Recommendations and suggestions for augmenting the municipal resources and achieving financial stability to ensure better municipal services.
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Foreword

Provision and maintenance of municipal services is the key function of all municipal bodies. Most of the basic infrastructural capital projects including water supply, sewerage, solid waste management, housing etc that are developed by a variety of urban institutions such as water supply and sewerage boards, development authorities etc are handed over to the municipalities for operation and maintenance. Thus, the municipalities have the primary task of assuring the performance and effectiveness of these installed systems.

But, how successful are these urban local bodies in accomplishing their primary objective of efficient service delivery? What are the stress areas? and most importantly how does the financial health of these municipalities affect their functioning?

With the aim to seek answers to the above issues a research was commissioned by PRIA in 2003. Mr. Mukesh Mathur prepared the paper with a focus on the intervention municipalities in which the Urban Programmes are being undertaken by PRIA. The study involved a detailed analysis of the aspect of municipal finances in light of the 74th Constitutional Amendment Act in the country. Site investigation visits were also undertaken by the researcher to analyse the situation in the intervention municipalities.

This series on Municipal Finance is a concise documentation of the findings and recommendations of this study. The series include:

I. Challenges of Delivering Select Municipal Services
   A documentation of the status of Municipal Services in the country with causative factors of the present condition.

II. Urban Local bodies in Financial Stress
   Exploration of the definite link between the state of services and its linkage with financial health of the local Municipal Bodies

III. Strengthening Municipal Finance
   Recommendations and suggestions for augmenting the municipal resources and achieving financial stability to ensure better municipal services

Harsh Jaitli
PRIA
Municipal governments in India are vested with a range of functions through the state legislature and other administrative orders. They are however, constrained in discharging their obligatory functions due to a limited resource base. The low per capita receipts of municipal governments do not enable them to meet the minimum standards of services. On the whole, the status of municipal finance in India suggests that the present revenues are insufficient to meet the growing expenditure needs of urban areas. The financial status of the municipalities has been discussed in the earlier pamphlet of the series – “Urban Local Bodies in Financial Stress”.

Analysis of finances of municipalities shows a dismal picture. They confront serious problems in managing their functions and duties efficiently. The problem is more serious in smaller municipalities where they don’t have qualified staff such as accountants, engineers, etc., to deal with the increasing complex urban needs. Improved financial management is required to increase efficiency in revenue collection and expenditure control. The present level of municipal expenditure is far below the norms suggested by the Zakaria Committee way back 1963. According to the recent study conducted by the National Institute of Public Finance and Policy, out of 249 municipalities selected for the study, only 10 municipalities met the expenditure norms as suggested by the Zakaria Committee way back in 1960s. For the municipal governments to reach these recommended expenditure norms, their revenue receipts will have to increase significantly (NIPFP 2000). It will require serious efforts at various levels, including the level of local governments, state governments, central government and the following state and central finance commissions.

The concept of self-reliance and autonomy at the local government level cannot be simply achieved by Constitutional Amendment alone. Several other operative, administrative, legal and institutional measures are required to be undertaken to fulfill the rising expectations of the urban folk. It is significant that no meaningful match between the resources and responsibilities can be affected without first delegating specific functions and adequate
powers to the municipalities by the states. Even though Constitution Amendment Acts provide full autonomy to the municipalities, the state level functionaries are hesitant to hand over the financial and functional powers to these local institutions. Had the Act given direct financial powers to municipalities in commensurate with functions to be assigned to them as per the Twelfth Schedule of the Constitution, *that would have provided real autonomy at the local level, and made these local bodies more responsible and accountable to people’s need.*

**Major Shortcomings in the first State Finance Commission reports**

The first generation State Finance Commissions (SFCs) were constituted to provide a new dimension and relationship in the state-local fiscal relations. A study of the recommendations of these reveals major shortcomings that the commission has failed to address. They are silent on several issues for strengthening the finances of municipalities. The recommendations made have rarely been justified with a detailed analysis of the situation or the principles of federal fiscal federalism.

