



14 Finance Commission Performance Grant Scheme and its Qualifying Indicators

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14FC Grants- Background

- ▶ 14FC Grant is in two parts: Basic Grant (80%) and Performance Grant (20%).
- ▶ Basic Grant : Rs. 69,715.03 crore (Five years- 2015-16 to 2019-20)
Performance Grant : Rs. 17,428.76 crore (Four years- 2016-17 to 2019-20)
- ▶ State-wise and year-wise amounts of Basic and Performance Grant have already been fixed by the 14FC.
- ▶ Basic Grant is to be released in two installments every year based on their previous Utilization Certificates.

14FC Performance Grant- Performance Indicators

- ▶ Performance Grant- Three Mandatory Conditions
 1. Audited annual accounts related to a year not earlier than two years;
 2. Increase in own revenues over preceding year;
 3. Measurement and publishing of service level benchmarks (SLBs) for each year of award.
- ▶ Further, A Scheme for claiming performance grant was formulated by the MoHUA in consultation with the States, with the approval of the then Hon'ble Minister UD.
- ▶ The scheme is designed in such a way that the ULBs are motivated and incentivized for better performance.

Performance Grant- Scheme

S.No.	Reform	Weightage
1	Audit of Annual Accounts	10
1.1	Publishing of Audited Accounts on ULBs website	10
2	Increase in Own Revenue Sources	40
2.1	Covering Establishment and O&M Costs from Own Income	20
2.2	Capital Expenditure as a % of Total Expenditure	20
3	Publishing of Service Level Benchmarks	50
3.1	Water Supply Coverage Ratio	15
3.2	Reduction in Non-Revenue Water	15
3.3	Coverage of Water Supply for Public & Community Toilets	10
3.4	Scientific Disposal of Solid Waste	10
Total (1+ 2 + 3)		100

ULBs achieving a score of 60 & above out of a total of 100 will be eligible for PG within a State.

A score of 50 & above, in case of special category States and hill States i.e. NE States, J&K, Himachal Pradesh & Uttarakhand) will be eligible for PG within a State.

Performance Grant- Scheme details

A. Publishing of Audited Accounts on ULB/State website- **10 marks**

B. (1) Covering Establishment and O&M cost from Own Income -**20 Marks**

50-60% = **10 marks,**

60-70% = **15 marks,**

$\geq 70\%$ = **20 marks**

(2) Capital Expenditure as % age of Total Expenditure -20 Marks

Non-AMRUT cities	}	10-15 % = 10 marks,	and AMRUT cities	}	20-30% = 10 marks
		15-20% = 15 marks,			30-40% = 15 marks
		$\geq 20\%$ = 20 marks			$\geq 40\%$ = 20 marks

C.

