

**Urban Governance and Development Management (UGDM)**  
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**Lecture – 26**  
**Overview of Municipal Finance**

Welcome to lecture 26 in this lecture we will start the discussion on the municipal finance. In last week we started the discussion on the development management part and we have started discussion on the basic planning and development aspects. We have seen regional planning urban planning and how to incorporate the plans with the infrastructure projects. Now any develop in plan and any development cannot be successfully implemented.

Unless the finance is understood and finance is financing of the project and the it is done properly and as a whole the financing is altogether is a separate subject. And it needs a proper attention so in this course. In this particular week we will have overview discussion of the various aspects of the municipal finance and how it can be improved using fuel strategies. So, today we will start the discussion.

**(Refer Slide Time: 01:30)**

## Contents

- ❖ Sources of Municipal Finance
- ❖ Financial Resource Management
- ❖ Issues and roles

In the discussion what we will cover is basically what is the sources of the municipal finance traditional sources then financial resource management how we can manage the various sources

of finance. And what are the major issues and roles so that in the next lecture we can go to further ideas of the municipal finance.

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## Powers and Functions

- Devolves functions related to preparation of plans of development schemes.
- It includes traditional municipal functions some of which have been taken over by para-statal and specific purpose authorities
- Actual devolution from the 12<sup>th</sup> schedule left to the state discretion.

So, let us start now you know that 74th constitutional amendment act is a mother act which gives all the powers to the municipalities as local government. And following the 74th amendment act the state government is supposed to delegate all the powers. Now here it devolves the functions related to preparation of the plan and development schemes and it includes traditional municipal functions.

And out of that some of have been taken over by the decent para-statal and most importantly the major devolution of the work as per the schedule is left to the state government discretion.

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## Financial Domain

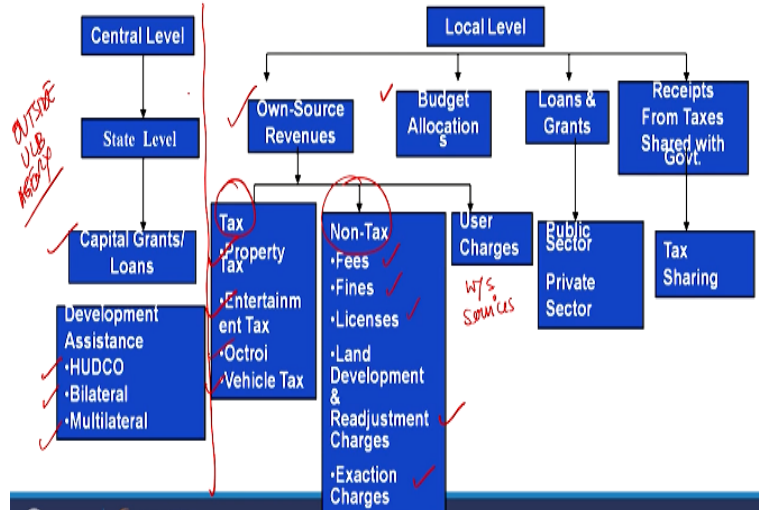
- 74<sup>th</sup> Amendment does not provide revenue raising powers to Municipalities
- Determined and regulated by the state Governments
- Mandatory State Finance Commission innovative and significant feature of the Amendment.
- **No divisible** pool of tax resources between the States and Municipalities
- Transfers to municipalities is its **discretionary nature**.

But as a matter of the fact 74th amendment does not provide a revenue raising powers to the municipality. Because it depends on the state government whether it is determined and regulated or not. Whereas the state finance commission and the central finance commission the provision of all these finance commission are there in the 74th amendment and another important part is there is no division between the revenue source.

Between the state and the municipalities are very clear cut demarcation is not there and also the therefore transfer to the municipalities of this financing and the resource mobilization is basically a discretionary nature. And some of these state governments they have done that so considering these limitations at this point we can discuss considering that municipalities can mobilize the finance can mobilize the essential resources.

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## Traditional Sources Of Finance For Infrastructure Services



So, let us see the traditional source of finance like this. So, you can see that from the central government state government basically we get the capital grants and loans then development assistance from HUDCO or any other organization bilateral multilateral and apart from this is whatever we get from the outside agency outside you will be agency and apart from that from the local level we have various sources one is own sources of revenue.

