



GIZ Support to Ministry of Urban Development

Training on Preparation of City Sanitation Plan – Part 2

State of Uttarakhand



Session 4:

Analysis of Municipal Finance

Dehradun, 20-22 April 2017



Why understanding Municipal Finances is necessary for preparation of CSP

- To understand city budget and financial strength
- To identify and suggest measures for improving revenues in sanitation sector.
- Preparation of short/medium/long term action plan with cost estimates
- Cost implications of projects proposed under CSP (capital and O&M)

	Particulars	Amount (Rs. in Lakhs)			
		2012-13	2013-14	2014-15	2015-16
A. Revenue Income					
1	Income from Taxes	9.24	9.78	34.02	15.11
2	Income from Non-Taxes	54.59	42.11	10.92	51.96
3	Income from Assigned Revenue	Why did your income increase by 50%?			
	Total Revenue Income (1+2+3)			44.94	67.07
B. Capital Income					
4	Grants and Loans	228.17	257.49	327.16	271.68
	Total Capital Income (4)	228.17	257.49	327.16	271.68
	Total Income (1+2+3+4)	292	309.38	372.1	338.75
C. Revenue Expenditure					
5	General, Establishment and Other Revenue Expenditure	50.79	130.25	146.52	165.29
6	O&M of Sanitation including SWM	Why did your expenditure increase by 21%?		48.57	72.31
	Total Revenue Expenditure (5+6)			195.09	237.6
D. Capital Expenditure					
7	Capital Expenditure	153.28	190.96	90.33	306.44
	Total Capital Expenditure (7)	153.28	190.96	90.33	306.44
	Total Expenditure (5+6+7)	253.85	381.48	285.42	544.04
	Revenue Surplus/Deficit	Why is the revenue deficit so high and increasing?		-36.74	-138.63
	Capital Surplus/Deficit	74.89	155.77	236.83	-34.76
	Overall Surplus/Deficit (1+2+3+4-5-6-7)	38.15	-72.1	86.68	-205.29



Main questions for budget analysis

- How did the revenue income and expenditure develop over the last years?
- Is there a mismatch between Revenue income and Revenue expenditure? Do you need Capital Income to cover your revenue expenditure?
- Could you spend the entire capital income as planned?

What does that mean for your budget projections?



Sector-specific budget analysis: Solid Waste Management

Capital Income

SWM benefit tax

Funds from State or Central Govt.
for capital investment, loan

Capital Expenditure

Procurement of vehicles

Treatment facility

Procurement of dust bins,
equipment's etc.

Revenue Income

Collection charges

Sale of compost, plastic waste etc.

Revenue Expenditure

O & M: Vehicle maintenance, fuel,
treatment facility, electricity charges
etc.

Establishment – admin, salaries etc.

ULB to identify:

- Which are main expenditures and income streams for Solid Waste?
- Gaps between expenditure and income.



Next steps for Municipal Finance

- Rework the existing budgets to correct the calculations
- Analyse the budget and identify the main issues
- Do a detailed analysis of expenditure and revenue for Solid Waste Management
- Prepare the budget projections for the next three years



Budget projections Step 1: Calculate Growth Rate

#	Particulars	Existing Growth Percentage			
		2013-14	2014-15	2015-16	Average/CAGR
A. Revenue Income					
1	Income from Taxes	17.1	-9.0	6.7	4.9
2	Income from Non-Taxes	-4.3	10.1	9.9	5.2
3	Income from Assigned Revenue	-	9.7	7.9	8.8
B. Capital Income					
4	Grants and Loans	24.0	78.6	-4.0	32.9
C. Revenue Expenditure					
5	General, Establishment and Other Revenue Expenditure	29.0	13.6	2.0	14.9
6	O&M of Sanitation including SWM	-11.3	24.9	11.8	8.5
D. Capital Expenditure					
7	Capital Expenditure	24.3	83.9	-3.3	35.0



Budget projections Step 2: Verify Growth Rate

Growth rate can change if...

1. Measures for increasing revenue are under implementation (Introduction of SW collection charges, introduction of public toilet user fees, etc.)
2. Measures for improving revenue collection are under implementation (GIS based property collection, additional staff for property collection, incentives for private home owners, etc.)
3. Specific grants under SBM, Namami Gange or other national or state programmes are expected
4. Operation and Maintenance cost will increase or decrease



Budget projects Step 3: Calculate budget for next 3 years with CAGR

#	Particulars	Average or CAGR	Proposed Budget		
			2016-17	2017-18	2018-19
A. Revenue Income					
1	Income from Taxes	4.9			
2	Income from Non-Taxes	5.2			
3	Income from Assigned Revenue	8.8			
A. Capital Income					
4	Grants and Loans	32.9			
A. Revenue Expenditure					
5	General, Establishment and Other Revenue Expenditure	14.9			
6	O&M of Sanitation including SWM	8.5			
A. Capital Expenditure					
7	Capital Expenditure	35.0			



Examples of key issues of Municipal finance in ULBs

- Weak property tax coverage, demand generation, and collection
- High salary and establishment expenditures
- High dependency on single income source – property tax or govt. grants
- Cost recovery performance in sanitation services i.e., water and sewerage services is poor.
- Due to poor service levels and administrative capacity very low collection efficiency of user charges, taxes, bills etc..
- Non-implementation of reforms and dependency on external consultants
- Unawareness for budgetary reforms
- Improper municipal asset management



SWOT (Municipal Finance – sanitation sector)

Strengths

- Well managed property tax collection system is in place
- Cost recovery from water supply is more than 85%

Weaknesses

- Low cost recovery and collection efficiency on sanitation (SWM, Sewerage) related taxes and user charges
- Information discrepancies

Opportunities

- Implementation of reform of accrual accounting could improve financial management
- High potential to improve cost recovery in SWM and sewerage
- Revenue can be generated through involving private players in sectors like – SWM, public toilets etc.

Threats

- With implementation of number of capital projects under various government funding schemes resulted in sharp rise in O & M costs
- Establishment costs (admin, salaries) are increasing since last 3 years



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TOWARDS CITY WIDE SANITATION