

**Terms of Reference (ToR) for the
procurement of services**

Consultancy services to provide design/creative expertise for the Final Report of Strategic Framework for Strengthening Municipal Finance of Indian Cities

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List of Abbreviations:

74th CAA: 74th Constitution Amendment Act

CFC: Central Finance Commission

GDP: Gross Domestic Product

MoHUA: Ministry of Housing and Urban Affairs

NITI Aayog: National Institution for Transforming India

NMAM: National Municipal Accounting Manual

SEBI: Security and Exchange Board of India

SFC: State Finance Commission

UGI: Urban Governance Index

1. Context

These Terms of Reference (ToR) are for the appointment of a service provider on a contractual basis by the Praja Foundation to provide support in designing the reports for the project team. The team seeks to engage a dynamic and highly skilled individual consultant / agency to design various reports at different stages of the project. Working in tandem with the project team, the consultant develops and produces the required deliverables. The incumbent will consult with the project team for direction on layout before the development and finalization of reports.

2. Background to the Study

India is witnessing one of the largest urban growth spurts in history. According to Census 2011, about 377 million people (31.14% of the total population) lived in urban areas, which is further expected to increase to over 600 million by 2031 (source: NITI Aayog, 2021). In terms of economic contribution, cities occupy just 3% of the nation's land, but their contribution to the GDP is a whopping 60% (source: NITI Aayog, 2021). Further, it is estimated that by 2047, the 50% of the country's population will reside in urban areas (source: World Bank, 2022).

Cities have become centres of economic growth where better-paying jobs, innovation and key institutions of education and health care facilities are located. Urbanisation brings both challenges and opportunities together and if managed well, it can bring transformative changes by becoming an instrument of economic, social, and political progress. The constitution of India, empowers the state governments to govern the cities and towns, including the power to enact laws which includes land and related matters. Basic services such as water and sanitation, affordable housing, public transport, and safety among others are provided by city governments which is the closest local governance institutions to the citizens.

Recognising this, the 74th Constitution Amendment Act (74th CAA), 1992 directed devolution of 18 functions (Annexure II) from states to the city governments by focusing on

decentralisation of functions and duties. However, the devolution of functions to City Governments is left to the discretion of the state governments which has resulted in variations across States. Many state governments included the 18 functions mentioned in 12th Schedule of the 74th CAA and divided them into a) Obligatory and b) Discretionary functions. Unfortunately, not all the 18 functions are devolved to any of the city governments (Annexure III) across the country and hence the funds and revenue sources linked to these functions are also not transferred.

Devolution of funds, functions and functionaries (F3) to the city government is essential for efficient service delivery. This has a significant impact on the income sources and finances of the city government. For example, the share of property tax to GDP is 0.15% and property tax to municipal revenue is 1% (Source: Financial Express, 2020). Municipal expenditures and revenues in city governments of India are only about 1 per cent of the country's Gross Domestic Product (GDP), far less compared to other developing countries, where they are about 6 to 7% of the GDP (source: Ahluwalia et al., 2019).

Referring to this, the Hon'ble Prime Minister of India in the Chief Secretary's Conference on Urban Governance held at Dharamshala (July 2022) has advised the states/cities to put efforts towards increasing the share of municipal revenue to Gross Domestic Product (GDP). This requires a deeper understanding of the existing municipal finances; analysis of the key drivers and the challenges of cities to strengthen municipal finance and enhance revenue base in a sustainable manner.

In view of this, Praja Foundation (Mumbai) has drafted a proposal to study four Indian cities to develop a deeper understanding about the existing situation of municipal finance, various acts and regulations governing the financial architecture of the city governments, status of implementation of various reforms proposed by the respective central and state finance commissions (CFCs/SFCs), guidelines issued by Security and Exchange Board of India (SEBI) on tapping the bond & capital market from time to time among others. Based on the insights gathered from the case studies cities and deliberations, common parameters will be developed to prepare a 'Strategic Framework document on municipal finance' for the city governments. It is envisaged that the proposed framework will enable and guide cities to

prepare a road map towards addressing the issues and challenges in municipal finance which can potentially contribute towards enhancing municipal revenue.

