

# Project Notes

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## Urban Performance Indicators Systems A Comparative Approach to Monitoring Urban Performance and Application in Tamil Nadu

*As the 74<sup>th</sup> Constitutional Amendment brings about changes in the responsibilities of urban local bodies, decision-makers have a growing need for information that clearly reflects the challenges faced by urban areas. Specific measures of service levels, efficiency and financial performance are essential to long term planning and investment that meets the needs of citizens and contributes to an improved quality of life. With this in mind, a Comparative Performance Indicators System for municipal corporations and municipalities has been developed and applied for the first time in India in the state of Tamil Nadu, under the initiative of the Tamil Nadu Urban Development Fund. This Project Note describes the approach to constructing this system and its relevance to decision-making by various groups in the public, private and community sectors.*

The foundation of effective planning and management is a reliable, comprehensive information base that reveals trends, successes and inefficiencies. While raw data on basic functions is generally available in most cities in India, proper compilation and analysis are often lacking. Planners, managers and other decision-makers often have to base plans and decisions on inadequate data and analysis. As a result, urban areas in India are often managed on an as-needed basis with limited short-term objectives.

An Urban Performance Indicators System is one approach to providing this information base. Two main types of systems can be identified in relation to user groups and the levels at which the systems are organized. A *city level* indicator system would offer extensive indicator coverage and is suited for use by city managers for planning and monitoring, and by different groups of service consumers, CBOs and NGOs for performance monitoring.

But even if a particular city develops useful information, it should also assess its own performance in relation to other local bodies of comparable size and position. This requires the development of a second type, a *comparative* indicators system that reflects actual performance and is regularly updated. A comparative data-

base has fewer key indicators but can readily capture city performance and enable comparative assessment across cities.

While a comparative system is useful mainly for state and national governments for policy analysis and programmatic planning, it also provides individual cities with benchmarks against which they can assess their performance. This can lead to increased accountability and, ultimately, improved performance. Over time, such a system can help develop sector norms which simply do not exist in India today.

In an effort to help establish a comparative database of performance indicators, the FIRE(D) Project has worked with Kirloskar Consultants, Limited (KCL) to assist the Tamil Nadu Urban Development Fund to create the first such statewide system in India. By compiling information on service levels, operational and management efficiency and financial performance, this system aims to guide the type and extent of funding and institutional strengthening provided by the TNUDF to the state's municipal corporations and municipalities. In light of growing interest in municipal credit ratings, such a system can also provide "shadow" credit ratings which have utility beyond financial institutions and prospective investors.

## FIRE(D)

**Service Level and Coverage Indicators***Water Supply*

- 1 daily per capita supply
- 2 supply frequency
- 3 supply hours per day
- 4 present supply as % of 2001 demand
- 5 distribution length as % of road length
- 6 % of assessments covered by house service connection
- 7 slum population per standpost

*Sewerage and Sanitation*

- 8 persons per unit of public convenience

*Roads and Stormwater Drains*

- 9 % of roads surfaced
- 10 % of roads with pucca drains
- 11 road density (km/km<sup>2</sup>)
- 12 O&M cost per km

*Street Lighting*

- 13 street light spacing
- 14 O&M cost per light

*Solid Waste Management*

- 15 % of waste collected
- 16 vehicle capacity as % of waste generated
- 17 spacing between dustbins

**Comparative Performance Assessment  
in Tamil Nadu**

Tamil Nadu is one of the most urbanized states in India; approximately one third of its residents live in urban areas, almost 10% above the national average. While urbanization is concentrated in and around the capital city of Chennai, there are six municipal corporations, 102 municipalities and 636 town panchayats in the state.

The 74<sup>th</sup> Constitutional Amendment has given municipalities constitutional status and a role in administration, opening up new opportunities in decentralized decision-making and participatory development. While Schedule XII of the amendment identifies eighteen functional areas for which municipalities should become responsible, only nine of these are now discharged by municipalities in Tamil Nadu.

