

## **MEDIUM TERM FISCAL PLAN FOR BBMP FOR THE PERIOD 2009-2013**

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### **I. Introduction:**

Bengaluru - utterance of the name brings to one's mind a thought of the green city, silicon city, populous city with a cosmopolitan culture that attracts people from various parts of India for the opportunities it offers. The capital of the State of Karnataka, Bengaluru is always in the limelight and loved by all for their own reasons. A home to over 75 lakh people and a base for over 12,000 industries is the first city in India to get electricity. This fastest growing city in Asia is situated in southern India between the east and west coast. Bengaluru is known as the Silicon Valley of India because of its pre-eminent position as the nation's leading IT employer and exporter. The city founded in the 16<sup>th</sup> century has a rich historical and cultural back ground. It has been a witness to the rule of great dynasties of South India namely, Kadambas, the Hoysalas and the Vijayanagara empire. Legend has it that the name Bengaluru comes from "Benda Kaluru" (boiled beans) which were served by a humble old lady to a hungry ruler in the 10th century. Today it gives food for over 75 lakhs people and looked at with great hope by many more.

It became the center of Indian politics under the colonial rule. Bengaluru Mahanagara Palike was established in the year 1949 by merging two municipalities, 'The City Area' and 'The Cantonment Area'. At the time of creation of the Corporation the population of the city was 7.5 lakh.

Further the jurisdiction of the city kept on increasing and comprised of 87 wards in the year 1991 and 100 wards in the year 1995. It was further increased in the year 2007, by including the adjoining 7 CMCs , 1 TMC and 110 villages. Thus the Bruhat Bengaluru Mahanagara Palike (BBMP) which came into existence on 16-01-2007 comprises of 147 wards.

This merger of adjacent areas was considered essential by the Government of Karnataka for the following reasons (as per the notification):

- (a) Improve and co-ordinate infrastructure development for road and transportation network, water supply and UGD, Solid Waste Management etc.,
- (b) Upgrade quality of urban civic services etc.,
- (c) Strengthen administrative capacity to ensure better enforcement of various rules/regulations as also better co-ordination in service delivery etc.,
- (d) Optimise expenditure on establishment etc.,

**Salient features of BBMP:**

Area	800 sq. kms
Population	75,00,000
Zones	8
Ranges	50
Wards	147
MLA Constituencies	28

## **II. List of Obligatory and optional functions of ULB**

The 12<sup>th</sup> Schedule of the Constitution of India (Article 243 W), inserted by the constitution 74<sup>th</sup> Amendment Act of 1992, provides a list of 18 functions as belonging to the legitimate domain of Urban Local Bodies.

- Urban Planning including town planning;
- Regulation of land use and construction of buildings;
- Planning for economic and social development;
- Roads and bridges;
- Water Supply for domestic, industrial and commercial purposes;
- Public health, sanitation, conservancy and Solid Waste Management;
- Fire services;
- Urban forestry, protection of the environment and promotion of ecological aspects;
- Safeguarding the interests of weaker sections of society, including the handicapped and the mentally retarded;
- Slum improvement and upgradation;
- Urban Poverty Alleviation;
- Provision of urban amenities and facilities such as parks, gardens and play grounds;
- Promotion of cultural, educational and aesthetic aspects;
- Burials and burial grounds, cremations, cremation ghats/grounds, and electric crematoria;

- Cattle pounds, prevention of cruelty to animals;
- Vital statistics including registration of birth and deaths;
- Public amenities including street lighting, parking lots, bus stops and public conveniences;
- Regulation of slaughter houses and tanneries

A look at the above functions of the Urban Local Body (ULB) reveal that they need to take care of the urban poor by preparing and implementing plans for economic and social justice. As this is the body which is directly elected by the people it also becomes the responsibility of the ULB to co-ordinate between the different service delivery institutions.

### **III. Major concerns:**

The Local body is the major service providing institution to the public in a democratic country. The functions are provided before an individual takes birth till he sleeps in rest (from womb to tomb). The variety and magnitude of services mentioned in the previous chapter that a local body needs to deliver has put a heavy stress on the organization. To provide them in an efficient manner with limited resources is the greatest challenge.

Major concern of a ULB like Bangalore which is the 5<sup>th</sup> largest growing city in Asia is insufficient preparedness (Institutional Capacity and Financial Resources) to address the ever increasing demand in both Physical and Social Sectors. As a result of increase in urban population the demand for Basic Services and Basic Infrastructure is so much more, that the BBMP with the same old pattern of revenue receipts finds it extremely difficult to satisfy them in an efficient manner.

As an urban local body, the organization is concerned with general health, education and providing basic amenities to the public. Special care has to be taken for the upliftment of the marginal and weaker section of the society. It is mandatory to allocate at-least 18% of the total capital

outlay for the welfare of SC, ST and other weaker sections and this also is non-lapsable.

Significant gap in our revenue receipts and revenue expenditure has also led to severe stress on our fiscal position. This is as a result of inflation, implementation of the pay scale revisions as per the recommendations of the pay commission, payment towards pension and so on.

The migration of rural population in search of employment created further stress on the existing infrastructure. Because of the economy of scale that is provided by the metropolitan city like Bengaluru, many software companies, industries are established in and around the city. This results in lot of marginal employment. People from other parts of the state migrate in search of employment which results in unplanned settlements and lead to creation of slums. At present there are 325 slums in BBMP area which are not notified by the Slum Development Act, which means BBMP needs to take care of their upgradation. Providing them the basic amenities and a decent livelihood becomes the responsibility of the Urban Local Body.

Lack of initiative to develop alternate cities by providing basic infrastructure and better transport facilities (by air, road and railway) to encourage the entrepreneurs to establish industries in new locations further adds to the problem. If the stress on Bengaluru has to be controlled in the years to come, this should be the most important initiative. Steps in this direction must be augmented to avoid worsening of the situation.

### **Comparison of BMP and BBMP**

	BMP	BBMP
Area	226 Sq. Km	800 Sq. kms
Population	43 lakhs	75 lakhs
Zones	3 Zones	8 Zones
Ranges	30	50
Wards	100	147
MLA Constituencies	15	28

It is clear from the above figures the additional burden the BBMP has to bear, with no proportionate increase in the available human and financial resources. The fiscal situation of the ULB (Urban Local Bodies) has been generally under stress for last many years. There has been a gap of 20% to 40% in the projected and actual revenue receipts in Bruhat Bengaluru Mahanagara Palike (BBMP) in the last ten years.

Declining productivity of the public expenditure, adds to the already existing fiscal stress. To bridge the gap between our capital expenditure and revenue, the organization has to resort to loan. Non availability of loan at subsidized interest rates, and absence of government security for the loans is also a matter of concern. As a result of this the amount spent on debt servicing has increased.

Against this background of mounting fiscal deficit, the BBMP has initiated a number of measures to correct the fiscal situation. Measures to contain the expenditure on general administration, debt servicing and other maintenance works have already been taken by BBMP. They have to be further intensified in the years to come

#### **IV. Karnataka Local Fund Authorities Fiscal Responsibilities Act-2003**

With an intention to provide a framework for Budgeting, Accounting and Auditing and thus to provide financial stability and sustainability the Karnataka Local Fund Authorities Fiscal Responsibilities Act was passed in 2003. However, the Act is yet to be brought in to force and the rules are yet to be framed. The Act lays down the principles of financial management.

The corner stone of the KLFAFR Act 2003 is that it **fosters participation of public** in framing key fiscal policies and also in preparation of the annual budgets, resulting in proper feed back through a social audit. The local citizen associations must participate in the preparation of annual budget and also review and evaluate the performance of local authorities. It suggests that LFA must hold at least two meetings with the citizen association in the preparation of the budget.

## **Salient features of the Act:**

- 1. Mandates a Medium Term Fiscal Plan for Local Fund Authorities (LFA)**
- 2. Lays down principles for financial management.**
- 3. Ensures transparency in fiscal management at the local level.**
- 4. Ensures proper procedure for preparation, submission and audit of the accounts.**
- 5. Ensures proper scrutiny and adherence to the audit report.**
- 6. lays down measures for transparency and measures to ensure compliance to this Act (principles of financial management)**
- 7. Publication of financial document and annual report.**

**As per sec-3 of the Act, the MTFP OF LFA shall include the following:**

- 1. The Medium term fiscal objectives of the LFA.**
- 2. An evaluation of the performance of the fiscal indicators in the previous years against the targets set.**
- 3. Performance in the present year.**
- 4. a statement of recent trends and the future prospects for growth and development.**
- 5. The fiscal priorities of the LFA in that financial year.**
- 6. The policies of LFA relating to expenditure, borrowing and other liabilities and all such activities which have an impact on the budget.**
- 7. An evaluation of how current policy of the LFA in conformity with the financial management principles.**
- 8. Clear linkage of physical and financial targets.**
- 9. It shall be the source document for preparation of annual budgets.**

As per Section 3 of The Karnataka Local Fund Authorities (LCA) Fiscal Responsibilities Act 2003, adoption of Medium Term Fiscal Plan (MTFP) for local fund authorities is mandatory. BBMP has made a maiden effort this year and has prepared a MEDIUM TERM FISCAL PLAN (MTFP). This is a rolling plan for four years (1+3) for the period 2009 to 2013. This white paper attempts to lay the road map for the development of the city and aims at improving the fiscal health of the organization by adopting suitable measures. While preparing the MTFP, Comprehensive Development Plan of the City which is like a vision document for the comprehensive development has been kept in mind.

