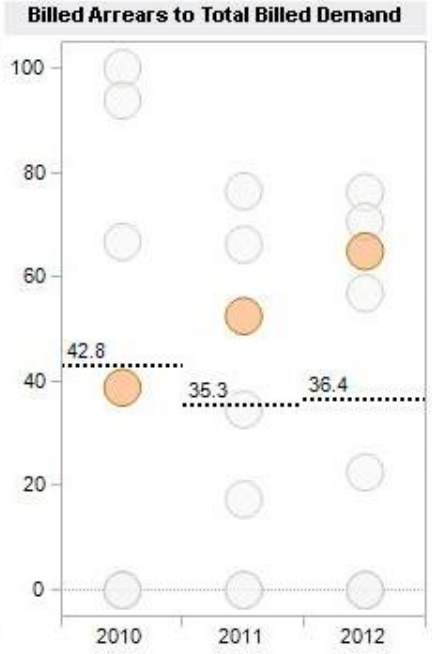
Dashboard for SWM Drilldown indicators for **Ahmedabad**

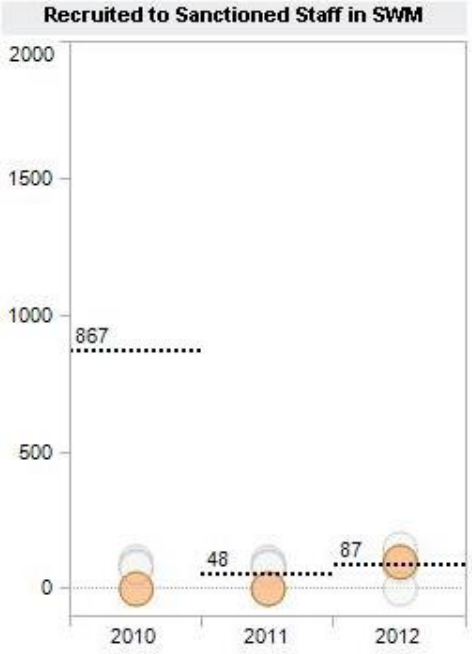
Financial Sustainability

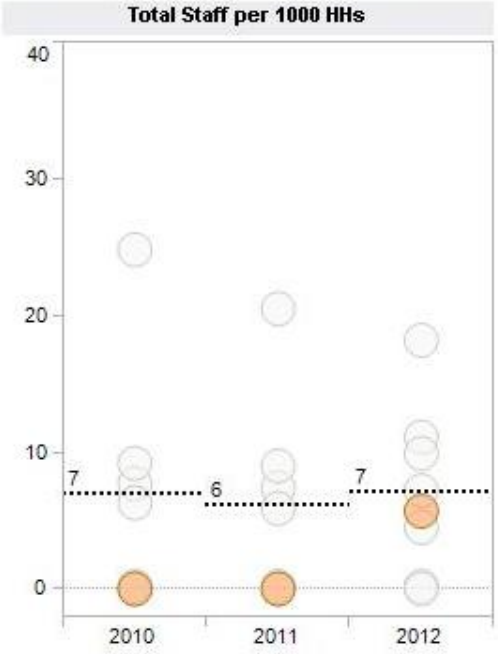
Class: MC | State: Gujarat | ULB: (All) | Back to State | Back to City