Coverage of Water Supply

70-80% = 5 marks,

80-90% = 10 marks,

≥ 90 = **15 marks**

Non-Revenue Water

30-40% = 5 marks,

20-30% = 10 marks,

≤ 20 = **15 marks**

**24X7 Water
Supply in PT/CT-
10 marks**

Scientific Disposal of Waste

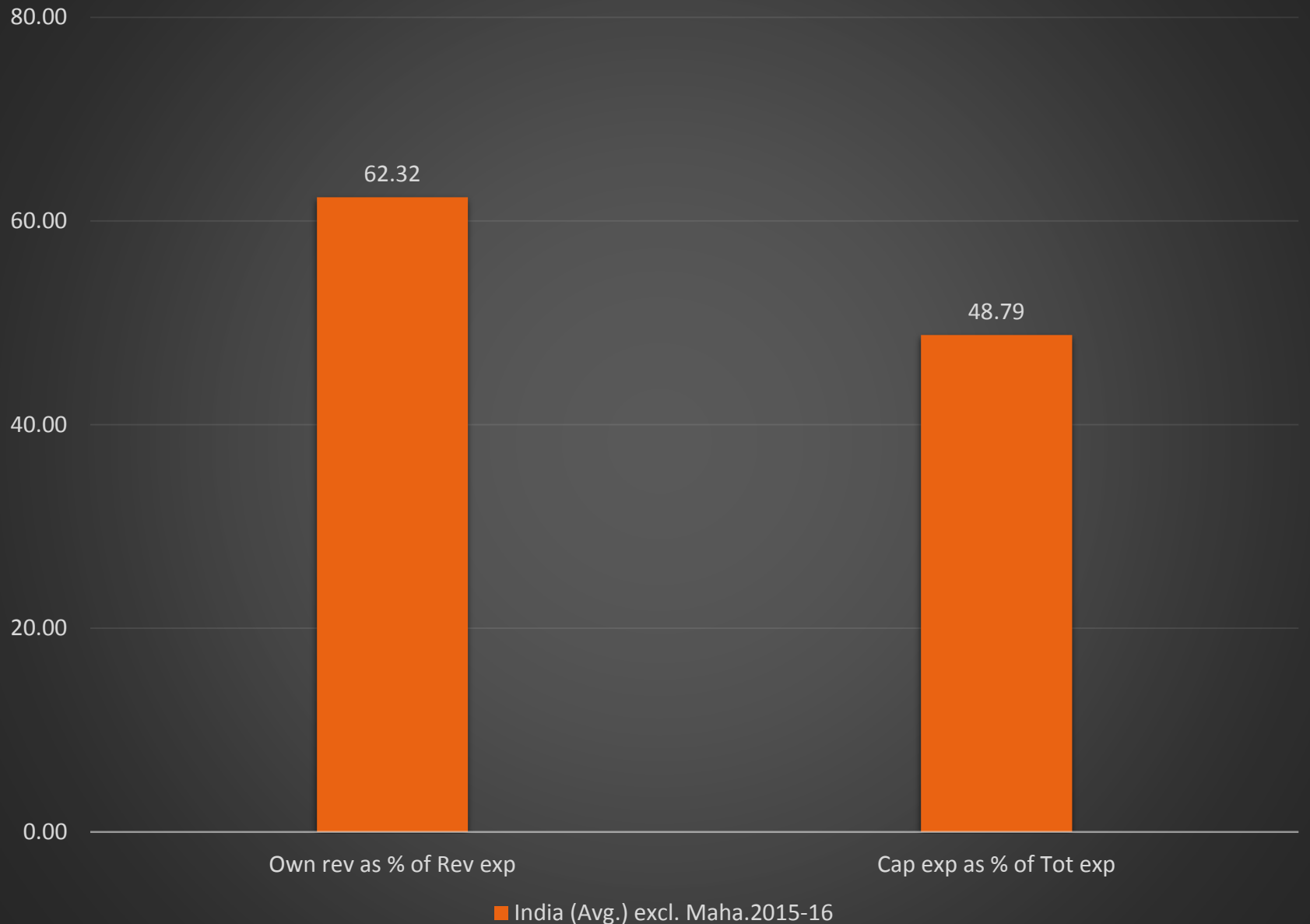
20-50% = 5 marks,

$\geq 50\%$ = **10 marks**

Background

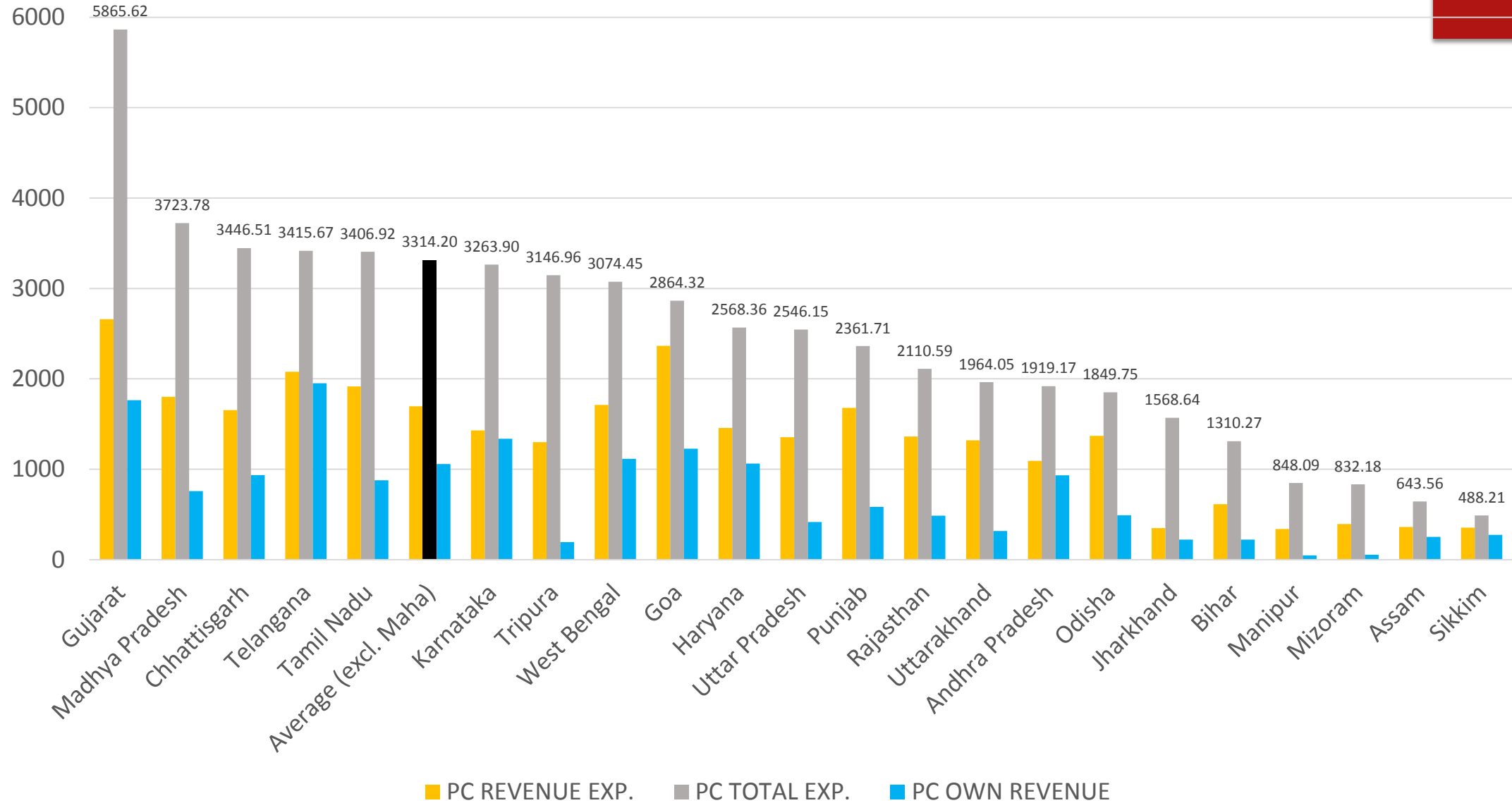
- ▶ **The results shared in this presentation are interim findings of the Municipal Finance Report being prepared by the 14 Finance Commission (14FC) Support Cell at NIUA.**
- ▶ Approximately information of 1900 ULBs across 22 States (excluding the States of Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Kerala, Maharashtra, Meghalaya and Nagaland) has been analyzed.
- ▶ The database consists of the ULBs which have been found eligible for the 14FC Performance Grant (PG) 2017-18 with a relaxed score for the first year of the PG Scheme.
- ▶ Data Analysis works is still under process and at preliminary stages.