Key information:

Project Location	Gujarat (Ahmedabad), Karnataka (Bengaluru), Chhattisgarh (Raipur) and Assam (Guwahati)
Project Name	A Strategic Framework to Strengthen Municipal Finance of Indian Cities
Title	Consultant – Design Services
Project duration	July 2024 to January 2025

3. Background to the Praja Foundation

For over the last 25 years (since 1997), Praja is working towards enabling accountable governance. It conducts data-driven research on civic issues, informs citizens, media, and government administration and works with elected representatives (ERs) to equip them to address inefficiencies in their work processes, bridging the information gaps, and mobilising them in taking corrective measures advocating for change.

In 2017, Praja conducted an Urban Governance Reforms Study to map the implementation of 74th Amendment and status of urban reforms in all the states to identify levers and barriers and to identify a set of recommendations. The first of its kind study led to developing an ‘Urban Governance Index, 2020’ to assess the present status of reform implementation, with the larger goal of forging a network of key influencers, thought leaders and local government bodies to democratise city governments and improve delivery of services. Since its launch, UGI has become the *de facto* document for all National and State agencies working in urban domain.

Praja has also developed a network of stakeholders across the country to facilitate Cross-learning and collaboration. Praja is aiming to expand its work in multiple states and cities to bring policy changes and systemic reforms at three levels:

Advocate for Pan-India urban governance reforms at the UNION LEVEL, by building a shared understanding of the required urban governance reforms to strengthen city government through regular Pan-India research studies covering the status of urban governance and thematic studies such as municipal finance, town planning, climate change, sustainable development goals as well as services such as civic, health, crime and education.

By Building Capacity at the State and Union Territory level for implementing policy and legislative changes in the State and improving efficiency at City Level. Capacity building programmes (Prajatantra, Municipal Fellowship, College Workshops and Internships) for youth combining theoretical knowledge and field experience will enhance their capacity to understand the challenges of urban governance and be active and participatory leaders of tomorrow.

4. Objective and Scope of the Study

The proposed study aims to conduct detailed investigation of the existing municipal finances, analyse its trends and develop a strategic framework for strengthening municipal finance of Indian cities, with a focus on exploring financial markets (viz., municipal bonds and hybrid financial models).

The study on municipal finance will cover four major Indian cities; Ahmedabad (Gujarat), Raipur (Chhattisgarh), Bengaluru (Karnataka) and Guwahati (Assam). The project is to be conducted from February 2023 to October 2024. The Praja Foundation will work with government officials from all levels along with other relevant stakeholders and subject matter experts to execute the study.

5. Scope of Work

Under the consultation with the project team, the incumbent will undertake the following activities:

1. Design all documents of the project deliverables required at different stages of the project. Deliverables will include Project Report, Interim Report, Foreword,

- Preface, Social Media Texts, Talking Points and Opinions for the consultation.
2. Discuss the design templates and format with the project team (content presentation, best use of case studies, visual elements, etc.).
 3. Ensure all design elements are authentic, original and appropriately cited and/or referenced.
 4. Proofread all designed documents as against the original documents provided by the project team to ensure that nothing is missing.
 5. The Design Consultant is expected to revise the drafts after team discussions and comments received from the Project Team.
 6. The consultant will work closely with the team and with the consultant (Designer for Strategy document) to develop ideas for graphics and charts that creatively convey key information/data in the report.
 7. Conduct a final check of the report post designing and prepare two sets of final documents: (a) a low resolution version suitable for dissemination through social media and website and (b) a high-resolution version with crop marks, which can be used for printing.

6. Requirements

The following skills and experience are expected by the Consultant (Designer for Strategy document) for our team for this project:

1. Proficiency in English/Hindi
2. Proven professional experience in report designing.
3. High proficiency in the use of designing software applications such as Adobe InDesign, Illustrator, Photoshop, etc.
4. Ability to meet deadlines and work under pressure.
5. Strong interpersonal skills, able to communicate and work with diverse people.
6. Knowledge of the project topic is an asset.

7. Expected Outputs and Deliverables

Sr no.	Deliverables	Target date
1.	Final Report	January 2025

Note: The contract can be extended till January 2025 in exceptional circumstances.

8. Payment Cycle

Payment will be done in Two Tranches.

1st Tranche will disburse 50% of the total amount at the beginning.

2nd Tranche (Final) will be disbursed remaining amount either after completion of final deliverables or at the end of January 2025 (The earliest out of two).

9. Application Process

Please send the quotation on your letterhead mentioning the specifications of service and charges including taxes as applicable and respective CV, via e-mail or in a sealed envelope by 26th December 2024. For any queries kindly contact Mr Ashwini More on (+91 976 999 2083)

You can also e-mail us at ashwini@praja.org.