#### **IV. Objectives of MTFP**

**“As the city is growing, your plan must be in keeping with its pace, so that it may present a picture of a city of the Future”**

**- Jawaharlal  
Nehru**

The World Bank in its report ‘India’ suggests, to grapple with the challenges, ULB budget preparation systems need to be improved, audits need to be strengthened, procurement performance of these bodies has to improve and stronger compliance and public oversight need to be brought in. “A strengthened ULB budgeting process needs to include realistic and participatory frameworks for budget estimation and establishment of appropriate linkages with parastatal organizations and metropolitan plans. To guide ULBs through the basic tenets of realistic and participatory budget preparation, a model budgeting manual should be developed by the Central government. This manual should be participatory, pro-poor, have forecasts, multi-year rolling plans, and outcome budgeting,” the report notes.

Thus, proper planning is the only way to address the issues of present as well as future. MTFP is an attempt in this direction.

The Medium Term Fiscal framework will provide the basis for devising fiscal strategies for the BBMP on a multi year framework. These fiscal objectives need to be emphasized in every plan so that the reforms undertaken by the organization yield the desired result. Thus MTFP acts like a foundation for all strategic decisions.

The objective of having an MTFP is to provide better quality of life to the citizens by ensuring fiscal discipline. Through this an effort is made to devise fiscal strategies on a multi – year framework. It is a rolling plan for 4 years. This will be a vision document which results in resource generation, conservation, and augmentation along with avoidance of wasteful expenditure that occurs due to lack of proper planning of physical and financial resources.

The resources generated or augmented as a result of measures undertaken to ensure fiscal discipline will be utilized by recasting the strategies for expenditure. Priority list for the expenditure on obligatory services of the ULB will be prepared and expenditure incurred accordingly.

MTFP aims to address the problem of deteriorating fiscal situation by resorting to immediate corrective measures. Proper planning is one of the greatest tools to handle this situation where demand is far in excess when compared to the available resources to meet them. Through this MTFP an effort is made to put the finances back on track. This will also enable wider discussions at various levels on the fiscal health of the organization. MTFP identifies the sources of revenue, causes of stagnancy in the revenues, the reasons for the proliferation of public expenditures and the roles and responsibilities of the administrative structure. Through this an attempt is made to lay guidelines for future corrective measures through appropriate reforms in the related sectors.

The MTFP must pursue economic policies that provide impetus for economic growth, poverty reduction and improvement in human welfare. It aims at improvement of capacity building of the institution by proper human resource management, institutionalization of the reforms etc.

What we are today and where we are today and why we are in this situation is a result of the decisions that have been taken in the past. Thus where we go from here will depend on the decisions that we take today. Each corrective step we undertake will have long term implications. So it is prudent to lay a road map with proper planning to provide more responsive, transparent and efficient administration to the public. This white paper will lay down the fiscal targets (both revenue and expenditure) for the next four years and chalks out a plan for administrative reforms that are most essential to reach our destination.

## **(V) Revenue Reforms**

In this section an effort is made to understand the sources of revenue, reasons for stagnation of the revenues and corrective measures to address the situation of fiscal stress by understanding the trends in the previous year and laying proper projections for the next four years.

### **(a) Sources of Revenue:**

#### **i) Tax Revenues**

- Property Tax
- Advertisement Tax

#### **(ii) Non Tax Revenues:**

- Fees and fines- Building License Fees, Compounding Fee, Parking Fee, Khata Certificate and Extract Fees, Betterment Levy, Improvement Charges.
- License Fees:, Hotel and Restaurant Fee, Food Trade License, Power License Fees, Bus Shelters/Traffic Signage/Kiosks, Pet Dog License,
- Service Charges: Birth and Death register Extract Fee, Ambulance Hire Charges, User Charges from Hospitals, pay and use toilets, Solid Waste management Fee, Infrastructure Cess, Electric Crematoria, Swimming Pools entrance fee.
- Income from rent and lease of Corporation Properties: Rent for shops in commercial complexes, Community Halls, Hiring of parks, play grounds, open air theaters etc
- Miscellaneous receipts- Road cutting charges, interest from Bank Deposits like EMD, FSD etc.

#### **(iii) Grants from Government:**

- SFC devolution
- Grants from GOI- 12<sup>th</sup> finance commission
- Special Grants from State Government on formation of BBMP
- JNNURM Grants- 50% of the project cost

#### **(iv) Borrowings**

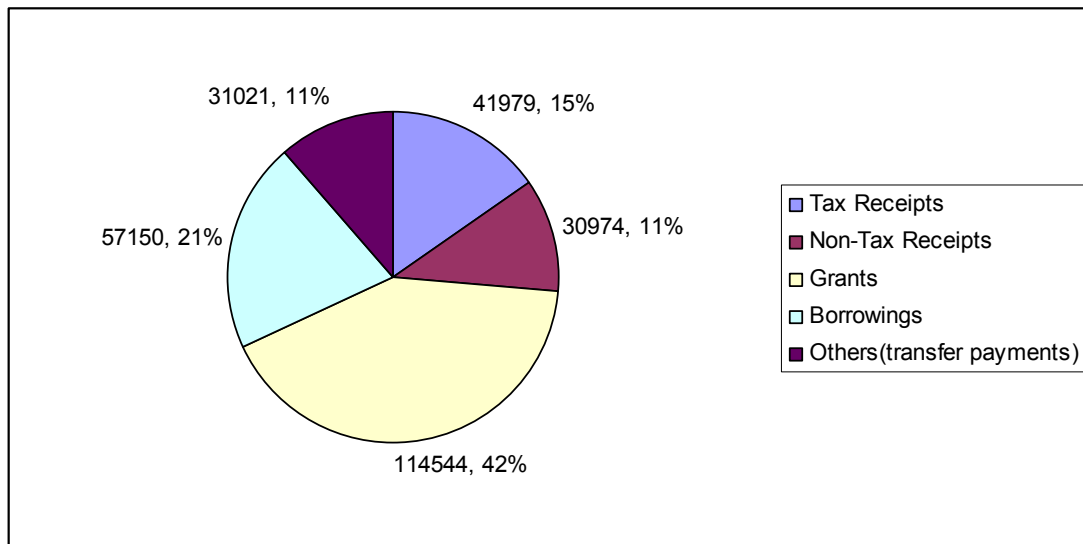
- Loans from Financial Institutions
- External Aid- KMRP; Mega City etc.

**(b)Trend in Receipts in last five years: (in Lakhs)**

Sl No	Particulars	2004-05	2005-06	2006-07	2007-08 (BBMP)	2008-09 (BBMP) BE	2008-09 (BBMP) RE
1	<b>Tax Receipts</b>	23807	27017	35142	49442	65330	41979
2	<b>Non-Tax Receipts</b>	9304	10460	10770	19682	54204	30974
3	<b>Grants</b>	8646	14089	36572	70988	79042	114544
4	<b>Borrowings</b>	21464	20574	21317	20319	56366	57150
5	<b>Others(transfer payments)</b>	15836	19131	24881	30307	29306	31021
	<b>Total Receipts</b>	79057	99415	128,682	190,739	284,248	274868
	Expenditure	820,80	103,540	114,140	181,709	291,871	280657

**(c) Current Scenario:**

Classification of the receipts of BBMP of 2008-09 (in lakhs)



The above chart gives details of our sources of tax and non-tax revenue and their proportion in our total receipts for the year 2008-09.

Following table gives us the per-capita resource position of Bengaluru in comparison with other major cities in India:

Name of the city	Revenue income (crore)	Per capita Revenue (Rs)
Greater Mumbai	4162	3417
Surat	662	2577
Pune	507	1890
Ahmedabad	599	1668
Chennai	591	1385
Kolkata	542	1178
Hyderabad	338	964
Delhi	880	872
Bengaluru (BMP)	369	810

(source: RBI report on municipal finance)

**(d) The major constraints on revenue front are:**

- Relative inelasticity of the receipts from property tax.
- In Advertisement Taxes we have reached optimal levels.
- Receipts from Non-tax receipts have seen marginal increase as the revision in rates need legislative measures.
- Increase in revenue from service charges will take longer time as it is unacceptable to the public.
- **Borrowing capacity** of BBMP is also limited due to non availability of government guarantee for the loans. Already 26 revenue circles in core areas are escrowed against loans. As property tax itself is not very elastic, our borrowing capacity by escrowing our revenue circles will not yield much desired result.
- **Octroi (entry tax)** which was another important source of revenue to the ULBs was abolished and was not proportionately compensated.
- **Additional stamp duty** was also replaced by a surcharge on stamp duty, which led to major decrease in revenue.
- JNNURM – Is the only centrally sponsored scheme for which we are receiving the funds to the tune of 50% (inclusive of central and

state). Even in this our allocation we have reached the maximum allocation for our state.