All India (Average) Urban Local Bodies- Ratios



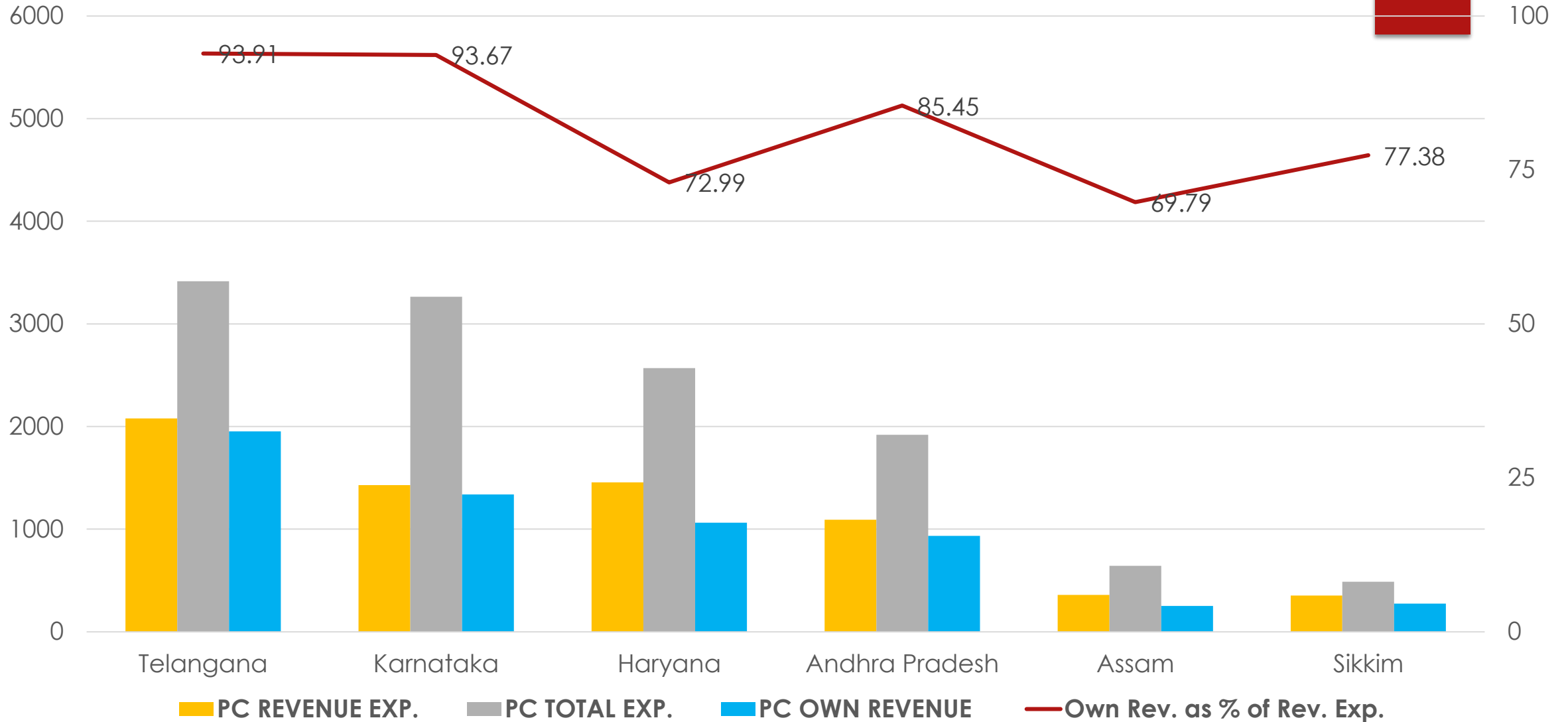
- Two important financial indicators for the Performance Grant are:
- **1. Ratio of Own revenue as % of Revenue expenditure. More than 70% attracts 20 marks.**
- 2. Ratio of Capital expenditure to Total expenditure. More than 40% attracts 20 marks for AMRUT cities and more than 20% attracts 20 marks for non-AMRUT cities.
- Overall Ratio 1 stands for 62.32% and
- Ratio 2 stands for 48.8%.
- **Achieving Ratio 1 where most of the ULBs faced problems.**

Per Capita Own Revenue VS Expenditure (2015-16)



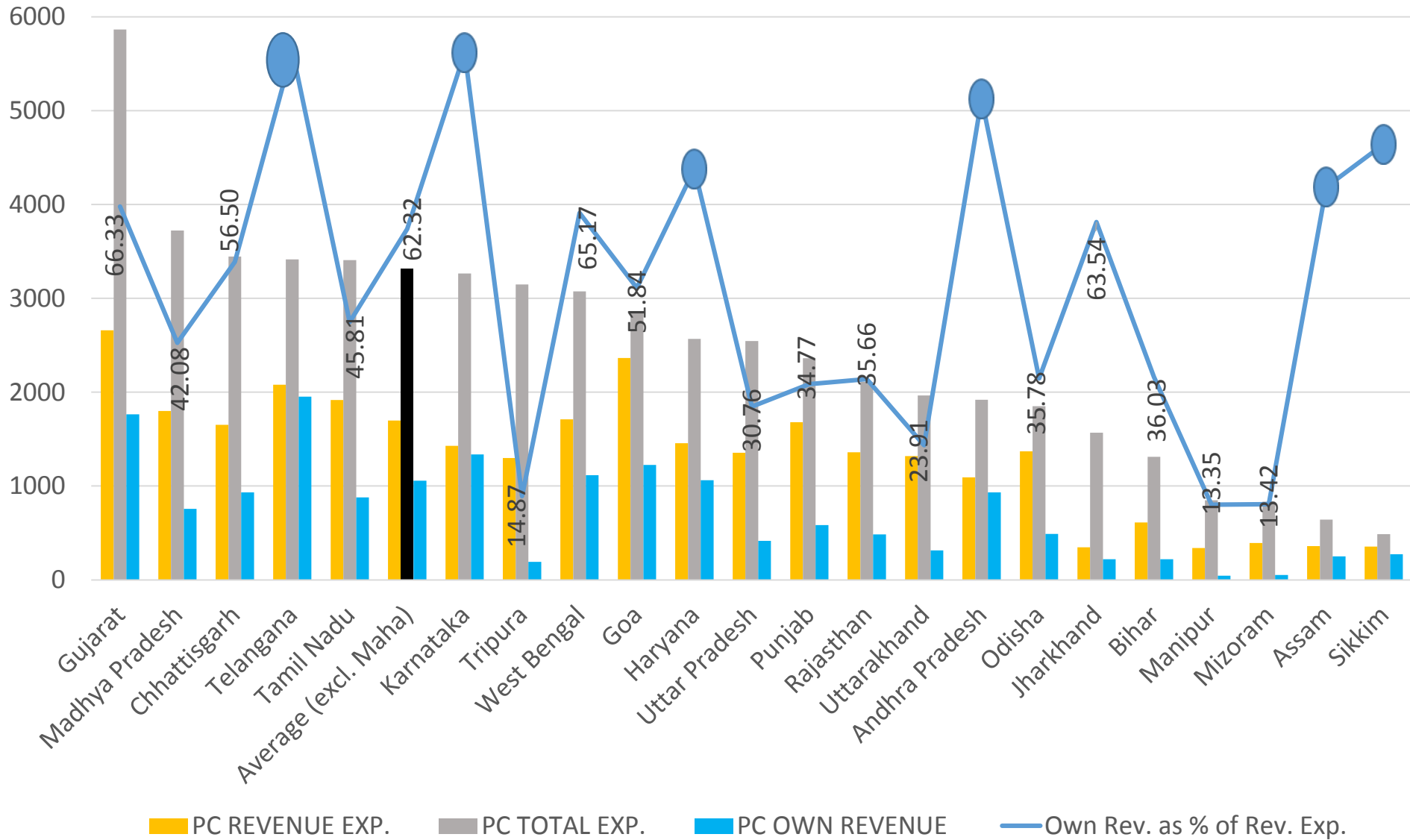
Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)

