E-Newsletter

URBAN GOVERNANCE DIALOGUE

Transforming Urban Governance

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PRAJA.ORG MAKING DEMOCRACY WORK

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Fiscal Empowerment of City Governments – Data Availability

Over the last two decades, Praja Foundation has been working towards enabling accountable governance. In 2017, Praja embarked on an ambitious journey towards 'Transforming Urban Governance' (TUG) across the country, to advocate policy changes that will change the way Indian cities are governed. As part of the initiative, Praja conducted comprehensive study spanned over 3 years (2017-2020) in 40 cities across 28 states and National Capital Territory of Delhi. Based on this, Praja prepared the Urban Governance Index 2020.

As part of carrying forward the advocacy on policy changes required, Praja has undertaken an initiative to conduct in-depth research by deep diving into one of the four themes of the UGI i.e., Fiscal Empowerment of the City Governments. This was taken up as a result of the observation that the municipal finance domain is plagued with lack of useful data and knowledge resource, which can be used for informed decision making. Hence, in collaboration with the National Institute of Urban Affairs (NIUA) and an advisory group consisting of domain experts, the study was started as part of this thematic research project. As part of the initial phase of the project, Praja has worked on 7 states and 14 cities across the country.

In this edition of the Urban Governance Dialogue E-newsletter, we bring you some of the key insights on 'Fiscal Empowerment of City Government's'. The key insights, in this issue, will specifically focus on one of the four main themes covered in the report i.e., **Data Availability**.

Fiscal Empowerment of City Governments: Key Financial Indicators and Challenges in Data Availability

Phase 1 Study
Final Report
3rd December 2021

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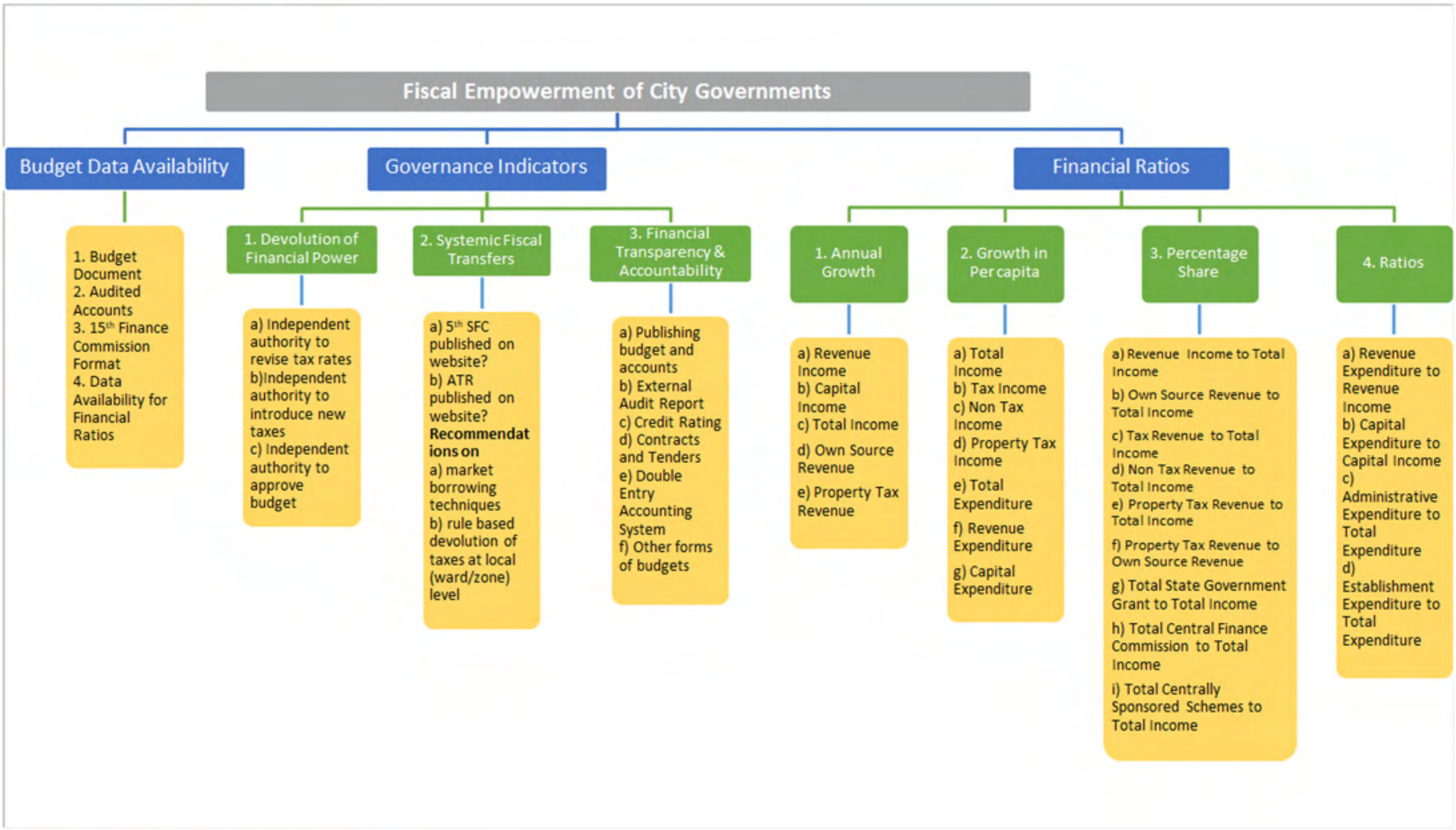
Click or Scan to Read: Report on Fiscal Empowerment of City Governments: Key Financial Indicators and Challenges in Data Availability