- Devolution to the BBMP through Finance Commission is not sufficient. Weightage given for the share in the NLGORR needs to be changed periodically.

**(e) Fiscal Reforms suggested:**

Efforts to improve the **revenue productivity** of the taxes will be made in the years to come by bringing about systemic changes in the widening the tax base, reforming the rate structure and bringing about changes in administration and governance and establishment of proper enforcement mechanisms. The introduction of Self Assessment method of collection (Property Tax) is first step to improve revenue productivity.

Similar efforts to increase **productivity of non-tax revenues** need to be made through concerted policies which may require even legislative approval. At times these may be opposed by the public; it needs political will to legislate laws to generate better receipts in this field.

Weightage (based on population, area, literacy, road density, hospital facilities) in the Distributable pool for grants to local governments from Non Loan Gross Own Revenue Receipts (NLGORR) needs to be examined periodically.

**A Budget Control Cell** needs to be established as first step to yield desired results. Another most important step is to have more realistic projections of the revenue and expenditure while doing budgetary exercise. The growth rates projected should be on the basis of the fiscal correction measures undertaken and the time taken for the measures undertaken to yield the desired results.

BBMP will operationalise a **Revenue Monitoring System**, through which the revenue status of the BBMP can be known on day to day basis. This is going to be a web-enabled system through which all the subdivisions are connected to the zone and all the zones are connected to the head office. Sitting in the head office number of reports can be generated. The system takes care of reconciliation, generates a list of bounced cheques. (additional information can be put in if required)

A **Revenue Reforms Cell** comprising of experts in the revenue matters needs to be established which will function exclusively to suggest reforms to the executive in the field of tax reforms. This concerted effort towards tax reforms is most essential to recommend timely action to the administration. The recommendations of the cell from time to time will act like a blue print for reforms and will help in reducing the distortions and also enhance the revenue productivity of the tax system. The cell would give recommendations on all aspects of revenue collection (both tax and non-tax) like rate structure, coverage, exemptions, tax administration etc. to increase the tax buoyancy.

Moving in the direction of ensuring more transparency **Fund Based Accounting** system has already been introduced in the BBMP. Steps will be taken to further improvise on this. Considering the area of the ULB a web enabled system is proposed to be in place in the coming financial year. A complete movement towards **double entry accounting system** as per the standards of national accounts manual is intended.

### **Reforms in Tax Revenues:**

#### **Property Tax:**

Reforms in collection of Property Tax with adoption of Global Information System (GIS) and Management Information System (MIS) to make property tax the main source of revenue for ULBs and arrangement for its effective implementation so that collection efficiency reaches at least 85 % in the 3 year time frame. (This will help in widening the tax base and ensuring better compliance).

In this BBMP has already taken initiation by introducing Self Assessment System. In the year 2009-10 complete data base of all the properties eligible for payment of property tax will be prepared with the help of satellite pictures. This data will be supplemented by physical verification. This will help BBMP to a great extent in checking both non-payment of taxes and short payment of taxes. Thus better compliance can be ensured with the help of this data base. However steps will be taken to up date the information from time to time.

- A Demand Collection Book will be maintained to ensure better compliance.
- Better enforcement will be done with the help of computerization
- Cost of collection methods will be more people friendly and cost efficient.
- Recovery of arrears will be stressed on.
- Implementation of this would help in efficient monitoring of non-payments and also short payments.
- As the system of collection is based on Self Assessment, it is necessary to impose penalties for short payments (wrong assessment) which ensures better compliance.
- Rates need to be revised once in three years at least.

### **Advertisement tax:**

Advertisement tax is another main source of tax revenue to corporation. In the past realization through this source was only about Rs. 9 crore. Steps were taken for better enforcement in 2007-08 and the realization in this increased from Rs. 9 crore to Rs. 71 crore. The amount realized through this source is directly linked to the market forces. Thus in the year 2008-09, it declined to Rs 44.5 crore because of the global recession.

Although there is a general feeling that we have almost reached peak realization capacity, steps to augment receipts from advertisement tax will be taken by taking expert opinion, tapping new avenues by adoption of latest technological developments and by ensuring that evasion is reduced with better enforcement. Infrastructure development activities (providing Foot over bridge, new bus shelters etc) in important locations with the help of private participation (Swiss challenge method) would also increase the sources for advertisement tax to a considerable extent. All this need to be done keeping in mind aesthetics of the city.

## **Reforms in Non-Tax Revenues:**

With regard to Non-Tax Revenues, over next few years our target would be to move towards 100% recovery of the Operating and Management costs (**O&M**) of services. Achieving the desired targets would take longer time in this sector as it needs major Information, Education and Communication Campaign (**IEC**) to convince the public. Especially difficult for the Corporation as most of the basic services that is provided is obligatory as per the act of the constitution (basic health, solid waste management etc). However this can be implemented in a phased manner.

Policy changes need to be initiated for revision of rates for rent and lease of the assets owned by the Corporation. Complete and timely compliance need to be ensured in this by proper maintenance and providing better quality services. Measures in this field are most essential to improve our fiscal situation.

In the direction of adopting E-governance strategies, facilities for online payment would be provided. This is to ensure better and timely compliance.

Apart from the tax and non-tax revenue, BBMP gets miscellaneous receipts through (Transfer entries- some of which are future liabilities) interest from bank, Earnest Money Deposits (EMD), Further Security Deposits (FSD). EMD & FSD need to be refunded after the defect liability period. Proper maintenance of the registers will lead to lot of saving in this field. This will ensure quality work is provided by the contractor, as if the work generated by him is not up to the mark, the amount retained towards this can be forfeited. Further any damage to the work done by him will be rectified by the same contractor which will make savings to Corporation as it postpones taking of fresh work by a year or two.

**Beneficiary Contribution** in the welfare sector (housing for urban poor) is another major area of concern. Expenditure in housing has increased substantially, where as the cost recovery is negligible. Although intention here is not to augment the receipts, it is intended at least to gradually move towards the cost recovery. This also helps to establish a sense of attachment between the beneficiary and the property given to them so that the objective of providing them the service is realized.

State Finance Commission is appointed to look in to the devolution of financial resources. A committee of experts will explore all possibilities and make presentations to the SFC on the fiscal requirements in a professional manner. Efforts will also be made to convince the SFC to proportionately compensate BBMP as our main sources of revenue Octroi, additional stamp duty have been abolished. The weightage criteria needs to be given a fresh look and needs to be revised periodically as the problems faced by the metropolitan cities are of a different nature when compared to the problems faced by other city municipalities. Government will be pressurized to implement the recommendations of the State Finance Commission. Also the allocation has to be incentive- linked. This will motivate the corporation to undertake fiscal reform measures.

During budgetary exercise, standard methods will be adopted to make accurate projections of revenues to be realized. Thus every budget exercise will be a genuine effort. It will no more be a routine exercise.

### **Debt Servicing:**

In the absence of sufficient funds to meet the escalating demands of the city resorting to proper debt management system is a sensible solution. Planning Commission has come out with parameters for limiting the debt stock that can be held by a State Government. BBMP has its own revenue receipts. Looking into the revenue receipts of BBMP it can hold a debt stock of about Rs 5200 crore. Present debt stock of BBMP is Rs. 1081.28 crore. This would mean that BBMP has not utilized the debt based opportunity for creation of capital assets adequately. This has caused inter-generational inequity making today's citizens of Bengaluru face the problems of inadequate infrastructure.

- Proper strategies for debt servicing will be adopted by resorting to prudent borrowing, which means going for long term loans with lesser interest rates rather than short term loans with higher interest rates.
- It has to be ensured that the amount taken through loans will be incurred towards capital expenditure and not for general administrative and maintenance expenses.

- As our potential to go for debts is limited because of the absence of the government guarantees, a strategy needs to be worked out in the coming years to increase our debt stock.

**Table below gives the details of our debt stock and also of debt servicing:**

<b>Debt Servicing- Trends in last 5 years (in crore)</b>				
<b>Year</b>	<b>Total Debt Stock</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004-05	556.21	223.275	35.260	258.535
2005-06	637.88	68.325	34.400	102.725
2006-07	757.37	70.623	43.039	113.662
2007-08	843.43	102.340	56.424	158.764
2008-09	1081.28	112.150	83.023	195.173

**Other measures to improve the fiscal health of the organization:**

**Private Public Partnership (PPP)** is much talked about topic world over today. In the absence of sufficient funds for our developmental activities resorting to Private Public Partnership is the most prudent idea. This will help the organization to a considerable extent to bridge the revenue gap. However, response to this depends on the market forces on that day. Thus this can only be a potential alternative, to bridge the resource gap for infrastructure development. To attract private participation good incentive mechanism has to be worked out as the public service projects have higher risk when compared to the anticipated returns.