Per Capita Own Revenue VS Expenditure (2015-16)



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Per Capita Own Revenue VS Expenditure (2015-16)

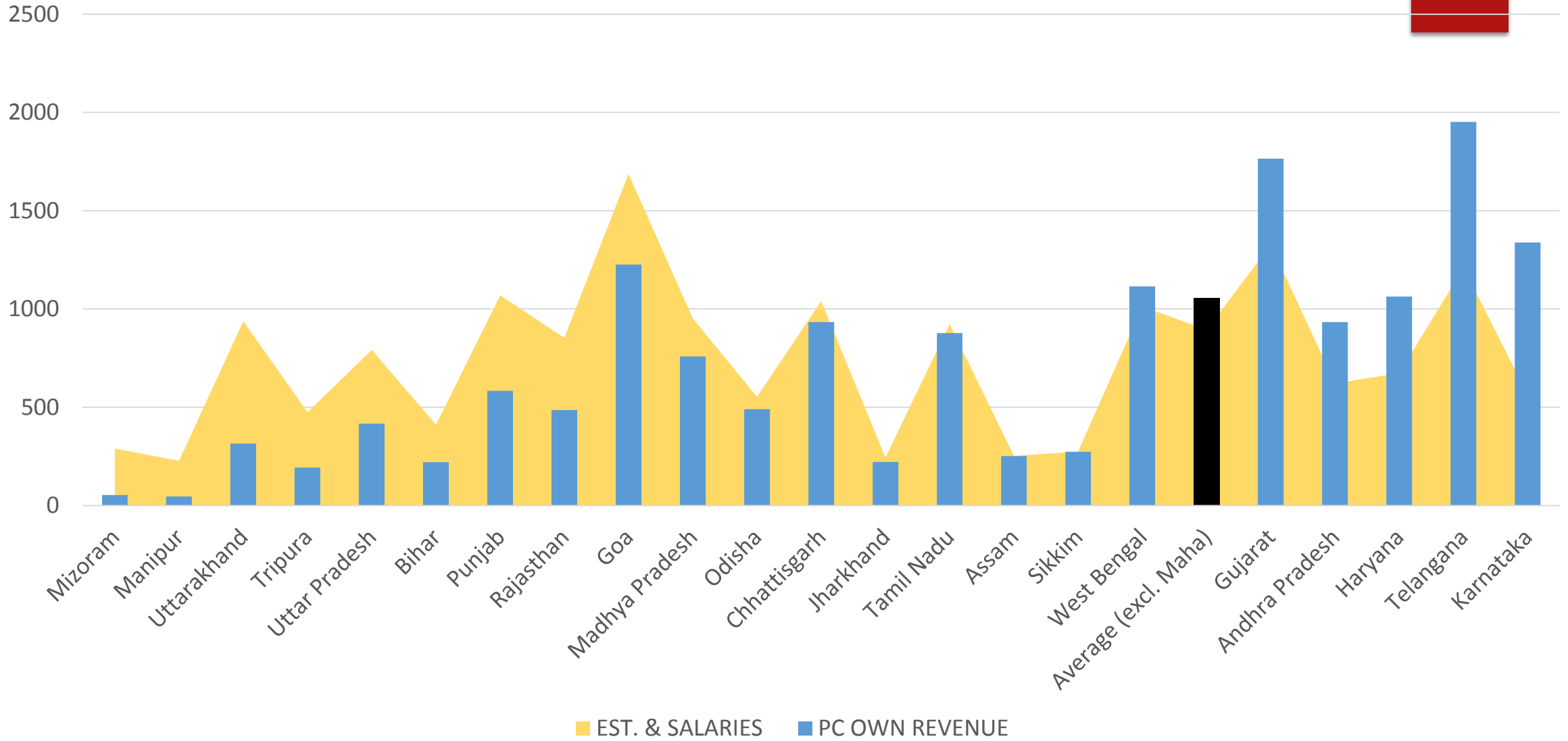


Ratio of Own Revenue receipts to Revenue Expenditure is a good performance indicator but it can be debated against the level of Total expenditure at the city level.