Within these functional areas, the assessment focused on the core services of water supply, sewerage, sanitation, road and stormwater drainage, street lighting and solid waste management. Indicators were developed in three main categories: service levels and coverage; service efficiency; and financial management. Groups of indicators were identified within these categories (see above).

**Financial Indicators***Resource Mobilization – General*

- 1 share of own resources in revenue income
- 2 growth rate of own resources
- 3 per capita income
- 4 share of non-tax own income

*Resource Mobilization – Property Tax*

- 5 property tax rate
- 6 per capita property tax demand
- 7 average ARV per property
- 8 assessments as % of occupied residences
- 9 collection performance

*Expenditure Management*

- 10 share of establishment expenditure
- 11 operating ratio
- 12 per capita expenditure
- 13 property tax assessment per collection staff

*Debt Management*

- 14 outstanding loan per capita and overdues
- 15 overdue liability as % of total outstanding

The assessment addressed the performance of both municipal corporations and municipalities, scoring and ranking them as two separate groups, due to variations in population and geographic size as well as complexity of legal authority and responsibilities. Analysis of municipalities was based on data collected by the State Finance Commission in 1995, with selective updating or additional collection as necessary. In the case of municipal corporations, KCL collected data directly from the corporation or from secondary sources.

*Scoring and Ranking of Local Bodies*

After carefully constructing a set of indicators and compiling that data for each city, cities were assigned a score for each indicator. Based on this score, they were then ranked. A composite ranking was also constructed for each of the three main categories by weighting each indicator group and summing the results.

Measures of economic strength were also assessed for municipal corporations. Indicators reflected service levels and coverage of electricity, telecommunications, fuel consumption, vehicle registration and accidents, and assessment of professional taxes.

*Findings*

Among Tamil Nadu's municipal corporations, Chennai ranked first with the highest overall score as well as the highest scores each in the financial and service areas. The

**Service Efficiency Indicators**

*Water Supply*

- 1 % of costs recovered
- 2 cost per 1000 l of water
- 3 staff per 1000 connections

*Sewerage and Sanitation*

- 4 staff per 1000 population

*Road and Stormwater Drains*

- 5 road length per staff

*Street Lighting*

- 6 lights per staff
- 7 % of costs recovered

*Solid Waste Management*

- 8 % of costs recovered
- 9 road length per conservancy staff

city of Coimbatore followed a close second, both in overall ranking and in its ranking within each area. Analysis of economic indicators for municipal corporations, however, was hampered by the unavailability of data for some cities. It is expected that this will be taken up in the next phase based on availability of information.

Among municipalities, Karur received the highest overall ranking. While Karur also ranked first with respect to service indicators, it ranked second in terms of financial performance. Erode emerged with the strongest financial performance, and was ranked second in service indicators.

The ultimate point of this exercise, however, is not simply to discover which cities perform the strongest – or the poorest – but to interpret this information in a way such that it informs policies and future programming of resources.

**Linkages to Planning and Policy:  
Users and Uses**

A comparative indicators system has utility not only for city and state level entities, but other groups and actors that have a stake in building healthy cities.

*Individual cities* can use this information to set performance targets, to monitor their own performance over time, and to make more rational financial and planning decisions. An indicators report can accompany and enrich annual budget documents. Time trend analysis can help detect warning trends for services and financial situation. Similarly, competitiveness can be gauged in rela-

tion to cities of comparable size and economic strength.

*At the state level*, comparative indicators can make an important contribution in guiding policies and resources. With this in mind, then, the results of the study in Tamil Nadu were plotted based on scores in the financial and service areas. A quadrant was constructed reflecting four main categories (see below), and local bodies were plotted in the appropriate quadrant based on above or below-average scores in each indicator area.