**National Municipal Accounting Manual (NMAM)** lays down the guidelines to be followed by ULBs in improvement of the accounting systems. It is required to review the same and up grade it by adopting accrual accounts, strengthening staff capacity and improving the Management Information System (MIS) to make the accounting system integral part of decision making.

12<sup>th</sup> Finance Commission opines that most of the development projects undertaken by the ULBs are stalled because of financial constraints. The resource gap for BBMP in providing the drainage network, road related infrastructure etc., is huge. **Municipal Bonds** raised from the markets is another major potential option in the direction improving the fiscal health. These Tax-free Municipal Bonds have good potential in bridging the resource gap and has already been successfully implemented by some city corporations.

Zero Based Budgeting has to be exercised to weed out the schemes that have outlived their purpose.

To augment the revenues, efficient implementation of tax reforms, checking non-payment of taxes by proper maintenance of DCB (Demand Collection Book), and also checking the short payment of taxes has to be ensured. Further, measures will need to be taken to curtail the revenue expenditure, by debt swapping, compression of the expenditure on the salaries by reframing of C & R (Cadre and Recruitment) Rules that are suitable to the requirements of BBMP, and by resorting to outsourcing of jobs that are technical and routine in nature.

BBMP has already taken steps to compress the expenditure on salaries, pensions and administrative cost. Outsourcing of routine works like vehicles, data entry operators, Solid Waste Management etc. is first step in this direction. This needs to be augmented in the years to come to decrease the percentage of our payments that goes towards revenue Expenditures and the savings done through this can be spent to wards asset creating activities.

Computerized and web enabled Revenue Monitoring System is another major step taken by BBMP in this direction. Once this system is in place, the revenue status of the BBMP can be known on a day to day basis. Also this system takes care of the reconciliation of the revenue accounts. Varies types of reports can be generated with the help of this and any kind of leakage can be plugged.

**(f) The Fiscal Indicators of the BBMP for the past 4 years is shown below.**

<b>Fiscal Trends</b>				
		<b>Payments</b>	<b>Receipts</b>	<b>Difference</b>
2005-06	BE	157245	156974	271
	RE	102407	97105	5302
2006-07	BE	187489	187083	406
	RE	123785	116230	7555
2007-08	BE	337790	331245	6545
	RE	213404	203597	9807
2008-09	BE	294055	291871	2184
	RE	280657	274868	5789

The above table shows that the gap in budget estimates and the revised estimates is increasing. The reform measures will help in bridging this gap.

**(g) Measures to control mounting revenue deficit:**

Deficit in revenue receipt and revenue expenditure and capital receipt and capital expenditure has been consistently increasing in the previous years. The problem is accentuated by the declining productivity of public expenditure due to sharp increase in the administrative expenditures, poor maintenance of public assets, declining proportion of capital expenditures and long gestation period in completing the infrastructure projects, increased expenditure on debt servicing. As a result of all this the available resources for the productive capital expenditure is less.

To reverse this historical trend, a medium term plan is framed so that the borrowed funds will be invested on more productive assets, expenditure on the maintenance is reduced. Proper planning will be done to enhance productivity in public spending to ensure efficient and equitable delivery of public services. Exponential growth in the demand for basic services and infrastructure facilities should be financed through an efficient and equitable tax system and proper cost recovery. Any step we take needs to be carefully planned as our sources of revenue remain relatively stagnant. Therefore for investment in the development of infrastructure, innovative techniques to attract private participation need to be adopted for the

accelerated economic growth. In the social sector too, private participation may supplement our efforts.

MTFP lays guidelines for reducing fiscal deficit in a phased manner by reducing the expenditure of the borrowed funds on the current expenditures (maintenance), by stabilizing debt stock, proper debt servicing methods, safeguarding adequate allocation to social sectors (health, education) and appropriate allocation on physical infrastructure.

The objectives of the MTFP will be achieved by initiating reforms in the tax structure, ensuring on proper compliance, measure to contain evasion etc. To ensure fiscal discipline following reforms will be undertaken to phase out the revenue deficits in a gradual manner:

**(h) Revenue Projections for the 4 years:**

After undertaking the steps for correction of fiscal health, the revenue projections for the MTFP period is shown below:

(Rs. In lakhs)

SL NO	Particulars	2009-10	2010-11	2011-12	2013-14	2014-15
1	<b>Tax Receipts</b>	111350	121372	132295	144201	157180
2	<b>Non-Tax Receipts</b>	60279	65704	71617	78062	85088
3	<b>Grants</b>	97235	105986	115525	125922	137255
4	<b>Borrowings</b>	80709	87972	95890	104520	113927
5	<b>Others(transfer payments)</b>	46358	50530	55078	60035	65438
<b>Total</b>		395930	431563	470404	512740	558887

Note: these projections are done taking growth rate and rate of inflation into consideration in the coming years

## **(VI). EXPENDITURE REFORMS:**

Improvements to the fiscal health of BBMP would require genuine exercise to prioritize the works, compressing un-important expenditure, enhance productivity of the expenditure, paying more attention to maintenance of assets. Laying more stress on the maintenance of already developed infrastructure will improve the fiscal health to a considerable extent.

The urban local body is an important civic maintenance body. As a result BBMP has to divide its already limited resources for both maintenance and capital intensive development works. This results in severe stress on our fiscal front. This was the case when we were only handling 226 Sq Kms, with 43 lakh population, but now after we have become Greater Bengaluru our size is more that 7 small Indian states. When we took over the administration of BBMP by adding 7 CMCs and 1 TMC and 110 villages, the condition of physical infrastructure in the newly added areas was very poor. Quality of roads, storm water drain network, drainage facility, water supply arrangements, solid waste management, street lights etc were in very poor condition. To bring them on par with the core areas was a challenging task.

For proper expenditure management, any if any expenditure that is not part of the budget is incurred, the financial impact of the same should be off set by increasing the revenue, or by curtailing on the other less important expenditure. But any such unplanned spending must only be an exception. For fiscal health of the organization it should not become a practice.

**The table given below gives a pictue of the Expenditure scenario of the past 5 years.**

<b>High Priority Development Expenditure: trends</b>						
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>Road related infrastructure</b>	<b>5826.23</b>	3128.51	8885.14	8928.41	17053.77	23869.53

<b>Storm Water Drain</b>	<b>452.02</b>	829.01	1562.24	10556.47	8981.73	11063.71
<b>Solid Waste Management</b>	<b>301.66</b>	245.27	276.05	526.92	403.4	1728.59
<b>Horticulture and Environmental Mangement</b>	<b>1767.5</b>	2186.89	2584.55	3227.4	6985.42	6898.13
<b>Welfare</b>	<b>314.3</b>	1079.9	1502.64	1518.72	2566.45	3873.11

### Expenditure projections:

As the population of the city is growing day by day we need to accelerate our efforts to meet the increasing demands with limited resources.

### Projections in expenditure as per the CDP:

(Rs. In Crore)

Description	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Water supply and swerage	126	236	437	628	628	728	2,783
Solid waste management	70	94	131	162	162	181	800
Roads	906	1046	1,298	1,396	1,396	1,494	7,536
Road Related infrastructure	441	509	600	640	640	680	3,510
Urban drainage	456	332	151	152	142	106	1,339
Urban renewal	2	2	3	3	3	3	14
Other civic amenities	33	38	54	59	59	64	307
Tourism	28	30	32	33	44	45	212
Basic services for urban poor	784	905	1,026	1,086	1,086	1,146	6,034
<b>Grand total</b>	<b>2,847</b>	<b>3,193</b>	<b>3,730</b>	<b>4,159</b>	<b>4,160</b>	<b>4,447</b>	<b>22,536</b>

However, the CDP is being revised to incorporate the investment requirements for the 110 villages that were added to the BBMP in the year 2006.

### Sector wise Investment requirement as per CRISIL Report :

In crore

Sector	Up to 2012
<b>Urban Roads, transport infrastructure</b>	<b>1628</b>
<b>Storm water drains</b>	<b>1478</b>

<b>Street lighting</b>	<b>144</b>
<b>Solid waste management</b>	<b>677</b>
<b>Urban poor/Slum improvement</b>	<b>2,629</b>
<b>Traffic Transport Infrastructure (PPP)</b>	<b>10,147</b>
<b>Land acquisition</b>	<b>368</b>
<b>Other sectors</b>	<b>2,948</b>
<b>Total</b>	<b>20,019</b>

The above tables give a picture of the magnitude of funds required for the overall development of the city over next few years. MTFP should act like a tool to mobilize the available resources to make them available for developmental activities. It is very clear from our discussions above, that proper planning of our resources and effective implementation is the only possible way to achieve the desired goals.

**Sector wise allocation required in the coming years is discussed below:**

**Storm Water Drains :**

Drains need to be built on either side of the road. Hence, our standard requirement of the drain length would be, the length of the Roads multiplied by two. This gives us a picture of the magnitude of the funds required in this sector. Major initiative is taken by BBMP. Under JNNURM Storm Water Drain improvements project has been undertaken at the cost of Rs. 643 crores.