Jharkhand, Andhra Pr., Haryana **have better Ratios but level of spending is much lower** compared to Gujarat, Madhya Pradesh, Chattisgarh, Telangana, Tamilnadu etc. where the Ratios are not so good.

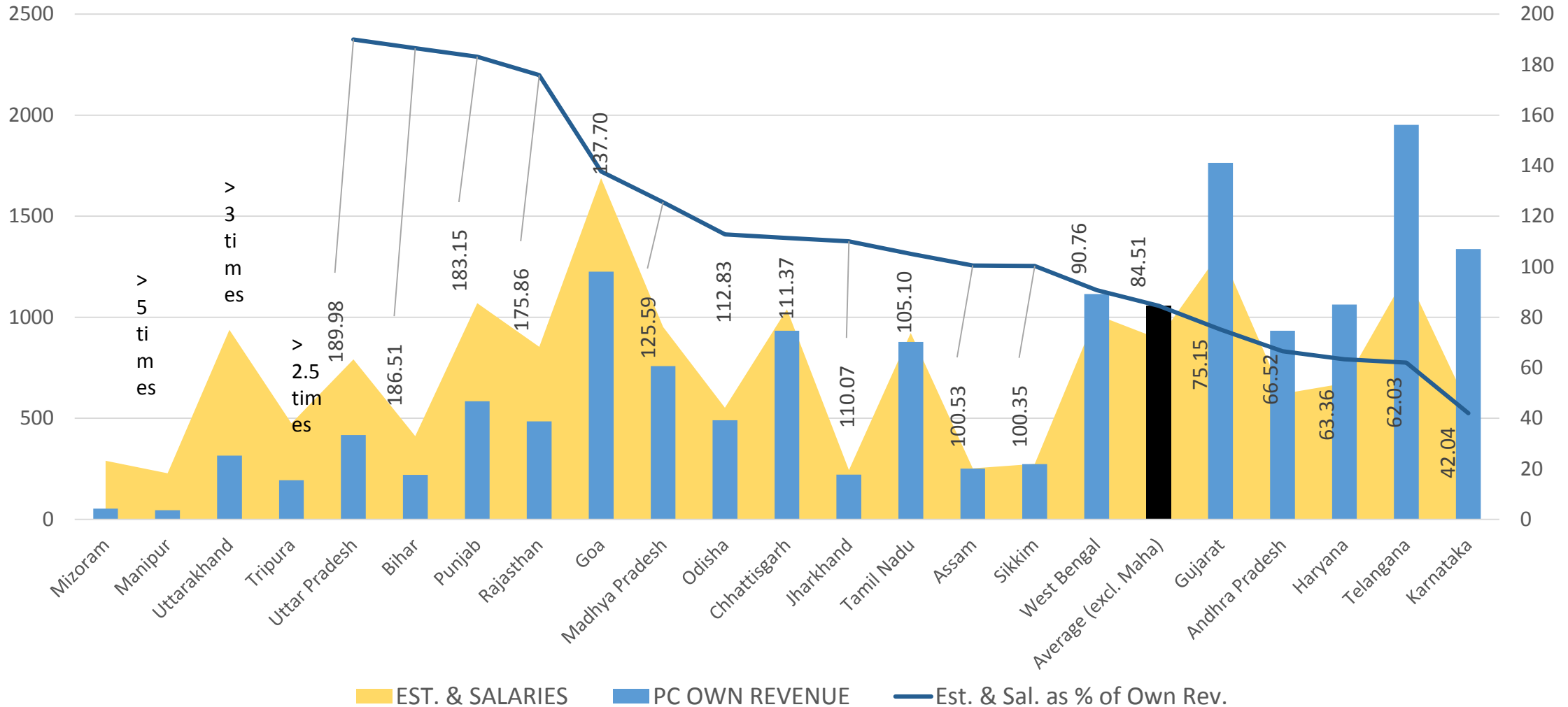
On the other hand, **situation is worse where the Ratio is low as well as level of spending is also low** such as North eastern states Manipur & Mizoram, Bihar, Odisha, Uttarakhand, Rajasthan, Punjab, Uttar Pradesh.

