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HOUSING & URBAN DEVELOPMENT DEPARTMENT

NOTIFICATION

The 28th March, 2016

No.7961–HUD-FUND-POLICY-0002/2015/HUD.— Government has been pleased to formulate detailed procedure for disbursement of the Performance Grant recommended by the Fourteenth Finance Commission to Urban Local Bodies in the State for incentivizing better performance. These Grant shall be utilized by the Urban Local Bodies to support and strengthen their primary functions to deliver basic services adopting the following procedure:—

1. Introduction :

The 14th Finance Commission (“FFC”) was mandated to recommend measures needed to augment the Consolidated Fund of the States to supplement the resources of the Urban Local Bodies based on the recommendations of the State Finance Commission. Accordingly, the FFC has recommended assured transfers to the Urban Local Bodies for planning and delivering of basic services smoothly and effectively within the functions assigned to them under relevant legislations. The FFC has taken a firm view that the measures recommended, including the grants to the Urban Local Bodies, should go towards supporting and strengthening their primary functions to deliver basic services, as FFC believes that improvements in the quality of basic services are likely to lead to an increase in the willingness of citizens to pay for the services.

The FFC has observed that even after twenty years of Constitutional Amendment that sought to empower local bodies to effectively Act as institutions of local self-governance and also to provide certain basic services to citizens, it is inconceivable and not certainly desirable, that local bodies seek an ever increasing share of public moneys and yet continue to keep themselves beyond the ambit of accountability and responsibility for the public money placed with them.

In order to address the prevailing flaws, the FFC has recommended grant-in-aid to duly constituted local bodies in two parts, namely 1) a Basic Grant; and 2) a Performance

grant. The present notification details the procedures the State Government shall adopt for disbursement of Performance Grants to Urban Local Bodies in Odisha for incentivizing better Urban Local Bodies Performance. The FFC has made it explicit that these funds shall only be utilized for the purpose for which they are disbursed and no diversion for any other purposes shall be permitted.

2. Objectives of Performance Grant :

The prime objective of the Performance Grant is to recognize and to incentivize the ULBs to adopt citizen centric governance and service deliveries so as to improve the quality of life in their respective areas and the Performance Grant equally aims at the following aspects which would enable and empower ULBs in achieving the primary objective;

1. Sustained Improvement in ULBs own revenues; and
2. Making available reliable data on ULBs receipt and expenditure through audited accounts;
3. Plan and achieve service level benchmarks

3. Eligibility Criteria to Access Performance Grant :

With a view to inculcate a performance driven culture in ULBs, the FFC has recommended a set of simple and very basic conditions as given below:

- (a) ULBs must submit audited accounts that relate to year not earlier than two years preceding the year in which the ULB seeks to claim the performance grant. For example, to avail the grants in Financial Year 2016-17, the ULB have to prepare and submit audited accounts for the Financial Year 2014-15 and so on;
- (b) The ULB must show an increase in its own revenue over the preceding year as reflected in the audited accounts excluding the proceeds from octroi and entry tax;
- (c) ULBs must measure & publish Service Level Benchmarks relating to basic urban services for each year for the period of award and make it publically available for 2016-17, and onwards.

Those ULBs will be eligible for the performance grant who complies all of the three conditions.

4. Evaluation Criteria :

The key underpinnings of Performance Grant is to enhance the efficiency and effectiveness of ULBs in the delivery of basic civic services and thus these funds are to be viewed as incentives to drive better service delivery. In the process, the ULBs will be able

to become self-sustaining and bring about an inclusiveness feature into their service delivery systems. While the State Government is bounded by the eligibility criteria as set out by FFC, for the purpose of better appreciation by the ULBs about the expectations the State Government has as well as for enabling each of the ULBs to organize their efforts for improved outcomes, the performance of each of the ULBs will be judged on the following four broad performance categories:

1. Municipal Revenue Mobilization & Financial Management;
2. Equity and Inclusivity in municipal Services, especially in poor and slum areas ;
3. Effective Implementation of Programs and Schemes relating to Capital Expenditure;
4. Administrative Efficiency including implementation of reforms viz, e-municipality, double entry accounting system (DEBAS), timely submission of UCs, etc.

Each of the Performance Category is assigned a Weightage on which performance of ULBs will be assessed and a cumulative score arrived at. This score will then form the basis for determining the quantum of funds from the Performance Grant the ULB is entitled to. For the purpose of these guidelines, the Municipal Revenue Mobilization & Financial Management will have a weightage of 50%, Equity and Inclusivity in municipal services, especially in poor and slum areas will have a weightage of 25%, Effective Implementation of Programs and Schemes relating to Capital Expenditure will have a weightage of 15% and Administrative Efficiency will have a weightage of 10%.

Further for better targeting of their efforts towards achieving progressively increasing score, each of the performance categories is sub-divided into actionable indicators, improvements of which will be tracked quarterly and annually. The details component wise actionable performance indicators and the weight attached are provided at ***Annexure-1***.

