

CHAPTER 14

Assessment of the Gap in Financial Resources for ULBs

Introduction

As per the 74th Amendment of the Constitution, ULBs are to perform number of functions. Article 243w of the Constitution deals with powers, authorities and responsibilities of the Municipalities.

14.1 There is advantage of the High Power Expert Committee's report on *Indian Urban Infrastructure and Services, 2011* which facilitated articulation of the financial resources required to meet the infrastructure and service delivery gaps as well as the requirements to meet the future needs including O&M costs. Computation was done for the resource requirements based on the norms indicated by the HPEC.

14.2 The service delivery gaps were identified based on notification made by the Government of Chhattisgarh on SLB for Nagar Palik Nigams and Nagar Palika Parishads based on which projections were made to all the ULBs for two decade period.

14.3 The Commission has focused on an overall approach to make recommendations to work towards self-sustaining and vibrant ULBs and remove the dependency on various other grants.

14.4 The Commission has estimated a requirement of about Rs 10,021.91 crore at current prices for infrastructure provision and O&M during award period as per calculated by report on *Indian Urban Infrastructure and Services, 2011*. (Table 14.1)

Table 14.1: Phasing of investments

		Capital Expenditure at Constant Prices - 2010-11				(Rs. in crore)	
Year	Required Estimates					O&M	
	Based on ULB Data	With Growth Rate		With 8 percent Inflation	With 8.8 percent Growth Rate	With 8 percent Inflation	
2011-12	451.56	11 percent	451.56				
12th Five Year Plan							
1	12-13	501.23	15 percent	519.29	560.84	310.00	334.80
2	13-14	556.37		597.19	644.96	337.28	364.26
3	14-15	617.57		686.76	741.71	366.96	396.32
4	15-16	685.50		789.78	852.96	399.25	431.19
5	16-17	760.90		908.25	980.91	434.39	469.14
	Sub - Total	3121.57		3501.27	3781.37	1847.88	1995.71
13th Five Year Plan							
6	17-18		12 percent	1017.24	1098.62	472.61	510.42
7	18-19			1139.30	1230.45	514.20	555.34
8	19-20			1276.02	1378.10	559.45	604.21
9	20-21			1429.14	1543.48	608.69	657.38
10	21-22			1600.64	1728.69	662.25	715.23
	Sub - Total			6462.35	6979.33	2817.21	3042.58

14th Five Year Plan								
11	22-23			8 percent	1728.69	1866.99	720.53	778.17
12	23-24				1866.99	2016.35	783.93	846.65
13	24-25				2016.35	2177.65	852.92	921.15
14	25-26				2177.65	2351.87	927.98	1002.22
15	26-27				2351.87	2540.02	1009.64	1090.41
	Sub - Total				10141.55	10952.87	4295.00	4638.60
15th Five Year Plan								
16	27-28			8 percent	2540.016	2743.22	1098.49	1186.37
17	28-29				2743.217	2962.67	1195.15	1290.77
18	29-30				2962.675	3199.69	1300.33	1404.35
19	30-30				3199.689	3455.66	1414.76	1527.94
20	31-32				3455.664	3732.12	1539.26	1662.40
	Sub - Total				14901.26	16093.36	6547.98	7071.82
	Total				35006.43	37806.94	15508.07	16748.71

Source: report on Indian Urban Infrastructure and Services, 2011
Second SFC report annexure 15.1.

14.5 For estimating the revenue income from own sources in the next five years, the actual figure pertaining to the financial year 2016-17, Rs. 520.22 crore was considered as a base. On this 8% growth per annum was projected over the next five years. From this amount, it was assumed that 25% of the amount will be consumed for the revenue expenditure and the balance 75% would be available for capital expenditure and operation and maintenance of Capital Assets. The following table 14.2 provides the working of revenue from own sources.

Table 14.2: Projection of revenue from own sources

(Rs. in crore)

S. NO.	YEAR	REVENUE FROM OWN SOURCES	75% FOR CAPITAL EXPENDITURE AND O&M
1	2016-17	520.22	390.17
		8% growth	
2	2017-18	561.84	421.38
3	2018-19	606.78	455.09
4	2019-20	655.33	491.50
5	2020-21	707.75	530.82
6	2021-22	764.37	573.28
	TOTAL	3296.08	2472.06

Source: Calculations based on data collected

Projection of ULBs Assigned Revenue

14.6 Below table describes projection for next five years of assigned revenue. It is assumed that 75% of the projected revenues are available for requirements and remaining 25% for establishment expenditure. (Table 14.3)