Per Capita Own Revenue Receipts VS Establishment & Salries Exp. (2015-16)



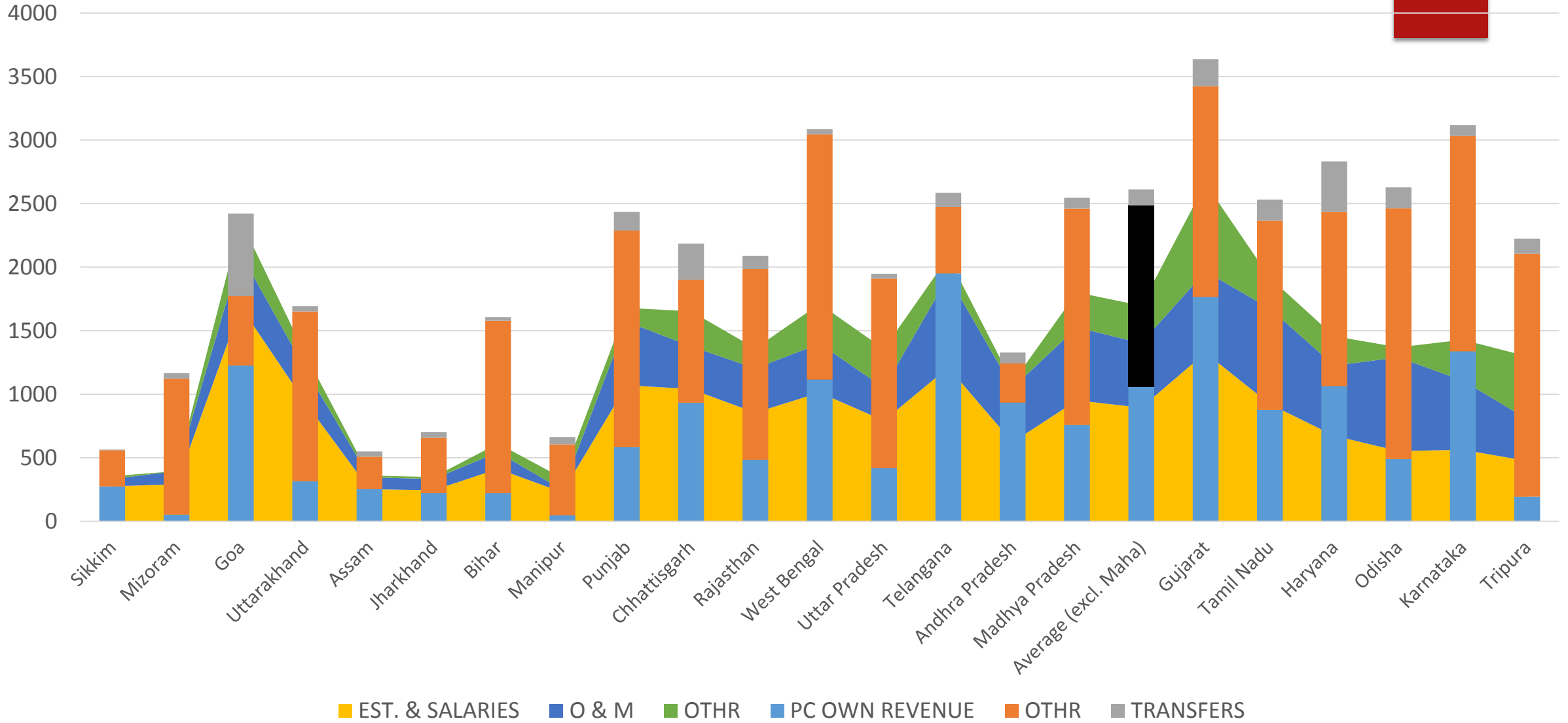
Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)