Assignment of taxes as also the transfer mechanism from the state to local bodies has not been worked out properly by most SFCs. The general principle of fiscal federalism is that there should be an efficient and equitable balance of resources within and between the different layers of government. Without a relative relationship between the responsibilities and resources amongst the various government layers, the system may not be sustained. Which taxes should be assigned to municipalities is a part of the larger question of “which level of government should tax what”, and the extent of division of tax and other sources between the different layers of government is efficient and effective. Established principles suggest that municipalities especially of small and medium sized cities should be assigned those taxes and duties, which have a local character, and burden of such taxation cannot be exported outside the local body jurisdiction. Assignment of taxation powers should closely be linked with the assignment of functional responsibilities to different tiers of governments. If there is any gap in between these two, different tools of resource mobilization including transfers from the state and central government resources should fill it. Major shortcomings in first-generation SFCs reports are summarized below (Mathur 2003):

- The Constitution requires all state finance commissions to spell out the principles on which their recommendations are based. It was expected from them that they would adopt the realistic approach while suggesting specific recommendations. It was also expected from them that their recommendations would not only lay down the foundation of a decentralized public finance system in the country, but also promote equity among the states and local bodies, especially through ensuring a certain level of basic services.
of reasonable standards. Most SFC reports however leave many things to be desired in this respect. The recommendations of SFCs not only differ widely on issues concerning devolution of functional and financial powers to local bodies but also the principles on which such recommendations have been made. For example, while making the recommendations for the devolution of funds from the state government to the local bodies, most SFCs did not consider the functional domain of the local bodies and hence the devolutions recommended to the local bodies, were not related to the actual needs of Urban Local Bodies.

- The SFC has a responsibility to recommend measures to build up the financial capability at the local level in order to promote the autonomy. In this regard SFCs of most states have recommended the levy of varying nature of taxes and cess. The recommendations to levy new taxes or rationalization of traditional tax sources such as house tax, entry tax, profession tax, etc. have been debated for the last four decades or even more. Even suggestions of some of the SFCs to levy surcharge on state taxes is not a new idea. At the time when the Government of India and state governments are advocating for uniform tax rates and simplifying the tax collection procedures by merging additional levies, surcharges, fee, etc. with the principle taxes, such suggestions are ill conceived and unprogressive. What is required is rationalization of taxes with improvement in collection efficiency, billing and record management systems. Emphasis should also be given to develop non- tax sources of revenues of ULBs, particularly user charges and land based non-tax property taxes. These concepts were ignored in most of the reports.

- When the first generation SFCs were constituted, it was expected that the state governments would follow a tradition of accepting the recommendations of the state finance commissions as in the case of central finance commissions. But it has not happened. Action taken reports of some of the states show that state governments have not accepted all the recommendations made by the finance commission. Andhra Pradesh SFC for example, made 84 recommendations on financial as well as non-financial matters. Of these, the government accepted only 60 that too in principle, and are yet to be implemented. Even the recommendation concerning to transfer of 39.24 percent of tax and non-tax revenues of the state to the local bodies has not been accepted in its true sense. Although the concept of a fixed percentage of global sharing was accepted in principle, no specific percentage has been fixed. In Tamil Nadu of the total 413 recommendations made by the SFC, only 244 have been accepted by the state government. Although the Govt. of West Bengal accepted most of the recommendations of the SFC on strengthening finances of ULBs in the state, in case
of devolutions; the government has accepted these recommendations subject to certain conditions. For example, it has not accepted the recommendation of SFC on disbursing the surcharge on sales tax separately to the municipalities. Similarly, it is examining the devolution of the entertainment tax to the local bodies. Regarding sharing of 16 per cent of the net proceeds of all taxes, the provisions for the state plan sector and district plan sector have to be considered.

- As the information on the effective implementation of SFC recommendations in various states is not available, it is not possible to analyze the impact of such recommendations on the finances of ULBs. However all the available evidence suggests that the situation has not changed much. In fact, majority of state governments have not transferred the funds as per the recommendations of SFCs. In most cases ad-hoc arrangements were made keeping aside SFC’s recommended principles and criteria for distribution.

- The term-period of the Eleventh Central Finance Commission (CFC) in most cases did not coincide with the tenure of the First State Finance Commissions. As a consequence, the recommendations of the CFC and the SFCs were not for a similar period leading to problems in allocation of the grants.

