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

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**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.**
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,
   - >=70% = 20 marks

(2) Capital Expenditure as % age of Total Expenditure - **20 Marks**
   - **Non-AMRUT cities**
     - 10-15% = 10 marks,
     - 15-20% = 15 marks,
     - >=20% = 20 marks
   - **AMRUT cities**
     - 20-30% = 10 marks
     - 30-40% = 15 marks
     - >=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,
   - >=50% = **10 marks**
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.
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.

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)

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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 & Salaries 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)

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THANK YOU