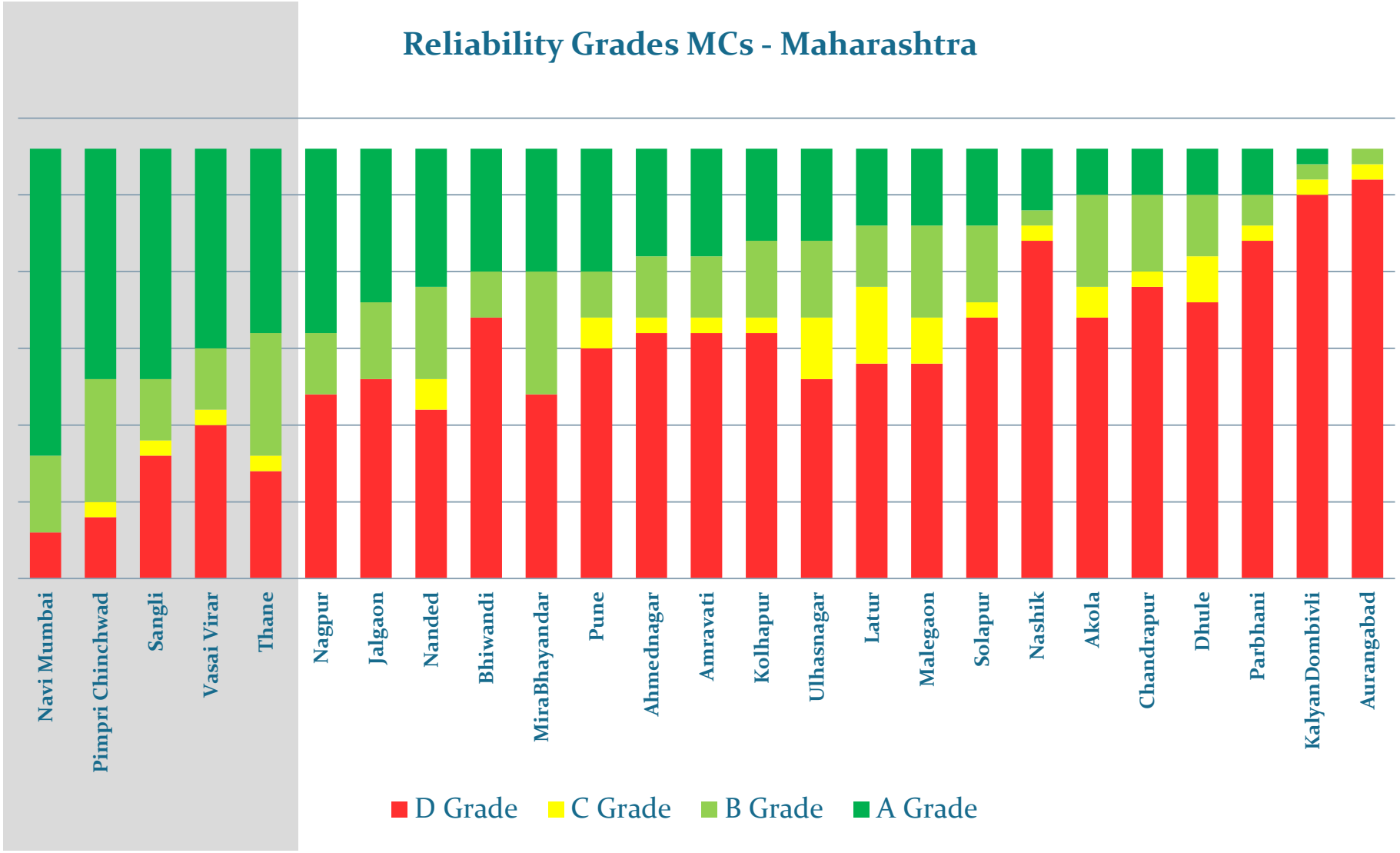






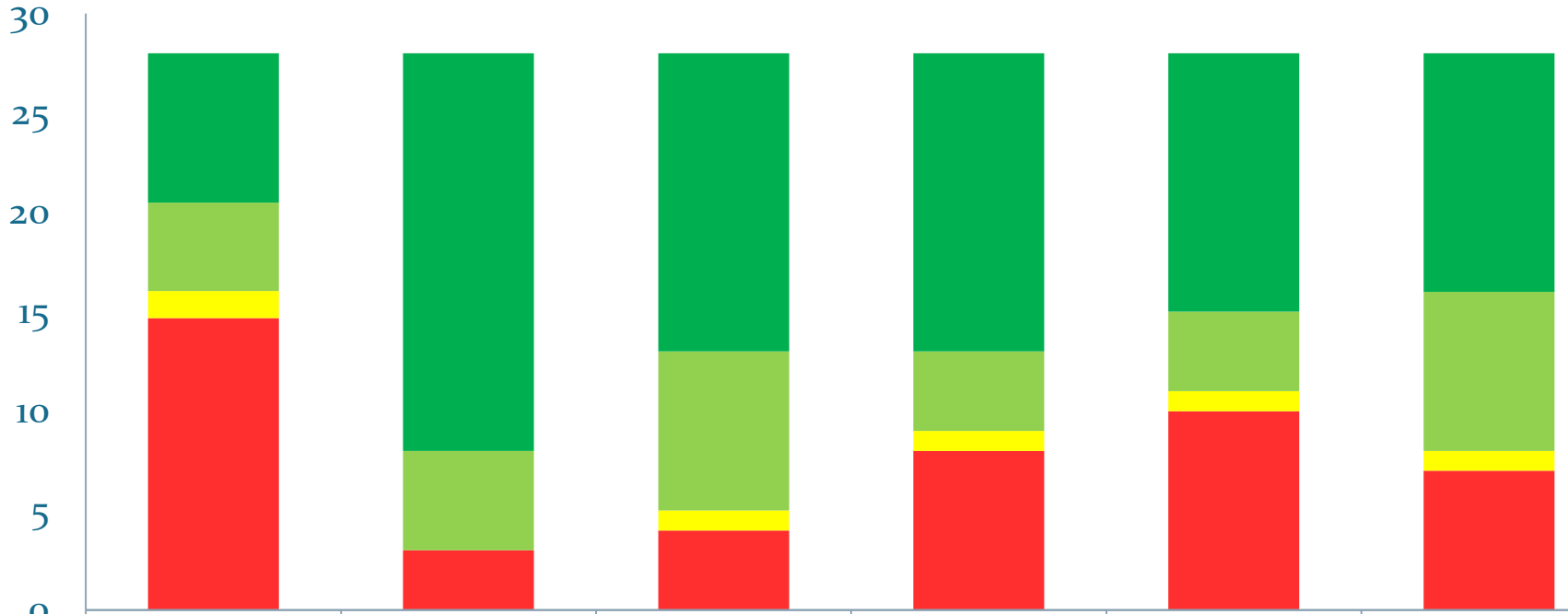


Maharashtra Data Reliability Analysis



Data Reliability Analysis - MCs

Reliability Grades - All MCs, PCMC, NMMC, Sangli MC, Thane MC, Vasai Virar M



	All MCs	Navi Mumbai	Pimpri Chinchwad	Sangli	Vasai Virar	Thane
A Grade	8	20	15	15	13	12
B Grade	4	5	8	4	4	8
C Grade	1	0	1	1	1	1
D Grade	15	3	4	8	10	7

ERP Solution developed internally by NMMC

100 % open source ERP developed

- Birth & Death Certificates
- Integrated Financial Accounting & Reporting
- Interactive Citizen Portal for Local Bodies
- Automated Building Plan Permissions
- Property / Water Management
- Grievance Management
- GIS Integrated systems

- e-Tendering & Procurement
- Office Establishment/ Administration
- Personnel Information Systems
- Asset Life Cycle Management
- Document Management Systems
- Licenses & Permits
- Management Info. System

Workflow Driven Single Sign-on Role-based Access Complete Audit Trail

Source: Rao G V (2013), “presentation on NMMC e-Governance system”, MOUD workshop, Khajuraho.

Systems and Processes – Navi Mumbai

Water Supply

Production, Treatment and Distribution

- Bulk flow meters installed at all points to measure water. production and distribution
- Water produced and distributed monitored through SCADA system (Hourly reports generated).
- Water quality tests conducted daily at own laboratory.

Consumption

- Monthly meter readings through
  - Automatic meter reader
  - Manual recording
- Computerized records for water connections, consumption and billing.
- Multiple mechanism to register complaints – written, telephonic, online, etc.

Wastewater Management

Collection and Conveyance

- 80.1% coverage of wastewater network.
- Multiple mechanism to register complaints available – written, telephonic, online, etc.

Treatment

- 7 STPs for treatment of wastewater generated (C-tech technology).
- Bulk flow meters installed at inlets and outlets of STPs
- STPs operated through SCADA system.

Disposal

- Treated waste water disposed into Thane creek.

Solid Waste Management

Collection, transportation and Segregation

- Waste collection trucks weighed at the weighing bridge.
- Computerised records are maintained on the daily basis.
- Wet and dry waste is segregated through mechanical segregators and sent for processing.