Specific Suggestions for next generation State Finance Commissions (SFCs)

Many states including Andhra Pradesh, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh etc. have constituted the Second Finance Commissions in their respective states. Some of these are in the process of finalizing their recommendations for ULBs of the State. In light of the shortcomings of the First State Finance Commission the following suggestions for the next generation SFCs are relevant as per the research paper Strengthening Municipal Finances, Mukesh Mathur, 2003 commissioned by PRIA :

- The approach of the SFCs while making recommendations for the local bodies both for rural and urban areas should keep in mind the fiscal stress at the national and the state level. As the traditional system of funding based on plan and budgetary allocations have to be minimized under the new policy regime and even withdrawn gradually, soft options for financing infrastructure and services available in the past, will have to give way to new fiscal instruments which envisage reduction in subsidies, plan reduction in allocation and improved pricing and cost recovery mechanism.

- SFCs should recommend the necessary measures in their reports to improve the budgeting and accounting systems of the local bodies.
The time for the SFCs recommendations should synchronize with that of the Central Finance Commission financial devolution period.

SFCs should address the issue of the existing mis-match between the functions and the source of revenue of local bodies in an effective and forceful manner. Devolution of additional responsibilities to the local bodies should be done along with the corresponding devolution of funds and functionaries. It is important to mention that in many states ULBs are assisted, by the parastatal agencies, operating at the state level to carry out various functions, including water supply and sanitation. However, none of the state governments have given serious thought to the requisite change in institutional arrangements for infrastructure and role of ULBs vis-à-vis those of parastatal agencies.

State/ Central Level Recommendations

The role of central government as also the 12th Central Finance Commission is significant and crucial in this regard. They should play the role of facilitator as well as guardian to protect the verdict and essence of the Constitutional Amendment Act. The Government of India through its administrative ministry i.e. Ministry of Urban Development should ensure the timely and effective action by the state governments on the recommendations of State Finance Commissions. The following are suggestions in this regard as per the research paper Strengthening Municipal Finances, Mukesh Mathur, 2003 commissioned by PRIA:

1. Devolution of Functions as per 12th Schedule of CAA

The Constitution Amendment Act has already provided for strengthening of municipal institutions. These need to be made operational by ensuring devolution of functions as per the Twelfth Schedule and devolution of adequate financial resources to keep the municipalities moving. They need to act in the true spirit of the Constitutional Amendment Act, and correct the existing shortcomings and draw backs, which are a hindrance in the efficient functioning of local government institutions. Close co-ordination with the State Finance Commissions to address various issues confronting the sound financial health of local bodies is very important.

2. Efficient Administration of Local Taxes

Property tax is the main source of income for the municipalities of secondary cities, especially after abolition of octori in most states. This should be simplified and rationalized. Unit value system as suggested by most SFCs and implemented successfully in many municipalities may also be tried in the smaller municipalities to improve their finances on the one hand and provide transparent, simple and people friendly system of PT assessment
on the other. Central/ state government properties should also be taxed to improve the yield from this tax source. Further, there is a long list of exemptions to pay the property tax, which needs to be minimized. Another problem associated with the property tax, is the poor collection efficiency and non-compliance of re-assessment cycle by most municipalities. State government should take the initiative in this regard by linking fiscal transfers from the state on the basis of performance of municipalities on these issues. It is recommended that taxes which are local in nature such as entertainment tax, professional tax, stamp duty, land revenue etc. should either be transferred to municipalities or a reasonable share of it should be given to these local bodies.

3. Effective Pricing of Services

Existing system of pricing of urban services is quite defective and cost recovery is reasonably low. To improve the finances of municipalities, state governments should provide autonomy to the municipalities to fix tax rates and user charges by using proper pricing policy. Regulatory commissions may be set up to look into the interests of municipalities as also the consumers of the service, particularly the poor.

The state governments should prepare necessary guidelines and enabling legislation on privatization of municipal services, to improve the delivery of services in the urban areas of the country. It would be necessary to introduce regulatory institutions to oversee the operations of the private participation in infrastructure, enforce social obligations of government with regard to the poor and ensure application of environment standards. In case reforms in service delivery are focused on the basic services like water supply and sanitation, the state would also incorporate institutional, fiscal and financial regulatory dimensions into the reform package.