Out of that one is tax sources another is non-tax sources out of tax sources the property tax is the popular and the most important tax sources there could be entertainment tax Octroi vehicle tax. Apart from that within the non-tax sources there could be fees ,fines, licenses, land development and readjustment charges then Exactment Exaction charges. Apart from that there could be user charges like say water supply or other essential services.

Besides there could be budget allocation from the budget allocation from the central and the budget allocation from the organizations, from the higher authorities. There could be loans and grants from the different public sector or private sector there could be receipts from taxes shared with government. There could be some taxes which is shared by the state government. So, that is also another source of revenue.

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## Weakness Of Urban Local Bodies

- Absence of adequate functional and financial powers.
- Poor financial status.
- Absence of adequate technical manpower.
- Absence of regular maintenance and consequent higher operating cost.
- Higher administrative and supervision charges.
- Losses due to unaccounted for water.

Then now the problem is there are few issues which we see at the local level those are basically weaknesses. Let us see the weaknesses of the local level now absence of adequate functional and financial power. This is the foremost limitations of the urban local bodies because most of the cases the financial powers and the functional powers are partially delegated to the local level. Then poor financial status.

So, it is basically the low level of level of resource base he sold his business and unaugmented resource potentials. The absence of adequate and technical manpower the technical manpower who is dedicated for financing and resource mobilization those are very few in the municipality or the corporations. Absence of regular maintenance and consequent higher operating cost this is all about the infrastructure.

The most of the infrastructure in the urban sector these are capital intensive and after completion and the implementation of the infrastructure projects the most of the project suffer from the inadequate maintenance and the operation. Because that is not taken care of at the beginning when the project is implemented. Then higher administrative and supervision charges it is also applicable for local government.

Because local government sometime they cannot deliver the supervision and administration for the projects. Sometimes they hire the outside agency so that causes a lot of extra expenditure out

of that and the losses due to the unaccounted for water and other services. This kind of losses and leakages also leads to the various kinds of wastage of the resources. Now based on this weakness basically we can manage the overall situation by various principals.

Like one could be the revenue enhancement there could be south strategists or some actions which can enhance our revenues existing revenue sources and also few alternate revenue sources.  
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## Resource Mobilization

- Revenue enhancement
- Expenditure management
- Asset management ✓
- Investment management

Next we can manage the expenditure in such a way so that the wastage is less and the expenditure what we do at any sector it is effective and fulfilling its objective. Next is the asset management whatever fat is there at the municipalities at the urban local bodies that is managed properly. And so it becomes really an asset it needs minimum operation and maintenance cost rather it gives more return to the municipality.

And also investment management how we can invest for the larger projects for the capital intensive projects. So, these are the major guidelines or strategies we can do. Now out of every guidelines we should see the salient questions or indicators and parameters and the exact strategy what we could do. So, let us start with the revenue enhancement.

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## Various sources of revenue

- ⇒ Property tax
- ⇒ Other tax revenue, such as Advertisement tax, Tax on carriage, Toll tax on ferries and bridges etc.
- ⇒ Non-tax revenue, such as Mutation fees
- ⇒ Building Plan sanction fees
- ⇒ Trade license fees
- ⇒ Water connection and other charges
- ⇒ Conservancy fees
- ⇒ Septic tank clearance fees, etc

In the revenue enhancement basically first we see that what are the basic sources of the revenue even though we have started with this discussion so one is property tax, non-tax revenue, building sanctions, trade license, water connection and other charges then conservancy fees. So, these are traditional sources of revenue in the municipalities. There are few other revenues like septic tanks clearances all those fees is applicable.

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## Analysis of revenue sources

- ⇒ What is the ratio of collection of each item of receipt out of the total revenue receipt ?
- ⇒ What is the trend for the last several years, say, 5 years ?
- ⇒ What is the proportion between collection against current year's demand and collection against arrear demand under each source of revenue ?
- ⇒ What is the proportion of current year's collection against current year's demand ?
- ⇒ What is the proportion of arrear collection against arrear demand ?
- ⇒ Is it possible to ascertain good / doubtful portions out of amounts not collected against current / arrear demands ?

Now based on this let us analyse that what kind of problems are there. So, we have to ask this type of question like what is the ratio of collection of each item are received out of the total revenue received. Now in for every infrastructure and the services for running the services we

need to spend some money for running that particular infrastructure services. And we have to invest some money and help to get some returns.