5. Disbursal Formula:

While deciding on the quantum of Performance Grants to be disbursed by the Department of the total funds received from Government of India, the following mechanism will be adopted;

1. The maximum allocation of annual Performance Grant under the FFC to the Urban Local Bodies qualifying with pre-defined eligibility criteria shall be as per the population criteria based on 2011 Census. However, the disbursal of grants shall be based on overall performance of ULBs assessed through indicator based objective criteria (*Annexure-1*), as per following criteria:

Fund disbursal	Municipal Corporations.	Municipalities	Notified Area Councils.
	ULB Performance Range		
100% share of allocation per quarter.	>75	>60	>50
80% share of allocation per quarter.	60-75	50-60	40-50
60% share of allocation per quarter.	45-60	35-50	30-40
40% share of allocation per quarter.	35-40	30-35	25-30
No disbursal	<35	<30	<25

2. The remaining undisbursed funds out of the Performance Grant received by the Department shall be proportionately distributed among the ULBs who have qualified the eligibility criteria for accessing performance grants;

The trust based approach adopted by the FFC underlies the understanding that the local bodies will discharge their statutory functions with all due care. The publishing of service level data and preparation and audit of accounts will provide the necessary transparency and accountability in this regard and most importantly, enable the decision makers in arriving at meaningful conclusions about the respective ULBs needs.

ANNEXURE-1**1. Municipal Performance Evaluation Framework**

Sl. No. (1)	Performance Indicators (2)	Maximum Score (3)
1	Municipal Revenue Mobilization & Financial Management <ul style="list-style-type: none"> Percentage increase (y-o-y) in municipal own source revenue collection by 20% 	50 Marks
2	Equity & inclusivity in municipal services, especially to urban poor <ul style="list-style-type: none"> Whether ULB has earmarked budget for services to urban poor ? Yes/No Whether ULB has submitted action plan on services to urban poor ? Yes/No 	25 Marks
3	Effective Implementation of Programs & Schemes <ul style="list-style-type: none"> Timely submission of Utilization Certificates for grants received ? All quarters Whether ULB submitted and implemented the annual action plan for infrastructure development ? Yes/No 	15 Marks
4	Administrative Efficiency <ul style="list-style-type: none"> Whether ULB has implemented at least two number of committed reform initiatives (eg.Implementation of e-governance modules ? Yes/ No 	10 Marks
TOTAL :		100 Marks

2. Assessment of Performance Scores by ULBs :

The Performance indicators shall have quarterly milestones for achievement, which are either one-off initiatives that need to be achieved in each specific quarter or are recurring activities which need to be achieved in all quarters. The rationale behind quarterly milestones is to ensure that the ULBs focus on all sub-components impacting an indicator performance (for example, increase in own source revenues can be better achieved with enhanced focus on all sources of own source revenues, instead of only property tax).

ULB shall implement identified sub-components of performance indicator in corresponding quarters of financial year. This will ensure ULBs implementing required

interventions across all sub-components (which impact indicator performance) and the outcomes captured to arrive at an annual score. Given this background, the assessment of individual ULB score will be as given in Section 3.

Quarterly milestones for the performance indicators will be notified separately by the department, and a committee will be appointed, to undertake independent assessment of the performance reported by the ULBs.

3. Scoring Criteria for Indicator Performance:

I. Municipal Revenue Mobilization & Financial Management– Performance Indicators

	All ULBs	All ULBs	Achievement of > 20%	Achievement between 10% to 20%	Achievement between 5% to 10%	Achievement < 5%
		Max. Score	50	40	20	0
A-1	% increase of own source revenue collection.	Score				

* ULBs to provide documentation along with self certification on the implementation of the above initiative.

** ULB shall target a quarterly milestone of 20% increase in OSR collected during same quarter from previous year.

II. Equity & inclusivity of municipal services, especially to urban poor– Performance Indicators

		All ULBs	Yes	No
		Score	12.5	0
A-1	Whether ULB has earmarked budget for services to urban poor? Yes/ No			
A-2	Whether ULB has prepared and implemented annual action plan on services to urban poor? Yes/ No			

* ULBs to provide documentation along with self certification on the implementation of the above initiative.

III. Effective Implementation of Programs and Schemes– Performance Indicators

		All ULBs	Yes	No
		Score	7.5	0
A-1	Whether ULB has submitted the UCs for grants received from department? Yes/No (Only those submitting UCs on quarterly basis will get full marks)			
A-2	Whether ULB has prepared and implemented annual action plan on infrastructure development ? Yes/No			

* ULBs to provide documentation and self certification on the implementation of the above initiative.

IV-A. Administrative Efficiency of the ULB in reforms implementation– Performance Indicators

		All ULBs	Yes	No
		Score	3.5	0
A-1	Implementation of reforms viz., digitization of municipal records, e-municipality modules, etc. (ULBs to commit at least reform initiatives, the quarterly milestones will be notified by the department separately for each reform area)			
	Achievement of Reform-1 (Yes/No)	3.5		
	Achievement of Reform-2 (Yes/No)	3.5		
	Achievement of Reform-3 (Yes/No)	3.0		

* ULBs to provide self certification on the implementation of the above initiative.

Eligible ULBs shall commit to implement at-least three reform initiatives for implementation each year. (ULBs may either choose from the following list of reform initiatives, or propose new initiatives:

	Short term reform initiatives (indicative list)	ULB Commitment for 2016-17
1	Digitization of municipal records (PT, trade license, etc)	
2	Identification of unaccessed properties by cross verifying with other information sources.	
3	Introduction of reward & penalty schemes for tax payers.	
4	Adoption of GIS based PTIS	
5	Provide alternate payment channels for tax payers	
6	Undertake drives for collection of accumulated arrears	
7	Streamline operations using IT enabled systems	
8	Conduct physical survey of shops and establishments	
9	Any other reform initiatives related to (a) transparent administration (b) revenue enhancement (c) service delivery improvement, and (d) expenditure control	

By Order of the Governor

G. MATHI VATHANAN

Commissioner-*cum*-Secretary to Government