4. Urban Infrastructure Fund

Urban Infrastructure Development Fund could be established at the state level as in the case of M.P., Karnataka, etc, to extend loans and financial aid to the municipalities of the state for infrastructure development

5. District Planning Committees

The District Planning Committees (DPCs) would need to be constituted as per the provisions of 73rd and 74th Amendments in the Constitution. Article 243 ZD requires that a District Planning Committee (DPC) be constituted in every district to consolidate plans prepared by Panchayats and Municipalities in a district, as a whole. Enabling provisions for DPCs have been made in the Panchayat Acts; Municipal Acts or the Town Planning Acts as
the case may be in many States. While some states have made half hearted attempts to set up DPCs, some others like Andhra Pradesh, Assam, Bihar, Gujarat, Punjab etc. have remained content to pass enabling legislations only. Generally, the progress is poor in most states with regard the constitution of DPCs. These committees will have to ensure formulation of a realistic and effective development planning system incorporating a resource mobilisation plan, institutional mechanism for implementation, etc. for which most smaller municipalities have no expertise. Therefore, there is a need to modify the existing recruitment rules of the municipalities to enable them to function as vibrant and efficient unit of planning at the local level. Technical support groups should also be constituted in every municipality to supervise the work at the local level. There is need to create a separate cadre of urban managers by each state to bring professionalism in to municipal affairs.

Specific Recommendations for the Municipalities of Secondary Cities

Given below are some suggestions to improve the finances of local government institutions especially those belonging to secondary cities. These are based on the basis of observations made during the field surveys of the study Strengthening Municipal Finances, Mukesh Mathur, 2003, PRIA:

- Development of efficient Municipal Information System (MIS): Most municipalities of the country particularly, smaller municipalities do not have proper system of data recording and its management. In such a situation it is often difficult to analyze the performance of these municipalities systematically and in real term. No records are available to assess the municipal assets and their liabilities as well as potential sources for resource generation. Thus there is a need to develop computerized MIS in all the municipalities of the country including secondary cities, to provide the transparency on the one hand and develop the resource base of the municipalities on the other.

- Secondary cities, municipalities, should focus more to tapping the resources from the non-tax sector. Current cost recovery ratios are extremely poor which needs to be improved gradually by better pricing of services as also by improving collection efficiency. These local bodies should also explore possibilities to generate revenues from their fixed assets such as land. Municipal land could be used to develop commercial complexes, parking units, recreational hubs, etc.

- Some of the municipal services or part there of, could be given to the private agency to maintain it. These partnership arrangements will reduce the municipal expenditure on the contracted out services substantially. There are many examples of Public Private Partnership (PPP) in municipal services including Rajkot, Surat, Ludhiana, Indore,
Kanpur, Chennai, Nagpur, etc. Solid waste collections, water distribution systems, streetlights, roads maintenance, maintenance of recreational places and parks are the potential areas of PPP arrangements. However, strict monitoring is required by the public service delivery agency while contracting out any service to the private agency. Contract document should be well written for efficient delivery of the services concerned as also to safeguard the interests of all the parties including community, municipality and private service providers.

The major problem among the smaller local bodies is the lack of expertise. Most local bodies don’t have qualified accountants, engineers, planners, data analyst, etc to run the municipal activities efficiently. Municipal Accountants for example, in most cases have no idea how to prepare a realistic budget or book the expenditure under capital account and revenue account separately. Thus there is a need of capacity building and training of local officials, particularly in reference to taking up the challenge offered by the new functions assigned to them under the twelfth schedule. Further, there should be a code of ethics for the officials of municipalities, to change their attitude towards the public in order to solve their grievances.

Community Participation: The 74th Constitutional Amendment Act sought to encourage participation of citizens in town administration. However, unlike the Panchayats where there is a provision for holding Gram Sabhas every year, in urban areas there is no format for contracting citizens for public meetings. In many municipalities, officials talked about citizen’s contribution in provision of services. But, in practice in most cases, their contribution was limited to the payment of the connection charges or user fee. However, there are examples, where citizens have been involved practically, at all the stages of project execution, from project formulation to its implementation including financing. “Alandur Sewerage” Project in Tamil Nadu state is a good example of such initiatives. It was developed with the help of citizens’ financial contribution. Municipal officials made serious efforts in convincing people to contribute significantly for development of sewerage system in the town, in their own interest (Mathur 2002).
**Community Participation In Civic Affairs**

**Madhya Pradesh**

In 2000, Govt of M.P. issued a notification for constituting Mohalla Committees within the municipal wards in order to provide a platform for common people to participate in the governance as envisaged in CAA. Each Mohalla Committee has to be constituted among 50 to 1000 families. It has also been learnt that in some of the municipal corporations such as Indore, Jan Bhagidari Samits have been formed to take part in civic affairs. City municipal corporations are working closely with the citizens under the scheme, to maintain the basic infrastructure services in the city.