So, what is the ratio between these two what is the trend for the last several years 5 years. So, every municipalities or corporation they have the last 5 years or more data on each and every revenue sources. So, please look into that what is the trend is it increasing it is decreasing what is the current trend. Next is the what is the proportion between collection against the current years demand and collection against area demand under each sources of the revenue.

For example you are seeing that property tax collection or non-tax collection. So, what is the demand against a demand and collection against the first demand and percentage wise you can see that whether the 80% 90% what is the actual demand what you got or what it came to the municipal account. Then what is the proportion of the current years collection against current years demand.

That is what I told that it has to be seen then what is the proportion of area collection against area demon apart from the current year what is the collection in the past years area collections that has to be seen. And is it possible to ascertain goods doubtful without full portions out of the amounts not collected against current and area demand. So, please ascertain if there is a doubtful asset doubtful collection or portion.

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## How augmentation is possible?

- ⇒ After ascertaining good / doubtful portions of current / arrear demand is it possible to fix targets of collection ?
- ⇒ Once target is fixed, what is the end result ?
- ⇒ Was the target fixed on the higher side ? If yes, what should be the ideal target ?
- ⇒ Was the target fixed on the lower side ? If yes, how can it be improved ?
- ⇒ Can collection mechanism be improved by change of personnel or giving special rewards etc. ?

Based on this questions now how we can augment the revenues. Now after ascertaining good or doubtful portion of current arrear demand is it possible to fix target and collection. The answer is yes I tell you how to do once target is fixed what is the end result. Now based on each and every tax sources or non-tax is what is your target for the current year or the next year or even after beyond that.

And what is the end result after getting that revenue is what we are going to do with that what was the target fixed on the higher side? If yes what would be the ideal target. Please rationalize your target based on your manpower based on your capacity to collect the tax or the non-tax revenues. Please see that whether the target is a fixed as a very high level or it is fixed within your capacity level that need to be seen that means the feasibility of collection.

What is the target fixed on the lower side if yes how can it be improved? If you fix your target in your lower side your manpower resource or human resource will be mis utilized. So, they will not be utilized fully therefore you can enhance your target. So, always fix the target it is not a one time job every time you have to do by kind of trial and error. And continuous feedback mechanism from your team you can fix the target.

Next is that can the collection mechanism be improved by change or personnel or giving special rewards. Now how you can improve the collection mechanism either by giving training or by giving some incentives to your team member.

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## Augmenting property Taxes

- ⇒ Does clear demarcation of residential properties and non-residential / commercial properties exist?
- ⇒ How many properties lie unassessed?
- ⇒ How much is the delay in the assessment procedure? — Existing system
- ⇒ How much is the delay in sending bills? Analyze

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Then does clear demarcation now these are the augmenting strategy for the property tax. The property tax is a very common and a very popular sources of the revenue. So, you should see the property tax in a very clear manner. Now first is the does it have the clear demarcation of the residential properties and commercial properties most of the municipalities the clear demarcation is not there.

So, for that you need to make a base map of the municipality showing each and every holding and every clear demarcation of every holding. So, that you can see the holdings and you can link with the database of the tax. And we can judge whether that every holdings they are connected with the tax based or not. Most of the some of the municipalities they have tried this exercise by using GIS based mapping technologies.

And out of that they can assess whether the holdings are able to generate tax or not. And how much holdings are giving tax regularly all those data is available. How many properties lie unassessed have you assessed all the properties and if so what is the condition of that and what is

the coverage of the properties which is not at all assessed which need to be assessed. That is only possible if you can make a best map of the holding plot maps and then you can access that.

Then how much is the delay in the assessment procedure. So, please estimate the delay based on your existing system then how much is the delay in sending bills. So, please rationalise or analyse the process we had a detailed discussion the process and system improvement. So, following that you analyse your process and try to simplify and make it efficient process. So, that the delivery become quickly.

Is there a regular check on exempted holdings if in your municipality there are few exempted holdings? Now what is the basis of exemption is there any check for the exemption is the exemption for eternal time or it is given for some particular time period. So, those kind of things need to be updated on your base map regularly time to time.

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**Augmenting property Taxes.....**

- ⇒ Ward-wise classification of defaulters *better to monitor at individual*
- ⇒ Decentralised ward-wise system of collection vis-à-vis Ward Committee
- ⇒ Fixing target level ✓
- ⇒ Change of personnel / giving reward for achieving target. ✓
- ⇒ Strengthening overall monitoring
- ⇒ Improving the satisfaction level of residents which must have a positive bearing on the tax collection.