Processing

- 17500 MT/ Month goes to processing plant approved by SPCB
  - Bio gas plant
  - Compost processing
  - RDF
  - Eco bricks

Disposal

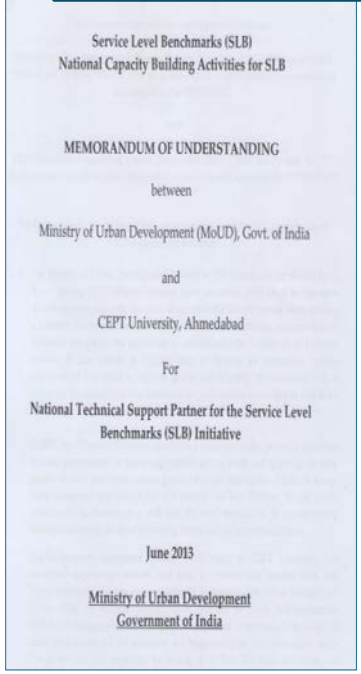
- 4500 MT/ Month goes to dumping site.

Mainstreaming outcome monitoring – Gujarat and Maharashtra

- The CEPT Performance Assessment System (PAS) has been mainstreamed in both states through a special State Cell for SLB assessment

  The government resolutions provide terms of reference, time table for regular activities and budget stream of the State Cells

NTS – MoU with MoUD



Service Level Benchmarks (SLB)
National Capacity Building Activities for SLB

MEMORANDUM OF UNDERSTANDING

between

Ministry of Urban Development (MoUD), Govt. of India

and

CEPT University, Ahmedabad

For

National Technical Support Partner for the Service Level Benchmarks (SLB) Initiative

June 2013

Ministry of Urban Development
Government of India

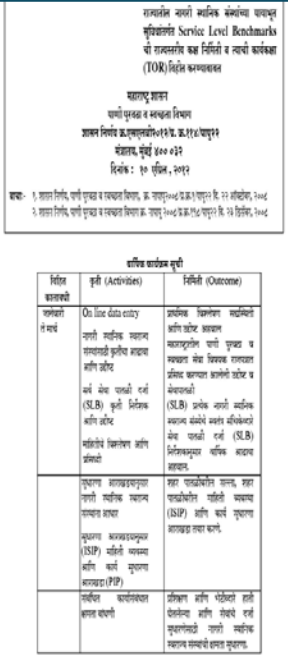
SLB cell Maharashtra

SLB GR

- Government Resolution issued by the Government of Maharashtra on 10th April 2012 regarding formation of State level SLB Cell to look after all SLB related affairs in the state of Maharashtra.
- The roles and responsibilities of this SLB Cell are defined in this GR.

STATE LEVEL SLB CELL

- According to the SLB GR, the state level SLB Cell is established at the AIILSG, Mumbai to provide all kind of technical and managerial guidance regarding SLB to all Urban Local Bodies in Maharashtra



SLB cell Gujarat

- Government of Gujarat constituted the SLB Cell in Urban Development Department on 23rd November 2011
- 17 members in the committee, headed by Principal Secretary, UD & UHD
- Committee to meet once in 3 months to review and monitor the progress of Benchmarking process in ULBs.

S.No	Name, title	Position
1.	Principal Secretary, UD&UHD	Chairperson
2	Addl.Secretary (Project) UD&UHD	Member
3.	Managing Director, GUDC	Member
4.	Municipal Commissioner, AMC, Ahmedabad	Member
5.	Municipal Commissioner, RMC, Rajkot	Member
6.	Director of Municipalities	Member
7.	Chief Officer, Anand Municipality	Member
8.	Chief Officer, Himmatnagar Municipality	Member
9.	Chief Officer, Morbi Municiplaity	Member
10.	Prof. Dinesh Mehta, CEPT University	Member
11.	Prof. Meera Mehta, CEPT University	Member
12.	Ms. Manvita Baradi, UMC, Ahmedabad	Member
13.	Sewerage Expert Engineer	Member
14.	Solid Waste Management Expert (2)	Member
16	MIS Expert	Member
17.	Addl. Chief Executive Officer, GUDM	Member Secretary

TFC Condition 8 : Standards for service delivery

- Service Level Benchmarking as one of the nine conditionalities for allocation of performance based grants to ULBs, which amount to appr. **Rs.8000 crores over 2010-15. This was instrumental in adopting outcome monitoring framework**
- The TFC stated that, "State governments must put in place ***standards for delivery of essential services*** provided by the local bodies for four services viz., water supply, sewerage, solid waste management, and storm water drains on lines of handbook for SLB by MoUD)*
- This has provided a beginning of a mindset shift from "infrastructure investments" to "service delivery outcome".