**Tamil Nadu**

There are examples of community participation in the municipal affairs in smaller municipality level also. Namakkal municipality is located in the south-west part of Tamil Nadu, and has a population of about 53 thousand persons as per 2001 census. It is a 2nd grade municipality, famous for poultry and hatcheries and one of the major centers for animal feeds. Its vision was to develop Namakkal city as Eco-City by involving citizens and other stakeholders in its Zero Garbage drive. Through active citizens participation, the municipality has introduced door-to-door collection of garbage, and segregation of waste at household level successfully. Attention was also given to the concept of minimizing garbage that reaches landfill sites everyday. To minimize the quantity of waste finally dumped at the landfill site, the municipality is promoting vermin composting and recycling of waste.

*Source: Paper presented by the Namakkal municipality in the symposium on En Route to Reforms in Urban India, documented in the India’s Best Practices Catelogue, 2003, compiled by the International City/ Country Management Association (ICMA) for the symposium. This symposium was organized by NIUA in collaboration with ICMA;USAID;US-AEP;CMAs of Gujarat, A.P., Karnataka, Maharashtra,M.P., Orissa, Rajasthan, Tamil Nadu and Uttranchal;and; etc at New Delhi on 16-17October 2003.*

**Municipal Reforms**

Constitutional 74th Amendment Act provides for progressive devolution of authority and responsibilities to urban local bodies for orderly development in the country. Essential to this, is the need to undertake substantially new policy initiatives for improving urban
management, finance and governance at the local levels. Central government, selected state governments and municipalities have recently undertaken a series of reform measures to strengthen the local revenue base and improve local government functioning. Selected examples are:

**Property tax reforms in Patna**

It was in 1993, that Patna Municipal Corporation (PMC) came up with a ‘defined’ approach of determining the ARV of properties. Under the new system, the annual rental value (ARV) has been defined as the rent that a holding is capable of fetching over a period of a year. In order to assess the rent fetching capability of a holding, an area based assessment method was introduced which provided a definite criterion for assessment of property tax on the basis of location, use, type and carpet area of a holding. The ARV rates vary from Rs 2 to Rs 54 per square feet, and properties located on the principal roads have higher rates compared to properties on other roads (Mathur 2003a)

**Municipal Bond for Financing Urban Infrastructure**

One of the options is to finance urban infrastructure by accessing the capital market through debt instruments like the Municipal Bond. The cities of Bangalore, Ahmedabad, Ludhiana, Nashik, Nagpur, Indore, Madurai and Hyderabad have already accessed the capital market by floating the municipal bonds without a government guaranty and any tax concession to the investors. Other cities are waiting to access the capital market. Whereas Bangalore municipal corporation (1997) has raised Rs. 125 crores to finance construction of roads and street lights, Ahmedabad city corporation (1998) raised Rs.100 crores from the capital market as part of financing the water supply project. Ahmedabad again floated the Bond in 2002 for Rs 100 crores (Mathur 2002)

Fiscal concession to the investors in municipal bonds will provide incentives to the investors and will be instrumental in making the bonds a broad based and popular device for raising much needed funds for urban infrastructure development. For structuring commercially viable bankable projects and for developing long-term debt market, the Government of India has permitted raising of tax free municipal bonds up to Rs 200 crore in 2001-2. This amount has increased to Rs 500 crore in 2002-3. The Income Tax Act, 1961 has also been amended for this purpose, and a new clause (vii) is added to the Section 10(15) of the Act. (Urban Finance, 2001).

It may be mentioned that HUDCO has created a fund for project development and restructuring for participation in the emerging bond market. The success of raising funds from the capital market is contingent on internal financial strength which will enable
municipalities to obtain investment grade rating, for accessing the capital market and thus service the debts.

**Accounting Reforms**

The existing accounting system in a large number of local bodies is based on simple single cash accounting which does not throw any light on the financial status of municipal bodies. It is neither conducive to credit rating nor, accessing the capital market. It does not even reveal the expenditure liabilities postponed due to compelling fiscal reasons which is generally a rampant practice and which camouflages the financial status of municipalities. Suitable changes in the accounting system have been an important issue in municipal financial management for many years. The Chennai Municipal Corporation was the first municipal authority in the country to have switched over to a double entry accounting system under the aegis of a World Bank funding of urban development in the late eighties.