Then next is ward wise classification of defaulters if you find that some of the properties or the holdings they are not submitting the property tax. So, what could be the ward wise classification now why ward wise because if you make ward wise least and the maps it is better to monitor at individual level. Because at the ward your municipal counsellors are there and they work on a micro level in an individual level.

They know each and every person in the community in the ward so that is possible. Next is decentralized ward wise system of collection and via ward committee. Many municipalities have tried this and it has been a successful phenomenon. It has two dimensions one is the if you involve ward committee and the community based organizations the collection level will be higher.

Because they know that ward and the community better than the municipal organization number one. So, if the collection is higher you can also leverage some amount of the collection for the running of the ward committee office and the community local community offices. So, in this way you can also enhance your revenue base and also you can give some amount of money for running of the ward committee or the very local level offices.

Then fixing target level for the ward communities change of personnel giving reward for the achievement target. In the ward committees and the people who are working at the local level it is important to give reward. Reward may not be always in financial terms some rewards could be in terms of mentioning the name or disclosing or publishing the name giving certificate. So, many rewarding procedures could be there.

But financial reward definitely it motivates people for better performance. Next is the strengthening overall monitoring. Now how you are monitoring is it a manual method or say how are the local level they are also updating their data and how that data is synchronized with the municipal data. So, those kinds of issues are involved so you need to develop a better system and process to a seamless.

And real time upgradation and updation of the database of the municipal tax. Then improving the satisfaction level of the residents which must have been a positive bearing on the tax collection. The basic question which comes through the resident that I am giving the money as tax but what I am going to get in return. So, this you have to ensure that yes all the municipal citizens they are giving tax and in return they are getting basic infrastructures and services.

For services you need to spend lakhs and crores of money so that you have to ensure and you have to mention during the participation process in the planning and development. In some of the municipalities you know we have seen that people involve ward committees and community level organizations not only in the planning but also in the development during the day to day supervision of the projects.

That way you can not only involved in the development work you can earn more money more resources you can be earned through the involvement of the common people .

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### Identification of Resource Centres

- Municipal Govt's own resources- Tax and Non-Tax
- State Govt grants and Loans
- Central Govt grants and loans
- Project specific grants and loans from State and or Central Govt

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Okay so based on that apart from the general tax base and non-tax base you can also identify a few other resource centre like grants and loans and there could be central government grants and loans and project specific grants and loans from the state and central government. For example, most of the municipalities they are right now getting grants from the Amrut mission and smart city mission or any other mission. So, those are also another very important source of revenue or source of the resources which they can use.

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## Revenue enhancement

### a) Reform of Property Tax:-

i) Different options of valuation & tax calculation

ii) Linked to GIS

iii) Collection efficiency-at least 85% within project period – timely billing, citizens initiative, commissioned agent, outreach of collection centers etc.

Now how did they know could be enhanced one is as I told reform of the property tax. When you talk about the reform of the property tax at the different options of valuation and tax calculation. The traditional classical method of tax valuation is that is if each and every individual property and the holding based. But in the last few decades there has been attempt to make the valuation and tax collection based on the area.

So, area level assessment and evaluation also can be one option. But success of this area level assessment depends on the case to case an area and municipality to municipality. So, therefore you can judge whether it is applicable for your case or not. Then if the property tax linked to GIS that I have already told you that how it can be a seamless updation in the map and real time monitoring also can be done.

Then collection efficiency at least 85% within the project period for any particular project any particular investment your service delivery the collection can be minimum 85%. Later on when government started service level benchmarking for each and every basic services like water supply, solid waste management, sanitation they mentioned and then benchmark this level of recovery as well. So, this is indicative of a benchmark of this recovery.

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## Revenue enhancement

- b) Adoption of modern, accrual based double entry system of accounting
- c) Introduction of system of e-governance using IT applications- GIS and MIS
- d) Pricing Municipal services & levy of user charges
- e) Fixing target for revenue enhancement based on past analysis & increased initiative
- f) Exploring new avenues

Then adoption of modern accrual based double entry accounting system will have a dedicated core lecture on the accounting systems. So, I am not going into details introduction of the systems of governance using IT applications. In the systems and process improvement we have discussed the application of the government in giving the basic services. Pricing municipal services and levy of user charges.