It further needs to be augmented for the following reasons:

- Out of 880 Kms length of Primary & Secondary Drains only 224 Kms being remodeled with JNNURM assistance.
- Need to remodel the balance 600 kms to avoid flooding.
- Road side drains coverage is only 50%. Need to construct 3841 kms of new drains and upgrade 2734 kms of existing drains by 2012

## **Solid Waste Management:**

About 3,500 tonnes of solid waste per day is being generated by the city today. This is expected to grow as the population of the city is seeing an exponential growth. By the year 2013, it is expected to be at least 5200 tonnes.

- 3500 MT of solid waste generated per day at present
- This will increase to about 5200 MT per day by 2013
- Need a new disposal site of 443 acres size, gap of about 1903 MT of vehicle capacity

## **Road Related Infrastructure:**

As the most important problem that the city is facing today is the ever increasing traffic, this sector is given major thrust in our plans. As per the CDP of Bengaluru this sector has received primary thrust. Reducing the travel time taken is a challenging task today. Figures below give us a clear picture of the financial requirement for this sector in the years to come.

- Vehicle growth rate 17%
- Total Vehicle registered 33 lakhs
- The Volume Capacity Ratio is more than 1
- Average traffic speed is 13.5 Kmph in Peak hours
- Travel time has more than doubled
- City has 33 lakh registered automobiles one of the highest in the country
- Existing modal split :-
  - 46% by buses, 39% by 2W and cars, 13% by 3W
  - share of public transport needs to be 75%
  - need to provide extensive mass transport system
  - good quality MTS pre-requisite for people to shift
- Overall cost of the ‘Comprehensive Traffic and Transportation Plan for Bengaluru’ (CTTP) is estimated at Rs. 46,944 crore of which **Rs. 31,377 crore is proposed for phase – I (2007-12)**

## **Urban Poor:**

There are 573 slums in the city out of which 325 are in BBMP limits. There is a need to construct at least 2.5 lakh houses for the slum dwellers and provide them with all basic amenities to bring them to the main stream. Huge amount needs to be spent in this sector to make the city slum free.

## **Investment sustaining capacity**

Above brief discussion give us only a bird's eye view of the magnitude of the growing needs and the financial requirements in the years to come.

- **Investment need by 2011-12 is assessed at Rs. 36,146 crore for the whole city.**
- **In this BBMP can sustain investments of Rs. 8,889 crore. only (44.5%) leaving a gap of Rs. 11,131 crore**
- **BWSSB could take the sustainability to Rs.4,963 crore. (45%) thus leaving a gap of Rs. 6,066 crore**
- **As against the total requirement of Rs.31,050 crore, the funding deficit of BBMP & BWSSB remains to be above Rs.17,197 crore**
- **In case of Roads Rs. 1,628 crore. Assessed by CRISIL has increased to Rs. 6,078 crore. in CTPP. Additional Amount required is Rs. 4,450 crore**

**Following table gives us the per-capita resource position of Bengaluru in comparison with other major cities in India:**

<b>Name of the city</b>	<b>Revenue income (crore)</b>	<b>Per capita Revenue (Rs)</b>
Greater Mumbai	4162	3417
Surat	662	2577
Pune	507	1890
Ahmedabad	599	1668
Chennai	591	1385
Kolkata	542	1178

Hyderabad	338	964
Delhi	880	872
Bengaluru (BMP)	369	810

(source: RBI report on municipal finance)

### **Expenditure Reforms:**

Expenditure policy needs to be formulated as a first step towards fiscal correction. While formulating such a policy experience of past should act like a strong foundation to lay down realistic projections.

Reducing the proportion of revenue to be spent on the maintenance and salary & pension payments is the first step in expenditure management. BBMP has already initiated steps in this direction by resorting to out sourcing of routine jobs, technical works and other maintenance works for ex: vehicles, data entry operators, solid waste management etc. this has reduced our expenses towards salary and pensions to a considerable extent. Steps in this direction will need to be augmented in the years to come.

As major portion of our budget is going for road works, a road history book needs to be maintained at the head office. Any fresh work or maintenance work undertaken needs to be mentioned in that. This goes long way in containing the repeated expenditure incurred on the same roads and the same funds can be used for the development of new roads. At the time of calling for the tender, dates of the previous work on the same road needs to be mentioned compulsorily.

Proper prioritizing of the expenditure is another most important aspect in control of unwanted expenditure. This exercise has to be done after proper cost-benefit analysis. This will help in compressing expenditure on the un wanted activities. Prioritizing of works need to be done after wide consultations with the elected representatives which enables good acceptance by the public. Through this lot of time and cost overruns may be minimized. Public expenditure management and control systems need to be established with better Public.

Ensuring the quality and technical efficiency of the project at the time of implementation through proper governance will result in longer life of the capital works. Entering in to annual maintenance contracts also will help in containing the expenditure as it postpones further investment in the same field. The same funds can thus be diverted to more essential areas. Officials of the BBMP will be properly trained to monitor the defect liability period. Already there is a system of Earnest money deposit and retention of Further Security Deposit in place. This is to ensure good quality of works. The EMD & FSD will be refunded only after the defect liability period. Already existing system needs to be strengthened.

Initiation has already been taken to go in for E-tendering process in selection of the eligible contractors. This will ensure good competition and means lots of savings to the organization. E- payment of the EMD will also be introduced to make it completely efficient. It is desired to get competitive rates and improved quality of service with the help of this system.

Adopting **E-Tendering** while going for procurement of goods and services goes a long way in saving money and also in ensuring quality work. This measure towards transparency has already been taken by BBMP, and will be made compulsory in the years to come.

**Debt servicing** is another major area of concern. A proper debt management plan needs to be formulated for strategic borrowing. The organization should go for long term loans with lesser interest rates rather than short term loans with higher interest rates. Borrowings should be spent on asset creating activities rather than maintenance activities. This will ensure the concept of inter-generation equity.

Important objective of the MTFP is not only to stress on the reduction of expenditure on maintenance, but also to ensure adequate investment is done for the maintenance and creation of physical and social infrastructure. This will increase the efficiency and productivity of any organization.

Once in 2 years at least a **zero based budgeting** exercise needs to be done to weed out the policies which have out lived their utilities. This

will help in diverting the funds for more important activities in the social sector.

As a urban local body, it is the responsibility of the BBMP to ensure upliftment of the weaker sections by allocating at least 18% of the total capital outlay in the welfare sector. Housing is given top priority in this. This needs lot more commitment in implementation of the schemes. As this amount is non-lapsable as per the directions of the government, a rethinking on the schemes has to be done regularly to make them more utilitarian in nature.

**Computerized web-enabled Expenditure monitoring system** on the lines of web-enabled revenue monitoring system to monitor expenditure needs to be put in place in the coming years. The system should ensure that bills are paid on the basis of seniority after ensuring all the formalities that need to be followed before payment. Registering the bill in the bill register, much before completion will only give a false picture of expenditure scenario and will divert the funds in wrong direction. Many times BBMP will be paying interest on the loans taken for such payments, so proper care need to be taken in this regard. Like the system that exists at the state treasury, a system can be put in place under BBMP by linking all sub-divisions to know the expenditure status on a day to day basis.

An **expenditure management committee** has to be set up to review the status of expenditure and also to examine the new expenditure proposals in various fields from time to time. Any un budgeted expenditure must be allowed only after ensuring the sources on the receipt side or savings on the expenditure side.

At zonal levels expenditures need to be monitored in a professional way., Finance wing at zonal levels should be strengthened for proper monitoring of both revenue and expenditure.

Zonal accounts section needs to work as a **pre-audit cell** to monitor the expenditure. Similar reforms need to be taken up in the head office.

**Following Tables give the trends and projections in high priority development and maintenance expenditure:**

<b>High Priority Development &amp; Maintenance Expenditure: Trends</b>						
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>Road related infrastructure</b>	<b>5826.23</b>	3128.51	8885.14	8928.41	17053.77	23869.53
<b>Storm Water Drain</b>	<b>452.02</b>	829.01	1562.24	10556.47	8981.73	11063.71
<b>Solid Waste Management</b>	<b>301.66</b>	245.27	276.05	526.92	403.4	1728.59
<b>Horticulture and Environmental Management</b>	<b>1767.5</b>	2186.89	2584.55	3227.4	6985.42	6898.13
<b>Welfare</b>	<b>314.3</b>	1079.9	1502.64	1518.72	2566.45	3873.11

<b>High Priority Development &amp; Maintenance Expenditure: Projections</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Road Related Infrastructure</b>	51494	63853	81731	107885
<b>Growth rate %</b>		<b>24%</b>	<b>28%</b>	<b>32%</b>
<b>Storm Water Drain</b>	20100	24924	31903	42112
<b>Growth rate %</b>		<b>24%</b>	<b>28%</b>	<b>32%</b>
<b>Solid Waste Management</b>	2570	3187	4079	5384
<b>Growth rate %</b>		<b>24%</b>	<b>28%</b>	<b>32%</b>
<b>Horticulture and Environmental Management</b>	13743	17041	21813	28793
<b>Growth rate %</b>		<b>24%</b>	<b>28%</b>	<b>32%</b>
<b>Welfare</b>	57300	71052	90947	120049
<b>Growth rate %</b>		<b>24%</b>	<b>28%</b>	<b>32%</b>

## **VII. ADMINISTRATIVE REFORMS**

MTFP will also give a framework of reforms that need to be undertaken in the plan period to give transparent, responsive, accountable and

efficient administration. The administration will be more pro-active than reactive.