In Gujarat, many cities are in the process of implementing the new accounting systems. Ahmedabad Municipal Corporation replaced the manual cash based system to a double entry accrual based computerized system. The Surat Municipal Corporation, has, as well adopted a computerized double entry accounting system. In other states such as Tamil Nadu and Karnataka and Rajasthan attempts have been made in recent years to introduce a new system of accounting and financial reporting system. However, these innovations are on a limited scale (Mathur 2002)

Significantly, In Tamil Nadu with effect from 1.4.2000, all the local bodies of the state have implemented a new system of municipal accounting based on double entry accrual accounting.

Considering the need for such an accounting system for efficient functioning of urban local governments in the country, the Institute of Chartered Accountants of India (ICAI) has brought out, in 2000, a Technical Guide on accounting and a financial reporting system by the urban local bodies. Comptroller and Auditor General of India (C&AG) have also setup a Task Force to prepare model guidelines in this regard. These guidelines are expected to provide financial reporting formats at the municipality level, based on generally accepted accounting principles and instructions for preparation of financial statements. The resultant clarity in municipal accounts will facilitate access to provide capital markets, apart from facilitating the monitoring and evaluation of local bodies performance of local bodies by the states.

**E- governance in Visakhapatnam Municipal Corporation**

To bridge the communication gap between the citizens and the municipal corporation, VMC decided to make use of the information technology to facilitate online registration of
complaints against civic services as also to make the payment of taxes/charges. The corporation has setup a computerized city civic center, which acts as an outlet for citizens to have access to the civic services. The civic center has a string of computers on the network and allows citizens to avail facilities like getting death/birth certificates, file a request for water/ sewerage connection, apply for building plan approval, lodge a complaint/ grievance, etc. The corporation also computerized all the property tax assessments and other records to make the online payment of taxes, water charges, etc. As the civic center is on the network and connected to the main server, which in turn, is connected through the global internet protocol, the citizens can track the status of their application later on through the corporation website. The system also helps system managers and corporate management to carry out internal monitoring about the disposal and reprisal of such applications to any chance of delay, harassment leading to corruption. Many cities including Delhi, Vijayawada, Hyderabad, Ahmedabad, etc., are in the process of introducing E-governance to monitor their performance in various sectors, including urban governance.

Pooled Financing Development Fund (PFDF)

Larger municipalities having credit worthiness can raise the funds for infrastructure development directly from the capital market. They don’t require state/ central government guarantees to do this. Most small and medium sized municipalities however, find it increasing difficult to access capital markets simply on the strength of their balance sheets. With a view to solving the problems of these local bodies, the Government of India (GOI) decided to create a system of pooling of funds of a number of smaller municipalities together, to strengthen them financially so that even the municipality in secondary cities could access the capital markets.

In this context, the Indo-USAID collaborative FIRE (D) project is working with the GOI to set up a state-level pooled finance mechanism for smaller and medium-sized municipalities to access the capital market. The objective of this fund is to support state initiatives to establish pooled financing structures, provide technical support and credit enhancements, and leverage urban reforms. (Source: NIUA/ GOI-USAID FIRE-D Project)

Urban Reforms Incentive Fund (URIF)

To push up the agenda for urban reforms in the country, GOI in its budget of 2002-3, has made provision of Rs 500 crore to provide reform-linked assistance to the states. The Planning Commission in consultation with the union Ministry of Urban Development and Poverty Alleviation is evolving the modalities for the operation of the fund. A variety of reform areas have been identified under the scheme including repeal of urban land ceiling
and regulation acts, rationalization of stamp duties in phases, levy of reasonable user charges by ULBs, introduction of double entry improved accounting systems, reform in property tax, computerization of property records, initiation of public-private partnerships in the provision of services, etc. (Source: NIUA/ GOI-USAID FIRE-D Project)

**City Challenge Fund (CCF)**

It was initiated by the GOI recently to introduce a city-level reform program aimed at urban centers initially, with one million or more population. It is an incentive based grant facility that will support cities to fund the transition costs of moving towards sustainable and credit worthy institutional systems of municipal management and delivery, and sector level reforms such as water supply and sanitation sector. This scheme was announced in the 2002-3 budget, and presently the union Ministry of Urban Development is preparing guidelines on it. (Source: NIUA/ GOI-USAID FIRE-D Project).
Selected References


