

## **TOOL # 3B: CHECKLIST FOR DETERMINING SOURCE OF REVENUE**

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## Overview

The objective of this tool is to assess and identify the most appropriate sources of revenue to finance the project with the private contractor. This is done via two steps – first, identifying potential sources of revenue available to the ULB, and second, by assessing which one of the identified sources are reliable, and sustainable given the nature of the proposed PSP contract.

This builds on the assessment of the ULB and external finances done in Section II of this toolkit.

## How to use this tool

- The checklist is divided into 3 parts:
  1. **Section 1: Identifying sources of revenue for capex:** This section identifies potential revenue sources for the ULB, including – i) ULB budget, ii) government sources (loans and grants), and iii) other sources (loans or grants from corporates, or multilaterals).
  2. **Section 2: Identifying sources of revenue for opex:** This section identifies potential revenue sources for the ULB, including – i) ULB budget, ii) government sources (loans and grants), and iii) other sources (loans or grants from corporates, or multilaterals).
  3. **Section 3: Assessing the shortlisted sources** on parameters related to sustainability and reliability
- **Inputs:** ULBs must consider the following sources of information to answer this checklist:
  1. **Section II of this toolkit:** This tool builds on the information collected by the ULB in Section II of the toolkit, where sources of funding for the ULB are identified
  2. **ULB / Town Sanitation Budget:** The City/Town's budget and financial reports (both current and past) will help identify sources such as surpluses, provisions, or allocations that can be used for IFSM activities.
  3. **Union/ State Budget:** These will help identify schemes or provisions for sanitation projects within the state.
- Once the ULB has filled the checklist, the tool will recommend revenue sources which the ULB should use to finance the proposed project.
- If more than one source is feasible, the ULB can make the final decision based on its discretion.

## Section 1. Identifying sources of revenue for capex

1. Does the ULB have the budgetary allocation to commission the proposed project?
  - a. Yes
  - b. No
  
2. Can the ULB raise funds through central or state government grant/loan?
  - a. Yes
  - b. No
  
3. Can the ULB raise funds through any other external source for loan/grant –
  - a. Private sector grant
  - b. CSR fund
  - c. Multilateral agency
  - d. None of the above

**Shortlisted sources (whichever are selected from questions 1-3):** \_\_\_\_\_

## Section 2. Identifying sources of revenue for opex

4. Does the ULB have the budgetary allocation to commission the proposed project?
  - a. Yes
  - b. No
  
5. Can the ULB raise funds through taxes from households?
  - a. Yes
  - b. No
  
6. Can the ULB raise funds through central or state government grant/loan?
  - a. Yes
  - b. No
  
7. External: Can the ULB raise funds through sale of septage?
  - a. Yes
  - b. No
  
8. Can the ULB raise funds through any other external source for loan/grant e.g. private sector grant, or CSR fund, multilateral agency?
  - a. Yes
  - b. No

**Shortlisted sources (whichever are selected from questions 4-8):** \_\_\_\_\_

## Section 2: Assessing shortlisted sources

Capex: For the sources shortlisted (whichever are marked “Yes” above), consider the following questions:

Criteria	Shortlisted Source 1: _____	Shortlisted Source 2: _____	Shortlisted Source 2: _____
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1. Are the financing terms acceptable to the ULB	Yes / No	Yes / No	Yes / No
2. Is the funding available for the duration of the contract?	Yes / No	Yes / No	Yes / No
3. Does that cash flow timing match the requirement (i.e. is the amount available lump sum, or in tranches)	Yes / No	Yes / No	Yes / No
4. Does the source have active political or community support	Yes / No	Yes / No	Yes / No
5. Is the revenue source reliable in terms of guarantee of disbursement	Yes/No	Yes/No	Yes/No

opex: For the sources shortlisted (whichever are marked “Yes” above), consider the following questions:

Criteria	Shortlisted Source 1: _____	Shortlisted Source 2: _____	Shortlisted Source 2: _____
1. Are the financing terms acceptable to the ULB	Yes / No	Yes / No	Yes / No
2. Is the funding available for the duration of the contract?	Yes / No	Yes / No	Yes / No
3. Does that cash flow timing match the requirement (i.e. is the amount available lump sum, or in tranches)	Yes / No	Yes / No	Yes / No
4. Does the source have active political or community support	Yes / No	Yes / No	Yes / No
5. Is the revenue source reliable in terms of guarantee of disbursement	Yes/No	Yes/No	Yes/No

**The ULB should select financing sources with the maximum number of “Yes” responses in section 2, ensuring that both its capex and opex needs are met.**