In this direction, Suggestions of the expert committee on “Governance in the Bengaluru Metropolitan Region(BMR)” are summarized below will be analysed and suitable steps will be taken.

BMR also known as Greater Bengaluru Municipal Corporation recognizes the need for a paradigm shift from the previous policy focus on city level urban local government to a metropolitan level institution to enable better strategic planning and co-ordination and to address multiple challenges of BMR.

1. As per the 74<sup>th</sup> constitution Amendment Act, 1993 (74<sup>th</sup> CAA) it is required to establish a Metropolitan Planning Committee (MPC) to enable comprehensive planning for a contiguous region which faces similar growth pressures. The state government must take steps to set up the MPC for the Bengaluru Metropolitan Area (BMA) covering the areas of both Bengaluru Metropolitan Region Development Authority (BMRDA) & BBMP. As the MPC is a Committee envisaged under the 74th CAA, the election to the Committee should be conducted by the State Election Commission, Karnataka. The term of office of an elected member may be co-terminus with his holding of the elected office. 1.4 Out of the 21 seats for nominated members, 10 may be provided for MLAs, MLCs and MPs. In order to facilitate the alignment of political momentum between the state and city government towards metropolitan governance, the Committee recommends that the Chief Minister of Karnataka should be the Chairperson of the MPC and that the Mayor of the BBMP should be the Vice Chairperson. The remaining 9 nominations may be made from categories listed below:

1. A representative from the manufacturing industry;
2. A representative from the service industry including IT;
3. A representative from Trade and Commerce;
4. A representative from the Real Estate Industry;
5. An individual with recognized expertise in Environmental affairs;
6. An individual with expertise in education / health;
7. An individual of high professional recognition in urban planning including fields such as Architects and Town Planners;
8. An individual with Legal Expertise;

9. The Metropolitan Commissioner, who will also be the Member-Secretary of the MPC, who will be a person not below the rank of Principal Secretary to Government of Karnataka.
2. The entire MPC shall meet at least twice a year while a core Executive Committee and various subject committees may carry out the work of the MPC through the year. The MPC may have subject committees on areas such as water and sanitation, environment, transport and social sector issues. The Executive Committee should meet frequently to review progress on all fronts and give its report on proposals to be examined and endorsed by the MPC. Relevant governmental organizations may be drafted into the appropriate sub-committee of the MPC to ensure coordination. The BMRDA Commissioner shall be the Member-Secretary of the MPC and the BMRDA shall be the permanent secretariat to the MPC. The BMRDA should function as the technical and administrative arm of the MPC, which will be the metropolitan level political institution. The BMRDA's role as a metropolitan level regulator and planner must be strengthened and it should no longer be directly involved with project implementation,
3. The MPC should be invested with both planning and co-ordinating functions. To be an effective co-ordinator, the MPC should be vested with the necessary executive powers by law and regulation to perform this role. The MPC should be given the statutory power to review and suggest changes.
4. To enable the MPC to carry out a co-ordinating and integrating role, we need to put in place a clear hierarchy of planning institutions and plans where the Metropolitan Development Plan (MDP) under the MPC should override all other plans developed by other state functionaries and local bodies in the metropolitan region. This institutional hierarchy whereby the MPC is conferred with the overall decision making power must be established in the statutes to be drafted for creation of the MPC in Karnataka. Related statutes such as the Karnataka Town and Country Planning Act, 1961 (KTCP Act) and the Bengaluru Metropolitan Regional Development Authority Act, 1985 (BMRDA Act) should also be amended to accommodate the primacy of the MPC.

5. It is necessary that the MPC has a review function in regard to the plans prepared by the BBMP, other ULBs, and BMRDA and sectoral plans prepared by other statutory bodies. Such a power is already available with the BMRDA. The Committee recommends that this particular power should be suitably amplified and vested in the MPC rather than the BMRDA. The Committee further recommends that since the MPC is a politically representative body where the State Government is represented, it is not necessary for the regionally coordinated spatial plan for the BMA (Master Plan) to be referred to the State Government, for formal approval.
6. For this co-ordinated planning to take place, land use planning should be integrated with economic, social and environmental planning. Further, the democratically elected urban local government should be given overall control over the use of land within their territorial jurisdiction subject to the guidelines of the MPC and MDP. For land use planning to be successful and effective, the MPC must be vested with the power to control land use. To enable the MPC to determine overall land use in the metropolitan region, section 95 of the Karnataka Land Revenue Act, 1964 (KLR Act) needs to be amended to divest the State Government Revenue Department functionaries of this power, and vest it with the metropolitan level government.
7. The power to create a Master Plan, within their respective jurisdictions, under the KTCP Act should be conferred on the BBMP and the other ULBs in the BMR. For the areas in the BMR which are governed by rural local bodies, this power may be conferred on the BMRDA which will be accountable to the MPC. This would mean that no further Local Planning Authorities are necessary in the BMR. Further, Sections 14, 15, 16, 17 and 18 of the KTCP Act should be amended to confer enforcement powers on the ULB and the BMRDA for their respective jurisdictions.
8. Two institutions in the BMR viz; the ULBs and the DPC may be given overall responsibility for economic and social planning under the guidance of the MPC. The ULBs in the BMR should prepare City Level Development Plans (CDPs). The CDPs may be given a statutory basis and all parastatals operating in ULB jurisdiction would have to comply with these plans. Planning for social and economic advancement in other areas of the BMR which is not under the jurisdiction of the ULBs insofar as it falls within the purview of

the district sector, should be done by the concerned District Planning authorities under District Planning guidelines; however, these plans need to get integrated into the overall MDP to be prepared by the MPC. Further, sectoral planning, cutting across the BMR, having regional implications will have to be carried out by the parastatal organizations and departments of government and overseen by the sectoral divisions within the BMRDA and approved by the MPC.

9. The introduction of capital investment planning and budgeting is absolutely essential to establish a rational system to mobilize institutional resources on the one hand, and ensuring that capital creation matches income necessary to operate and maintain the investments, on the other. The capital budgets of these institutions must be approved by the MPC. By empowering the MPC with the statutory authority to periodically monitor and enforce these plans, we will provide an institutional framework to streamline financial planning in the BMR.
10. Finally, it is critical that district jurisdictions and ULB and RLB jurisdictions be streamlined so as to ensure a coherent planning framework. A new district of Ramanagaram was created in August 2007 by splitting the southern part of the erstwhile Bengaluru Rural District. The Bengaluru Urban District, for the most part, includes the BBMP, apart from Anekal TMC and some adjoining rural areas. The Committee feels that Bengaluru Urban District, in order to reflect its urban character may be confined exclusively to the BBMP area. Therefore, Anekal TMC and the other rural local bodies in Bengaluru Urban district may be merged in Bengaluru Rural or Ramanagaram district in an appropriate manner. The Committee on Taluk Reorganization, set up by the State Government may look into this suitably. Moreover, the Zilla Panchayats (ZP) in the BMR can then be reduced to two districts i.e., Bengaluru Rural and Ramanagaram and the planning functions can be integrated to the MPC.

### **Reorganization of Bruhat Bengaluru Mahanagara Palike (Greater Bengaluru Municipal Corporation):**

1. The 74th CAA 1993 mandates that there shall be an independent third tier of local government for urban areas but does not specify the institutional character of this level of government. Hence, State

Governments have some liberty in choosing an appropriate institutional form depending on local conditions.

2. It is felt that the challenge of governance in a complex metropolis like Bengaluru requires a new leadership paradigm which guarantees political and administrative dynamism and stability. The Committee is of the view that a directly elected Mayor will fulfill this requirement and recommends that the BBMP should have a Mayor who is directly elected by the people with a fixed term of 5 years.
3. The term of 5 years for the Mayor will allow him/her to emerge as a politically accountable leader at local government level with a democratic mandate comparable to political leaders at other levels of government. It is also recommended that the Mayor should be vested with executive powers of the Municipal Government.
4. The Mayor should be assisted by a Mayoral Committee not exceeding 8 members (excluding the Mayor), chosen by the Mayor, from among elected and nominated councillors. These members may be given delegated subjects such as Finance, Projects, Municipal and Social Services, Administration, Planning etc., by the Mayor. Further, the Mayoral Committee must be recognized as an authority under the Act with requisite powers. Important decisions taken by the Mayor would have to be ratified by the Committee. The tenure of the members of this Committee shall be co-terminus with that of the Mayor.
5. The Corporation Council must retain a strong deliberative and scrutiny function but should no longer be vested with the executive powers of the municipal government as these should be vested with the Mayor. The number of wards and Councillors must be increased, in keeping with the increased jurisdiction as determined by the delimitation process and this should be provided for in a new BBMP legislation. The number of nominees may be fixed at 10% of the total number of elected members and the nominations may be from 'persons having special knowledge and experience in municipal administration or matters relating to health, town planning or education' as presently set out in Section 7(b)(i) of the Karnataka Municipal Corporations Act, 1976 (KMC Act). Further, the provision to nominate 'social workers' in Section 7(b)(ii) of this act should be deleted.