So, you can start a user charges for the basic municipal service provided you can reach to the people and convince them that you are going to give a quality service and on written on that you are basically levying the user charges. Then fixing target for revenue enhancement based on the past analysis and in this initiative we have discussed earlier. Exploring new avenues so these are in short the strategies for the revenue augmentation.

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## Expenditure management

Revenue expenditure includes

Pay & allowances

Electricity and telephone charges

Other establishment charges

Pension and gratuity

Operational and maintenance charges

Some of the above are fixed, variable and semi-fixed or semi-variable in nature

Next we see very quickly few points on how we can manage the expenditure. So, revenue expenditure includes one is pay and allowances, the charges for telephone electricity establishment charge, pension and gratuity, operational maintenance charges and some of the above are fixed variable and semi fixed or semi variable in nature. Now how the question is how we manage it and which are the variable which are not variable.

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## Expenditure management

Is it possible to earmark different areas of establishment as separate cost centres /

If so, let variance analysis exercises be applied with reference to standard and actual expenditures.

Let weak areas be identified and improvement suggested. Is optimising man-power possible? Can CDS be involved more and more?

Those kinds of questions we have to ask you have to see then further question is that is it possible to earmark in different areas of establishment as a separate cost centre. So, in a municipality how you can make different establishment and take a different database for



analysing the expenditure. So, that you can understand that which establishment is wasting money or which establishment is cost effective or not effective something like that.

So, if it is possible so the variance analysis that means the that particular sector wise or the establishment wise you can take decision that whether it is running properly with cost effectiveness or not. So, weak areas be identified based on that analysis and improvement suggested. So, after the variance analysis you can identify that which are the variable which are the sectors are not performing well and based on that you can suggest few strategies.

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### Comparison of capital receipts and expenditures

#### Examples of capital receipts

- SFC ✓
- NFC ✓
- SJSRY ✓
- NSDP ✓
- MP & MLA grants ✓
- Roads & PWD ✓
- BMS ✓
- Other Govt. & development authority capital grants
- Own source ✓

#### Examples of capital expenditure

- Water supply ✓
- Street Lighting ✓
- Medical Services ✓
- Solid Waste Management ✓
- Slum Improvement ✓
- Drainage & Sewerage ✓
- Roads ✓
- Buildings ✓

**What is the proportion of each item of expenditure? What is the ratio of capital receipts and capital expenditure?**

Now let us see the type of expenditure and receipts. So, basically capital receipts we have state finance commission next commission national finance commission, SJSRY and all these are central government or state government grant. And the expenditure what we have is kind of water supplies, street lighting, medical services, solid waste management, slum improvement drainage and sewage and road construction.

So, these are the other capital expenditure apart from the revenue expenditure. So, one is the capital expenditure which you need to spend for establishing large infrastructure and the services and one is the revenue expenditure you need to do for running your system.

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## Actions for improving services

- o What are the major services?
- o What is the percentage of total population benefited out of such services and what is the break up of population in the slum and non-slum areas?
- o What is the proportion of cost recovery, if any?
- o Can the services rendered be justified against the cost recovery?
- o What is the routine operational cost? Is it justified?
- o What is the maintenance expenditure ? Is it justified?
- o Is there any direct relationship between level of service delivery and collection of property tax?

Then how we can improve the service as the infrastructure is concern apart from the infrastructure you can make an assessment of this service. Whether this service is paying or not paying so what are the major service. So, what is the percentage of the total population benefited. What is the proportion of the cost recovery can the service rendered be justified against the cost recovery?

You can find that maybe the service is very costly and it is not getting the recovery or return from the people. And maybe other service maybe you are not spending much but it is getting some return which is the routine operational cost is it justified. These are the question you have to make to assess the service level.

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## Expenditure Management Strategy

- a) Efficient financial rules to:-
  - i) Ascertain market cost
  - ii) Ensure quality
  - iii) Help speedy decision & proper documentation
- b) Efficient Organization Development Plan- Reduction of overhead costs and efficient delivery of service
- c) Cost saving mechanism- proper O&M planning, community involvement, mechanical means, per capita output, outsourcing

So, let us see what could be the management on expenditure management strategy. So, efficient financial rules is we at the local level now most of the municipal government they follow the municipal or the financial rules of the state government. At times it can be insufficient for the municipal body. So, municipal body can time to time they can make their own rules and regulation.