https://bit.ly/3GIGhhH

Framework of the Study



Budget Data Availability

The theme 'Budget Data Availability' is based on the premise of budget and audit reports published on the official website of the City Government. As the governance structure aims at maximising citizens' welfare, it is critical for the government to publish these documents in the public domain to bridge the gap between citizens and the administrative officials. Citizens should know how the public money is being used and operationalised for the development of the city. Hence, City Government should ensure financial transparency through publishing of annual budget and accounts. Data has gained enormous importance in today's world. It can be considered to be the 'Oil of the Century'. In the same line, transparency of data is a crucial aspect of governance. Availability of budget and account documents in the public domain shows the transparency of the corporation.

In this theme, we studied the availability of budgets online on the city governments' website. We also studied the different formats of the city budgets, comparing it with the benchmark of 15th Finance commission format.

Challenges of the study:

- The major challenge while conducting the study was of availability of budget documents and audit accounts in the public domain.
- All cities have a different format for budget documents thus making it difficult to conduct a comparative analysis across cities.

Key Insights from Fiscal Empowerment of City Governments:

Before delving into the background details of the theme and pointing of detailed insights, the following are the key overall insights captured from the study:

- A single uniform budget format is not followed by all the cities.
- Even though is it mandatory to publish budget documents online, Indore Municipal Corporation does not have budget documents available online for any years.

• Few cities publish their budget documents in the regional language making it difficult to study the document.
• Even though the annual statements are available in the public domain, not all are audited by the Chief Auditor/Accountant.
• The budget structure of all cities vary from the 15th Finance Commission format.

Note: Above analysis is for a total of 14 cities included in this Phase of the study.

Recommendations:

• The budget documents along with budget speech should be uploaded on the website of the City governments.
• The audit documents duly signed by the auditor should be uploaded on the website of the city Governments.
• The budget of the City Governments should include the financial numbers of at least the heads mentioned in the 15th Finance Commission Format.

1. Data Availability: Budget Documents/Data Available Online

State	Cities	Budget Document/Data Availability Online				
		17-18	18-19	19-20	20-21	21-22
Gujarat	Ahmedabad					
	Surat					
Karnataka	Bengaluru					
	Mangaluru					
Kerala	Kochi					
	Thiruvananthapuram					
Madhya Pradesh	Bhopal					
	Indore					
Maharashtra	Mumbai					
	Pune					
Odisha	Bhubaneswar					
	Cuttack					
Tamil Nadu	Chennai					
	Coimbatore					

Index	
	Available Online
	Not Available Online

Study Observations:

• Surat Municipal Corporation website does not have budget documents but has budget figures on the website for the year 2020-21 and 2021-22.
• Kochi Municipal Corporation has budget documents for all years that was part of this study, except for 2020-21 where only budget speech is available.
• Indore Municipal Corporation does not have budget documents available online for any of the five years.

2. Financial Transparency & Accountability

Study Observations:

• Not all Account Statements that are available on the websites are signed by the Chief Auditor/Chief Accountant.
• Bengaluru is the only city out of the 14 cities where Audit Account statements are not available for all the three years.