6. In order to maintain the status of the Municipality as a self-governing institution, it is critical to ensure that only Councillors get to vote on decisions affecting the Corporation. Hence, the Committee recommends that the provisions of Section 9 of the KMC Act should be suitably amended to provide for this. With a directly elected Mayor, the role and the number of Standing Committees needs to be redefined. BBMP Committees must hereafter play the role similar to Legislative House Committees viz; to evaluate the functioning of departments and provide policy guidance. As the Mayor will no longer be eligible to participate in the Corporation Council, the Corporation shall elect a Chairman of the Council who will act as the presiding officer of the Corporation. The term of the Chairman shall be co-terminus with that of the Corporation. 1.22 The Commissioner of BBMP should be selected by a high powered Search Committee set up by the State Government in consultation with the Mayor. The Search Committee may advertise for the position by specifying the qualifications and experience necessary for the job and invite applications from as wide a spectrum as possible. The Mayor may appoint any one of the candidates short listed by the Search Committee, after due process.
7. The Commissioner's role should be redefined in the new, proposed legislation for BBMP, so has to make him responsible and accountable to the Mayor and the Corporation.
8. The power of the State Government to direct the Commissioner or the Corporation to provide records or take particular actions (as currently existing in the KMC Act) does not appear to be necessary and needs to be deleted. However, the State Government should have the power to give directions or dissolve the Corporation in times of emergency. The Commissioner shall have a tenure of three years.
9. The creation of the enlarged BBMP must be accompanied by effective and meaningful decentralization of decision making and municipal service delivery. A comprehensive activity mapping exercise should be carried out to define the functions to be performed at each level of the BBMP: Ward, Zone and Head Quarters. Therefore, the BBMP legislation should be revised to accommodate these activities and give suitable functions to the Committees formed at each level.
10. Furthermore, at the Zonal and Ward levels, political authorities should be created which complement the administrative structures already created in order to facilitate appropriate decision making and

implementation. The BBMP area may be divided into 8-10 zones each comprising about 20 Wards. A Zonal Committee which consists of the Councillors from each ward in the Zone must supervise service delivery and project implementation in the Zone and should be given the power to issue directions to the Zonal Office of the BBMP.

11. Ward Committees must be reconstituted in an effective manner. Each of these Committees should be constituted in every ward by elections as well as through nominations, by a wide range of stake holders including educational institutions and neighbourhood organizations.
12. Finally, Government must set up Appellate Tribunals to resolve municipal taxation and service disputes, and a Municipal Services Commission to recruit municipal employees for all the ULBs in the State. Suitable provision must be made to this effect in the new BBMP legislation and amendments carried out in the KMC and KM Acts.

### **Restructuring Parastatals:**

1. The Bengaluru Development Authority (BDA) is a pre-eminent statutory authority which has a significant impact in the BMA. It is recommended that the developmental mandate of the BDA should be enlarged so that it may function beyond its present jurisdiction and take on the role of a metropolitan level infrastructure development agency. Further, Section 2C of the BDA Act must be amended to give the BDA jurisdiction over the entire BMR. This re-oriented BDA, with its focused developmental mandate with enlarged jurisdiction, may be reconstituted as a Company under the Companies Act. Wherever ULBs develop plans and projects to be funded by them, the BDA may execute projects on a contractual and commercial basis or execute some projects on a preferred agency basis as is presently the case with BWSSB. The BDA must be divested of its planning and regulatory functions which will be transferred to the BBMP / BMRDA.
2. Additionally, the planning and policy orientation of the BMRDA should be re-emphasised. The BMRDA should be given overall regulatory authority over land use and suitable amendments to Section 9 of the BMRDA Act need to be made, so that BMRDA's authority to develop spatial plans overrides existing legislations like the Karnataka Land Revenue Act and the KTCP Act. In order

to facilitate this, the BMRDA should develop a new model of staffing so that a significant proportion of its employees are experts drawn from outside government on a contractual basis in order to attract the best available talent.

3. The Bengaluru Water Supply and Sewerage Board's (BWSSB) jurisdiction should be enlarged to cover the whole metropolitan region. A Special Purpose Vehicle (SPV) should then be established under the joint ownership of the BWSSB and the BBMP to manage the retail distribution of water supply in the BBMP area while maintaining BWSSB's present mandate on water source augmentation, sewerage and waste water management. Later, operations and maintenance of sewerage (UGD) can also be handed over to the SPV.
4. In order to develop an adequate response to the serious transport issues facing the BMR, it is essential that the newly created Bengaluru Metropolitan Land Transport Authority (BMLTA) be strengthened by giving it a statutory basis. Further, the BMLTA must operate as a wing of the MPC/BMRDA and be accountable to it. The MPC should review its functioning periodically and endorse the plans prepared for comprehensive infrastructure and integrated urban and peri-urban transport systems. The BMTC's jurisdiction should be extended to cover the BMR. It is critical for BMLTA to also undertake short term measures that alleviate the serious traffic problems confronting the city today.

### **Financial Issues:**

1. The MPC should prepare a Metropolitan Budget which reflects the capital expenditure of key infrastructure components and also sources of revenue. Such a Budget will be based on the plans and budgets of the various agencies and the MDP to be prepared by the MPC.
2. The Budget can be prepared by BMRDA and approved by the MPC and placed on the floor of the State Legislative Assembly.
3. The Urban Development department of the State Government should present the case of Bengaluru before the State Finance Commission (SFC) to secure additional sources of revenue so as to make the BBMP a fiscally strong institution.
4. The Committee recommends that the financial powers of BBMP must be reviewed comprehensively to provide for maximum autonomy. The present requirement of referring proposals to the State Government to incur

expenditure above a certain threshold is cumbersome and unnecessary. The proposed new legislation on BBMP must provide for adequate financial autonomy in line with ULBs of similar size / stature, across the country.

### **Social Service Delivery:**

1. The MPC and the BBMP should reorient their organizational focus and policy to undertake comprehensive poverty alleviation programmes, with special emphasis on the plight of Scheduled Castes/Scheduled Tribes (SCs/STs) and other marginalized sections within the city.
2. They should also streamline service delivery in the fields of education, health and housing. These institutions should develop an 'Urban Indicators Database' so that the deficits in service delivery may be bridged by effectively targeted programmes.
3. The education policy with respect to State Government schools within the BBMP area requires review. The State Government should accept and implement the recommendations made by the Administrative Reforms Commission and the BBMP should accept the same. All primary, secondary and high schools presently administered by the State Government within the BBMP jurisdiction should be transferred to the BBMP. Further, the funds allocated for the capital and revenue costs for running these schools must be transferred to the BBMP.
4. Additionally, the BBMP should explore a participative model of administering schools so that parents and neighbourhood communities emerge as key stakeholders in the administration of the municipal school system in Bengaluru, analogous to the School Development and Monitoring Committees in operation in other parts of the State.
5. To promote public health, the MPC and BBMP must commission a large public health survey to establish baseline indicators on its status in the BMR. Also, the BBMP must evaluate the wide scope of public health activities it presently undertakes and eliminate all such activities which are better done by the State Government such as the running of referral hospitals.
6. The BBMP must focus on preventive and promotive health strategies that have a significant public health impact. There is an urgent need for the BBMP to appraise the present approach to solid waste management which

has become an area of serious and overarching concern and it is recommended that the BBMP set up a separate wing to undertake this task with suitably qualified technical personnel.

7. Regular medical doctors should not be diverted from mainstream medical/public health duties and made responsible for solid waste management activities.
8. Despite there being several governmental agencies active in the housing sector, there is no coherent policy and co-ordination between these various actors.
9. the BBMP must be given overall power and responsibility to provide adequate housing to the urban poor and to upgrade slums as provided under the XII Schedule to the Constitution. Land Use planning and developmental permissions should be aligned to meet these objectives. To facilitate the same, the BBMP must be given the responsibility and the resources to carry out slum redevelopment activities. Any functions performed by the Karnataka Slum Clearance Board in the BMR must be under the overall direction of the BBMP and the MPC.
10. The Committee recommends the setting up of an “information infrastructure” unit as a permanent feature of the planning functions of the BMRDA as well as the BBMP. There is a compelling need to ‘connect’ with people on an ongoing basis, especially to explain the complexity of various issues that relate to urban governance. This unit may use effective visual communication to illustrate various development initiatives undertaken in the region.
11. The Committee also recommends the widening and deepening of e-governance models within BBMP for better and more efficient service delivery. Given the vast spread of the city and numerous activities, the BBMP would do well to establish a Citizens Service Portal which would be responsive and interactive and effectively address the needs of the citizens.
12. The Committee feels that the ULBs should become more responsive to people’s basic needs and be more sensitive to public opinion. All ULBs and other government institutions operating in the BMR should have a system that facilitates voluntary disclosure of information relating to their policies and programmes from time to time.