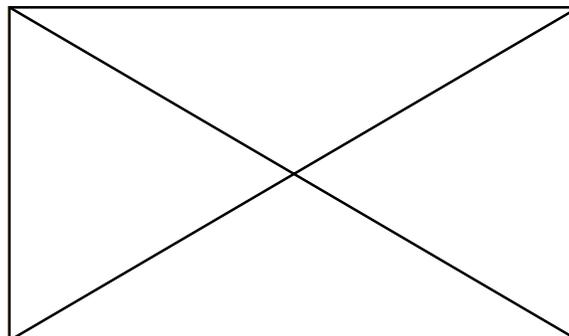
Placement in one of these four quadrants then allows the TNUDF and the Directorate of Municipal Administration to target local bodies for development financing and/or to identify policy, project and capacity-building interventions. The goal of such interventions would initially be to move all local bodies into quadrant #3, but also to more finely target assistance to cities already in that quadrant.

This quadrant analysis makes possible very general recommendations; interventions, however, must be refined and adapted to reflect each individual city's scores as they reflect specific strengths and weaknesses. Assistance and training for local bodies positioned in quadrant #4 would focus on financial reforms, capacity-building in financial management, targeted financial grants and support related to management information systems.

Assistance to those falling in quadrant #2, on the other hand, would emphasize capacity-building in technical management, development of projects to improve service delivery and coverage, and grants and financing targeted to programs for the urban poor. Local bodies falling in quadrant #1 would require assistance in both technical and financial areas, based on careful analysis of specific indicators.

*National governments* can utilize comparative information across cities to make planning and program related decisions in a more rational and transparent manner.

*Service Users, Consumers and NGOs:* Participation by citizens in urban management has been constrained by inadequate information and a lack of transparency in the



operations of city governments. A carefully designed UPIS can help remedy these problems. To effectively cater to the needs of these groups, the UPIS should be simple, disaggregated at appropriate spatial levels (zones or wards or neighborhoods for some indicators), and available in the local languages.

*Credit Rating Agencies, Investors and Finance Institutions:* With recent economic liberalization and financial sector reforms, there is an increasing need for comparative information to facilitate appropriate investment decision-making in a more competitive environment. Financial institutions may use this information in lending decisions. Credit rating agencies may consider comparative performance information in credit assessments and ratings. Entrepreneurs may consider comparative advantages of locating businesses in a particular city.

*Media:* In recent years, the role of the media in influencing public opinion and generating public debates on development issues has been considerable. For the media, both city-level and comparative indicators systems would be a valuable information source. And dissemination by the media would help to facilitate wider understanding of development issues.

#### **In the Future**

This first Comparative Performance Indicators System is a work in progress that deserves continued attention in two areas. In its development, some indicators were dropped due to a lack of information, and this must receive attention in the future. Other elements need to be revised based on discussions with various user groups. The initial set of indicators must now be reviewed and assessed.

Secondly, the system must be updated on a regular basis. Annual re-evaluation of performance indicators will, over time, reflect the effectiveness of policies and targeted investments and technical assistance, providing continued guidance to decision-makers and managers. And it is expected that the TNUDF will develop a plan for regularly updating this system.

To address both of these concerns, the TNUDF plans to sponsor a workshop in the near future to bring together leaders from the public, private and community sectors, with the goal of creating a system that provides useful, accurate information for a range of interests, that ultimately results in more informed, productive public policies and programs.

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This *Project Note* is based on two FIRE(D) Project technical reports: *Urban Performance Indicators System* by Meera Mehta; and *Comparative Performance Assessment of Urban Local Bodies: An Application for Tamil Nadu* by Kirloskar Consultants Limited.

## **Indo-US Financial Institutions Reform and Expansion Project - Debt Market Component FIRE(D)**

The mission of the Indo-US FIRE(D) Project is to institutionalize the delivery of commercially viable urban environmental infrastructure and services at the local, state and national levels. Since 1994, the Project has been working to support the development of such demonstration projects and the development of a sustainable urban infrastructure finance system. Now, the Project is pursuing this mission through:

- Expansion of the roles of the private sector, NGOs and CBOs in the development, delivery, operation and maintenance of urban environmental infrastructure;
- Increased efficiency in the operation and maintenance of existing water supply and sewerage systems;
- Strengthened financial management systems at the local level;
- Development of legal and regulatory frameworks at the state level;
- Continued implementation of the 74th Constitutional Amendment; and
- Capacity-building through the development of an Urban Management Training Network.

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