The objective of this rule should be ascertain the market costs, ensure the quality, help speedy decision and proper documentation. And apart from the official financial rules they can make an efficient organization development plan. We discussed thoroughly in the in the first section under the urban governance section that how our organization development plan could be done and how it can be improved and cost saving mechanism

O & M planning, community involvement we discussed mechanical means per capita output. So, for every project you can keep or consider some amount of the capital investment as the operation and maintenance planning. Then you involve community to run that project to run that services. You can mix a manual and mechanical means and so that you can get the maximum benefit from the expenditure.

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## Asset management

- Whether the assets used for discharging primary functions such as water supply, cleaning operations, Sewerage Treatment, Water Treatment etc. are in optimum use ? Is there any loss of revenue or additional expenditure for the inefficiencies of such assets? How best can they be efficiently run?
- Whether other assets of the municipalities like Parks and Playgrounds, tourist spots, heritage buildings etc. are in proper shape to act as good sources of revenue ? What is the present level of loss of revenue ?
- Whether there are some idle assets such as parking space, open lands suitable for housing or other purpose etc. ? Whether it is possible to generate some income out of them ?

Secondly is the asset management in current times many of the municipalities they did not have any clear idea that what are the kinds of assets they have and how to manage that. So, we should also discuss that part in the asset management basic questions are what are the assets used for discharging primary function such as water supply, cleaning operation, sewage treatment plants water treatment etc.

Now these are the primary service provision at the municipal level. So, these assets are much more valuable in terms of the social benefit or the social responsibility. Second is there any loss of revenue or additional expenditure for the inefficiencies of such assets if so how much is the loss of revenues and how best we can it can be efficiently run so that the wastage or the loss is less.

The second question which comes for the asset management is that whether other assets of the municipalities like parks and playgrounds, tourist spots, heritage building etc are in proper shape to act as good sources of revenue. Now so far municipalities have considered the heritage building and the parks and playground as liabilities. Now if the heritage building is converted to a revenue earning asset.

It can be a really very much potential areas of revenue generation for a municipality. So, please do the current stock taking of such a potential areas and the assets so that municipality can assess

and definitely improve upon them. Then what is the present level of loss of revenue are you getting any revenue have we invested some money to make a value addition to that particular heritage building or the tourist spot.

What are the available tourist potential areas in your in your locality or in your city that has to be identified? Whether there are some ideal cases such as parking space opens land suitable for the housing. Now from every city every municipalities you might have seen that there are on street parking it not only create traffic congestion it also it also takes away a possibility of the revenue generation.

So, if the municipalities they generate the fee parking zone in every corner of this cities so they can take charges and they can strictly enforce that parking is prohibited on street. And on the other end they have to park on the fee parking zone. Those kinds of strategies could be there and they can and this will act not only for the revenue generation it will also act to reduction of the congestion in the municipality.

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## Asset management

- a) Listing & valuation of assets
- b) Effective use of idle assets like land, buildings, equipment etc.
- c) Credit rating- to facilitate market borrowing
- d) Commercial borrowings against assets

So, these are the basic actions in the asset management listing and the valuation of the assets that the first job all kinds of assets in terms of the basic service delivery like water supply, sewerage solid waste management. The fixed assets like your green areas, riverfront areas, heritage

building tourism potential areas everything then you try to make an effective use of ideal assets like land building equipment.

Please explore the credit rating to facilitate market borrowing. There could be some function or some service which you are doing very nicely for the last few years can that building to the credit rating. So, that you can have some market borrowing for function for running a project and get some surplus or some revenue from that project. Second is commercial borrowing against assets if we have created good amount of assets like land building riverfront etc.

Can I use that as a deposit or as a mortgage to get some commercial borrowing and that can be used for some other purpose like investment. So, these are the basically asset management principles and strategies.

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## Investment Management

Next we mention the investment management.

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# Capital Investment

- Estimation of gap between existing situation and vision level
- Preparation of approximate cost estimate

based on:-

- a) Consolidated rates from previous experience
- b) Cost estimate from similar improvement in other cities
- c) Combination of all available estimate figures

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Now these are the investment management sources like the capital market, private sector offshore financing and also of course the government and the public sources. Now for investment you have to estimate that the first job estimation of the gap between the existing situation and the vision. Preparation of the approximate cost estimate and it can be based on the consolidated rates from the previous experience or similar improvement in other cities.

Or from available estimate figure. So, this kind of estimate is basically gross in all the city development plan based on this cost gross cost estimate. You have to give an indicative a capital investment required for each and every project because otherwise you cannot figure it out what will be the possible sources of capital.