13. These institutions should establish a public interface to communicate the relevant information and obtain a feed back about their own performance. The Committee recommends that such interface should be promoted through institutional mechanisms rather than ad hoc arrangements which may be perceived as being non – representative or exclusive in nature.

### **Road Map for Legislation:**

1. The legislative sanction for the creation of the MPC should be brought forth in the BMRDA Act. The BMRDA Act should be re-named as “Bengaluru Metropolitan Area Planning Act” (BMAP Act) and the nomenclature “BMR” in the definition section should be replaced by BMA.
2. In view of the extended mandate proposed in this Report for the MPC, it should be designated as the Bengaluru Metropolitan Area Planning Council (BMAPC) (Metropolitan Council) and its creation, size and composition should be spelled out in a separate chapter in the proposed BMAP Act, replacing the sections dealing with the composition and membership of the BMRDA.
3. The BMAP Act may provide for a separate executive arm of the BMAPC to be called the **Bengaluru Metropolitan Planning Board** (BMPB), which will be headed by the Metropolitan Commissioner and will have technical, administrative and financial divisions which will be manned by suitable personnel with requisite qualifications and experience. The BMPB will be the Secretariat of the BMPC. It will also have branch offices in the BMA for carrying out the enforcement functions.
4. The BDA Act should be renamed as the Bengaluru Metropolitan Development Authority Act (BMDA Act). Section 2(c) of the BDA Act defining its jurisdiction as the BMA should be amended to provide for the jurisdiction of the BMDA to include the entire revised metropolitan area in the BMAP Act. Therefore, provisions relating to regulatory control (Section 67) should to be deleted from the BDA Act and correspondingly introduced in a proper manner in the new BMAP Act.
5. There should be a separate new legislation for the BBMP (to be called the Greater Bengaluru Municipal Corporation Act) so as to remove it from the purview of the KMC Act. This is necessary to accommodate the far reaching

reforms proposed by the Committee and to provide for the vastly expanded jurisdiction of the new BBMP.

6. Further, necessary changes should be carried out in the BWSSB Act in accordance with the jurisdiction and responsibilities set out in Chapter VII of the Report. It could be renamed as the Bengaluru Metropolitan Water and Sewerage Board (BMWSB) Act.
7. Several other state legislations i.e. KTCP Act, KLR Act, Karnataka Land Reforms Act, etc., must be amended to accommodate the streamlined planning hierarchy and development mandates proposed by this Report.
8. In view of the substantive and simultaneous legislative changes involved, these amendments must be drafted in a consistent and careful manner, so that they can be taken forward for approval by the Legislature in one go.
9. As the objectives of the proposed amendments have been clearly laid down in the present report, the drafting of necessary amendments could be done in a period of three months, by entrusting the task to a suitable agency.

Above recommendations of the Dr, Kasturirangan Committee will be considered for implementation in the years to come to achieve the desired goals of the organization.

Redefining of the administrative jurisdictions for service delivery departments to make it co-terminus with the ward boundaries is the first and foremost step towards the administrative reforms. Reorganization of the administrative zones in accordance with the delimitation of the wards will be taken up.

A functional review of the BBMP has been undertaken by the ISEC. Interim report has already been submitted by them. Reforms suggested by them will be considered to make the administration more efficient.

Cadre and Recruitment rules need to be redefined as per the requirements of BBMP.

Under JNNURM, Ministry of Urban Development has devised the following reform measures to increase the efficiency of ULBs. Implementation of these in the years will be the objective of MTFP.

- **E-Governance:** The Urban Local Bodies required undertaking governance systems through implementation of e-governance. The objective of deployment of such information technology tools and applications should remain focused on having a transparent administration, quick service delivery, effective MIS and general improvement in the service delivery link.
- **Municipal Accounting:** The Urban Local Bodies required to undertake Municipal Accounting, with the objective of having a modern accounting system based on double entry and accrual principles leading to transparency and self-reliance.
- **Property Tax:** The Urban Local Bodies required to undertake methods of levy, administration and collection of Property Taxes, with a broad objective of establishing a simple, transparent, non-discretionary and equitable property tax regime that encourages voluntary compliance.
- **User Charges :** The Urban Local Bodies required to undertake levy of user charges on different municipal services, with an objective of securing effective linkages between asset creation and asset maintenance which leads to self-sustaining delivery of urban services.
- **Internal ear marking of funds for Urban Poor:** The Urban Local Bodies required undertaking earmarking funds in their budgets specifically for services delivery to the urban poor. Commitment is sought from ULBs.
- **Provision for Basic Services for Urban Poor:** The Urban Local Bodies required to undertake basic services to the urban poor such as water supply and sanitation, improved housing at affordable prices and also ensured for existing universal services of the Govt. in the areas of health, education and social security.
- **Rain water Harvesting:** Revision of building bye laws to make rain water harvesting mandatory in all buildings to come up in future and adoption of other water conservation measures.

**Other reforms in this field to be undertaken in coming years through MTFP:**

- The ULBs should undertake administrative reforms and other institutions engaged in urban sector management. Such as instituting better human resource management systems, reduction in establishment expenditure extensive use of outsourcing etc.
- The State should undertake certain reforms towards structural reforms in ULBs and other institutions engaged in urban sector management. The structural reforms should include reviewing and revamping the organization structure of the ULBs to align it to current requirements, decentralization within the ULB where necessary, creation of trained cadres of municipal staff in specific technical disciplines, **improved coordination mechanisms amongst city level agencies**
- BBMP will need to undertake certain reforms to go in for public-private partnership models for more efficient delivery of civic services. Cities should explore wide array of options available for such partnerships and deploy those that optimal in meeting the needs and priorities of its citizens.
- Zonal heads of the department need to be made contact points between head office and the zone. For ex., with regards to matters concerning finances, all matters (both revenue and expenditure) which have financial implications will need to be routed thorough zonal finance heads and work as budget control officers. This will help in fixing of responsibility and reducing leakage.
- Proper planning, staffing, organizing activities will be undertaken along with establishment of system for better co-ordination and communication.
- Personnel will be effectively trained to provide better service delivery especially in social sector.
- Personnel engaged in development of infrastructure will be updated with latest technology for effective implementation of the projects.
- Registration of births and deaths will be made on line for quick service delivery.
- On line complaint registration and redressal mechanism will be planned
- Measures to cut the length of red tape in the movement of files.
- Clear definition of roles and responsibilities

- Increasing the morale of the personnel by keeping in place bias free good incentive system
- Participative planning – at the time of planning good intre-active meetings with citizen associations is required. (area sabhas)

**(VIII) Service level benchmarks**

Service level bench marks have been prescribed by the Ministry of Urban Development to measure the performance levels of the Urban Local Bodies. In the context of Performance management of the ULB, performance indicators related to urban management have been identified and defined. Through this it is intended to institutionalize the process of performance measurement to monitor the performance of the service delivery institutions. Arriving at the set of performance parameters is a first step in this direction.

Following are the four basic urban services identified as performance parameters from the perspective of planners and also from citizen’s perspective. Constant inter-city comparisons by the ULB would help in improving the service delivery. As ULB is the principal elected institution for self-governance in the city, BBMP will need to examine the performance of the other para-statal civic agencies, even though they are not directly responsible for service delivery in those areas.

<u>Sector</u>	<u>Coverage</u>
Water supply -----	100%
Sewerage management-----	100%
Solid waste management-----	100%
Storm water drainage network-----	100%

As the elected institution for self-governance in the city, ULB will need do self appraisal as well as appraisal of performance of other para-statal agencies in the areas of service delivery. A system of incentive and penalties must be instituted as a corrective action for performance management and to reach the desired targets.

## **(XI) Conclusion**

Through this MTFP an attempt is made to lay down the realistic projections of revenue and expenditure over next four years. The reform measures suggested in the policy need to be implemented even if it means investment of funds in the short term as they are going to have long term positive implications in achieving the service level benchmarks. MTFP aims at creating an environment feasible for higher investment in the development of critical physical and social infrastructure by properly channelising the available funds and by resorting to loans where ever required. This policy attempts to improve the standard of living of the people in the city by proper efficient and effective planning as the available financial and human resources are limited. It is a blue print for the reforms to be under taken for the fiscal correction and improvement of the fiscal health of the organization. Thus through this an attempt is made to give equitable, responsive and transparent administration to the public. Only administration which is financially viable and sustainable can give good governance in the long run.