Per Capita Revenue Receipts VS Revenue Expenditure (2015-16)



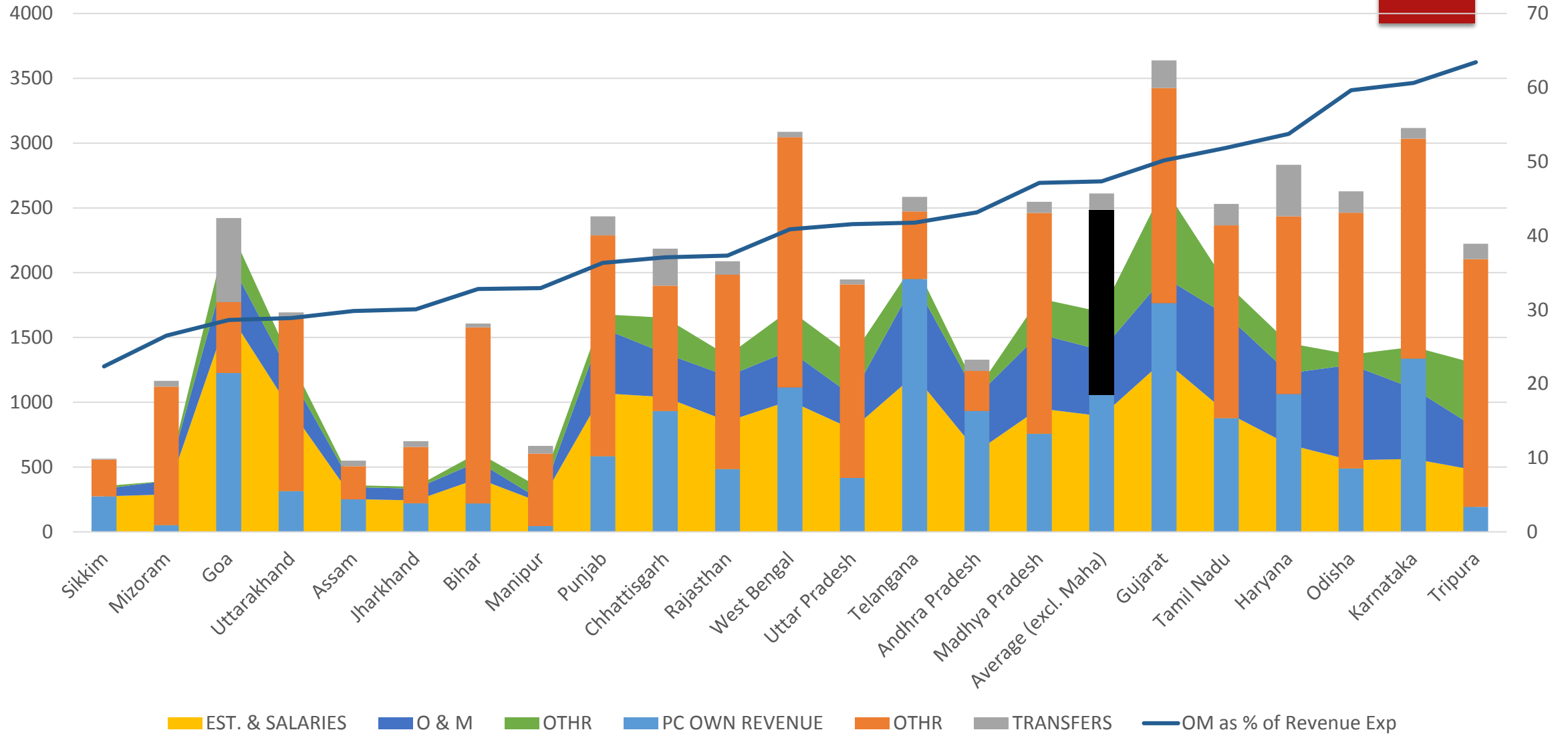
Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)

Per Capita Revenue Receipts VS Revenue Expenditure (2015-16)



Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)

Per Capita Revenue Receipts VS Revenue Expenditure (2015-16)



Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)

THANK YOU