Table 14.3: Projection of Assigned revenue

(Rs. in crore)

S. NO.	YEAR	Assigned revenue	75% FOR CAPITAL EXPENDITURE AND O&M
1	2017-18 BE	1100.89	825.67
2	2018-19 BE	1153.96	865.47
3	2019-20 (8% growth)	1246.28	934.71
4	2020-21 (8% growth)	1345.98	1009.48
5	2021-22 (8% growth)	1453.66	1090.24
	TOTAL	6300.76	4725.57

Source: Calculations based on data collected

Proposed SFC Grants

The Commission proposed 2.09% of SOTR to urban local bodies for award period. (Table 14.4)

Table 14.4 Proposed SFC Grants for the year 2017-18 to 2021-22

(Rs. in crore)

Item	2017-18	2018-19	2019-20	2020-21	2021-22	Total
SFC grant proposed @ 2.09% of SOTR	430.75	478.74	535.23	598.39	669.00	2712.11

14.7 For the purpose of making recommendations for the award period 2017-18 to 2021-22, we have estimated that the above mentioned assumptions made while projecting the capital investment requirements upto the year 2021-22 based on report on Indian Urban Infrastructure and Services, 2011 recommendations.

For 12th five year plan (year 2012-13 to 2016-17) an Annual Growth Rate of 15% for the Capital Expenditure, 8.8% for Operations and Maintenance Cost is assumed, and 8% for inflation is taken for both expenditure. But in 13th five year plan (year 2017-18 to 2021-22) an Annual Growth Rate of 12% for the Capital Expenditure, 8.8% for Operations and Maintenance Cost is assumed, and 8% inflation is taken for both expenditure.

We have taken the figures related to the financial year 2016-17 as the base and used the above mentioned growth rates. The following table 14.5 gives the details of Rs 10,021.92 crore estimated towards the investment to be made in the Capital and O&M expenditure.(Table 14.5)

Table 14.5: Required Investment from the year 2017-18 to 2021-22

(Rs. in crore)

S NO	YEAR	CAPITAL EXPENDITURE	O&M	TOTAL
1	2017-2018	1098.62	510.42	1609.04
2	2018-2019	1230.45	555.34	1785.79
3	2019-2020	1378.10	604.21	1982.31
4	2020-2021	1543.48	657.38	2200.86
5	2021-2022	1728.69	715.23	2443.92
	TOTAL	6979.34	3042.58	10021.92

Source: report on Indian Urban Infrastructure and Services, 2011.

14.8 A picture of requirements of investment and resource mobilization including state transfers as suggested by the Commission during the award period of 2017-18 to 2021-22 is shown in Table 14.6.

Table 14.6: Investment Requirement and Resource Mobilization for year 2017-18 to 2021-22

(Rs. in crore)

INVESTMENT REQUIREMENTS	AMOUNT	RESOURCE MOBILISATION	AMOUNT
CAPITAL REQUIREMENTS	6979	ULB's OWN SOURCES (75 %)	2472
O & M REQUIREMENTS	3043	ASSIGNED REVENUE (75 %)	4726
REQUIREMENTS AS PER HPEC . NORMS	10022	TOTAL FUNDS AVAILABLE WITH ULBs	7198
FUNDS FOR SANITATION PROGRAMME	500	SFC ALLOCATION (proposed 2.09% of SOTR)	2712
FUNDS FOR CAPACITY BUILDING	200	TOTAL FUNDS AVAILABLE WITH ULBs INCLUDING SFC ALLOCATION	9910
		GAP TO BE FILLED	812
GRAND TOTAL	10722	GRAND TOTAL	10722

Source: Calculations based on data collected

Note: We have rounded the figures in crore rupees

14.9 We feel that there is a huge requirement in the sanitation system and capacity building. So requirement of Rs. 500 crore for sanitation and Rs. 200 crore for capacity building is proposed under investment requirements. It helps to achieve higher levels of service delivery and working efficiency in this sector and the State Government will use this investment also for improving the skills of the manpower. These factors, take the total investment requirement towards Rs 10,722 crore.

For the Award Period 2017-18 to 2021-22 revenue from own sources and assigned revenue of urban local bodies a total of Rs. 7198 crore will be available. Rs. 2712 crore by Third SFC devolution will also be available, still there will be a gap of Rs.812crore.

The Commission is not giving any specific recommendation for gap filling. Through State Government grants and ULBs reforms in their revenue augmentation and cost controls above gap can be bridged.