States with SLB Gazette information

States	No of cities in SLB Gazette information		
	2011	2012	2013
Andhra Pradesh	124		*
Bihar	42		
Chhattisgarh	43	43	43
Gujarat	164	167	166
Haryana		71	74
Himachal Pradesh	48	26	
Jharkhand		38	
Karnataka	52	52	
Kerala	65	65	65
Madhya Pradesh	110	110	
Maharashtra	247	252	252
Meghalaya		6	
Mizoram		4**	4**
Odisha	103	40	
Punjab			132
Rajasthan	184		*
Tripura	1	1	
Uttar Pradesh	205	207	207
West Bengal	87	125	127
Total cities / Total States	**1475 / 14**	**1207 / 15**	**1070 / 11**

** Andhra Pradesh and Rajasthan – Submitted average service levels and only sample city information*

*** Mizoram State - Gazetted average service level of 4 ULBs*

Throwing the baby with bath water?

- Despite the compliance of this condition by a large number of ULBs, a working group report of NIUA suggests discontinuance of this based on a sample of TWO ULBs!!
  - "The data of the two ULBs in respect of the above are contained in the two tables to show the irrelevance of "Benchmark" as one of the nine conditions as also of the limited value of this information for any purpose"
  - "The use of decimal point in recording the extent of metering or of non-revenue water shows the lack of understanding by the State how current levels or the targets are to be recorded."
  - Such conditions, the Working Group holds the position, need not be considered by the 14th Finance Commission.

We completely disagree with such a recommendation, based on a flimsy footing and poor understanding of the links between outlays and outcomes

MoUD and NIUA (2013) Approach to the finances of municipalities: A report to the 14th finance commission, A report of the working group, November 2013(para 4.14)

Suggestions to FFC

Suggestions for the consideration of the FFC

- Promote state level system for regular collection and analysis of municipal finance information
- Operationalizing systems for outcome / service delivery monitoring (like Service Level Benchmarks) on a regular basis
- Define clear role of state government and urban local bodies in setting up and mainstreaming these systems

Systems for regular collection/analysis of municipal finance

- Municipal Finance Information has been paid less attention (unlike the accounting reforms!!)
- Rather than ad-hoc, one-time data collection generally undertaken for SFC/FC, there is a need for systematic information on municipal finance
- Government of Gujarat is now collecting municipal finance data along with service level data on a regular basis through an online system. These online modules and analysis framework can be adapted for use in other states as well
- The Twelfth FC did make a recommendation for 'data improvements', but dues to the lack of an incentive and clarity, implementation has been weak
- Can FFC provide incentive(s) to make this "mandatory"? And provide grants to support implementation?

Systems for monitoring of outcomes/ service delivery

- A system of performance measurement with standard indicators for key municipal services is needed. The CEPT University's PAS Program has adapted GOI's SLB framework by adding for equity and onsite sanitation systems. Regular assessment of performance is needed by all ULBs, to enable comparative assessment and benchmarking, and trend analysis.

- Governments of Gujarat and Maharashtra are now collecting annual service performance data (SLB+) through an online system. MOUD, GOI has asked CEPT University to provide demand-based support to other states. Chhatisgarh, MP and Goa have requested this support so far.

- ULBs need to include monitoring of service delivery as a part of their internal systems – linking with their e-governance and MIS. This can begin with a few ULBs. This will help improve data reliability

- Can FFC provide incentive(s) to make it "mandatory" state and local governments to set up online systems for monitoring of outcomes and service delivery? And provide grants to support implementation?

State government and ULB roles

- Both state governments and ULBs have a critical role to play in setting up systems for monitoring of a) municipal finance, and b) outcomes or service delivery performance
- State governments need to support setting up online monitoring systems, provide capacity building support to ULBs and provide a platform for comparative assessment, and use the information to make better investment decisions
- ULBs need to improve internal systems of monitoring to ensure high reliability of KPIs, and use this in internal monitoring and decision making
- How does one incentivize both state and local governments to play their role effectively?

Thank You

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