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## Investment priority

- a) Capital cost recovery
- b) Sustainable in terms of operational cost
- c) No. of beneficiaries
- d) Focus on Urban poor
- e) Present commitment
- f) Scheme completion time

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Then prioritisation in the investment is very important matter because it cannot have the investment for all the projects. So, we have discussed about the concept of the annual plans every year you have new projects added to your task and for that you need to prioritize your projects. So, these are the priority criteria how you can prioritize. First is the capital cost recovery the project which gives you maximum capital cost recovery.

That should be given first priority sustainable in terms of the operational cost if it is sustainable in terms of operational cost that means if it has some inbuilt mechanism to have some operational costs definitely it is preferred. Number of beneficiaries served is to be seen because more than number of beneficiaries served more the number of wards served maximum with the priority.

Focus on the urban poor if the share of the beneficiaries who are served by this particular investment is more on urban poor that is first priority. Present commitment have you committed already this project to the people during your participation if you have already committed definitely it needs some amount of more priority and preference. Then scheme completion time if you find that the scheme is too long it is taking 10 12 years.

It is very difficult to maintain the long term investment rather you can break down the scheme into various phases into 2 3 years. So, that you can see the completion you can monitor the



completion and therefore time is very important criteria. So, ideally 1 to 3 years is the ideal time to fix the facing of a particular project or fix the timing of the project. So, that you can maintain.

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## Investment Priority

- All factors to be given weightage as per perception of the ULB
- The matrix to be fully agreed by Board of councillors before placing the schemes for investment priority

Then all factors to be given weightage as per perception of the ULB so it is not the priority of the investment of the capital investment project. It is not the discretion of the mayor or the chair person so some criteria based on the factors has to be given. So, based on those factors you can make the final priority index. The matrix has to be fully agreed by the board of the counsellor before placing the schemes for investment priority.

So, it has I mean the matrix has to be brought through a win situation between the board of counsellor and the people and the technical group. So, these are all basic strategies we use in terms of revenue recommendation management of the expenditure management of the asset and management of the investment. Now there are a few issues we discussed earlier. So, therefore there are some roles of the central and state government.

The central government's role is basically a mostly policy oriented and the facilitation oriented.

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## Role Of Central Govt. FACILITATION

- Pro-active role in legislative guidance.
- Fiscal concessions for increased flow of funds.
- Evolve policies and priorities for primary infrastructure.
- Encouraging multiple donors.
- To follow a programme approach
- Allowing entry of private sector.
- Modification and simplification of Municipal Bye Laws.
- Preparation of Manuals and Documents.
- Training Programme.

So, you can have a look like legislative guidance, fiscal concessions, policies and priorities for the primary infrastructure, encouraging multiple donors public and private. I just mentioned that government of India already have allowed the foreign direct investment in the urban infrastructure. So, that is going on to follow a program approach right now government of India is following the program approach it is not a scheme or the project approach.

All the programs like Amrut, HRIDAY smart city, Swachh Bharat these are program approach allowing entry of the public sector private sector it is done. Modification and simplification of the municipal by laws it is under preparation all the state government are detected and they are doing. Preparation of the manuals and the documents now this municipal by laws they will insure the delegation of the financial power to the municipalities

And training programs so training program is also important we have discussed in details about the training program earlier next see the role of the state government.

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## Role Of State Govt.

- Devolution of Powers and Finances. — Amendment of Municipal Act
- Tariff rationalisation and pricing. ✓
- Evolve a policy for private sector participation.
- Set up a Regulatory Authority.
- Appropriate amendment to Municipal Laws.

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The devolution of the power and the finance through amendment of municipal act. Tariff rationalization and pricing evolve a policy for private sector participation. Set up a regulatory authority appropriate amendment to the municipal laws. So, these are the possible role and these actions by the state government. Well with this we conclude to this lecture today we started the discussion on the municipal finance.

Today's lecture was first focused on basically the classical municipal finance options and how we can augment those options for example how we can maximize the benefit out of management of the asset management of the expenditure augmenting the revenues and management of the investment. That is what we discussed today next lecture we are going to discuss the alternate source of municipal finance.

Because the available and the classical sources of the municipal finance may not be sufficient for each and every purpose of the municipality specially the capital intensive projects. So, therefore next lecture we will discuss apart from the traditional sources of what we discussed today what could be the other sources or the municipalities can augment. So, thank you very much for attending this lecture.