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	Available Online
	Not Available Online

State	Availability of Audited Account Statements online	16-17	17-18	18-19
Gujarat	Ahmedabad			
	Surat			
Karnataka	Bengaluru			
	Mangaluru			
Kerala	Kochi			
	Thiruvananthapuram			
Madhya Pradesh	Bhopal			
	Indore			
Maharashtra	Mumbai			
	Pune			
Odisha	Bhubaneshwar			
	Cuttack			
Tamil Nadu	Chennai			
	Coimbatore			

Data Availability: According to 15th Finance Commission Format

City	Revenue Income	Capital Income	Total Income	Revenue Expenditure	Capital Expenditure	Total Expenditure	Sources of Revenue – Revenue Receipts – A. Own Source Revenue – i. Own tax (a+b) – a. Immovable Property Tax	b. Other Taxes	ii. Own non-tax	B. Transfers from Central Government*	C. Transfers from 13th FC/14th FC	E. Grant-in-Aid from State Government	Capital Receipts – F. Market Borrowing/ Institutional Borrowings	Own Revenue (Internal revenue mobilization) of Municipal Corporation – Tax – Property Tax	Professional Tax	Entertainment Tax	Octroi/ Entry Tax	Total (A)	Non-Tax – Water Charges	Fees/User charges	Irrigation Charges	Total (B)
Ahmedabad																						
Surat																						
Bengaluru																						
Mangaluru																						
Kochi																						
Thiruvananthapuram																						
Bhopal																						
Indore																						
Mumbai																						
Pune																						
Bhubaneswar																						
Cuttack																						
Chennai																						
Coimbatore																						

Category / Budget Head	Expenditure of Municipal Corporations – Establishment – a) Salaries & wages for employees	b) Pension etc. for employees	Maintenance – (i) Water Supply	(ii) Buildings/ Community Assets	(iii) Roads	(iv) Other means of Communication	(v) Street Lighting	(vi) Sanitation (incl. Strom Water Drainage and Solid Waste Management)	Capital Expenditure – (i) Water Supply	(ii) Buildings/ Community Assets	(iii) Roads	(iv) Other means of Communication	Welfare Expenditure for citizens – a) Education (excluding teachers salary)	b) Pension etc. for citizens	c) Health
Ahmedabad															
Surat															
Bengaluru															
Mangaluru															
Kochi															
Thiruvananthapuram															
Bhopal															
Indore															
Mumbai															
Pune															
Bhubaneswar															
Cuttack															
Chennai															
Coimbatore															

Index	
	Figures readily available in the document
	Figures need to be calculated
	Figures not available in the document
	Not Applicable

Study Observations:

- Ahmedabad, Bengaluru, Mangaluru, Bhopal, Indore, Mumbai and Pune have department-wise budget, while Surat, Kochi, Thiruvananthapuram, Bhubaneshwar, Cuttack, Chennai and Coimbatore have account wise budget.
- Not all cities show water, building and road expenditure under Capital Expenditure Head.
- Welfare expenditure for citizens mentioned by the 15th Finance Commission report is not seen in most of the cities.
- None of the cities have shown budget data for market borrowing.

Consultation Summary:

The closed-door consultation facilitated discussions in understanding the issues related to data availability and budget format. The discussion aimed at understanding why budget documents are not uploaded on the website. It was discussed that City Governments need to be more transparent in presenting data for budgets, audit accounts and data for State Finance Commission. Non-availability of budget documents in the public domain shows transparency failure of municipal accounting. There is no clarity in the disclosure clause and no penalties imposed for the same. In fact, transparency in budget and audit documents can show good credit rating.

It was discussed that all City Governments should at least provide consolidated data for common account heads, as details for Annual Account Statements are important for the State Finance Commission (SFC). It was highlighted that the 15th Finance Commission (FC) has mentioned that the accounts must get published, failing which, the cities would not get grants - Fiscal Penalty. Not all cities follow the Double Accounting Entry System, nor have made it available in the public domain. A suggestion was made that Centre and State should have verticals were municipal corporations have a say in the decision making. Views on simple budget formats were expressed, as data is not for researchers but transparency is required for citizens to understand.

Consultation Recommendations:

- There should be a monitoring agency to monitor the transparency of the government.
- National Municipal Accounting Manual should be referred to, as the base document for budget structures.
- A pilot study should be conducted with a few City Governments on the format of the budget to standardise the common structure which can make data collection easier for researchers.
- Micro-level data from City Governments could be uploaded on the common MIS - online platform.

We would like to know your views and feedback based on the above information shared. Feel free to reach us at urbandialogue@praja.org

Kind Regards,

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