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Primer on Internal Earmarking Funds for Services to the Urban Poor JNNURM City-Level Reform

Final Report

Indo-USAID Financial Institutions Reform and Expansion Project—
Debt & Infrastructure Component (FIRE-D Project)

USAID-TCGI Contract No. 386-C-00-04-00119-00

March 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by The Communities Group International (TCGI), in partnership with AECOM.

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Internal Earmarking of Funds for Services to Urban Poor

ULB Level Reform

1. The Reform

JNNURM requires ULBs to undertake reforms aimed at institutionalizing “internal earmarking of funds in their budgets specifically for basic services to the poor”. The Mission also seeks commitment from ULBs for:

- Undertaking reforms in budgeting and accounting systems to enable internal earmarking of funds for the urban poor.
- Setting targets for expenditure incurred on delivery of services to the poor.

Internal earmarking of funds refers to the percentage of total estimated municipal income that would be utilized for provision of housing and basic services for the urban poor. While budgeting systems and processes are a key element for efficient functioning of municipalities, it is often the most neglected and underdeveloped barring a few exceptions.

“Internal earmarking, within local body budgets, for basic services to the urban poor”, is an important reform required for the attainment of the following larger objectives envisaged under JNNURM:

- Scale-up delivery of civic amenities and services with emphasis on universal access to the urban poor.
- Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation, and ensuring delivery of other existing universal services of the government for education, health and social security.
- Integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to providing services to the urban poor.

2. Rationale for the reform

Internal earmarking of funds for the urban poor in ULB budgets will ensure equity, efficiency, transparency and accountability of the local body:

- *Equity*: All cities have some proportion of their population as urban poor. The current practice of a common budget having generic items has failed to provide a proportionate share in resource allocation for urban poor. Though unintentional, this has resulted due to systemic and structural limitations of present municipal budgeting. The mechanism of a separate budget head or entirely separate budget with detailed budget items for urban poor under separate head will facilitate allocation of resources for the urban poor on an equitable basis.
- *Efficiency*: Separate budget head for urban poor welfare and detailed budget items under separate head and other respective service heads will improve efficiency in allocation and utilization of resources for the urban poor. It will also facilitate performance monitoring
- *Transparency*: Separate budget head for urban poor welfare and detailed budget items under this separate head and other respective service heads, including accounting of receipts and payments, will facilitate transparency. With such improved budget structure it would be easy to ascertain how much the ULB is spending on the urban poor and under which head/budget item.

- **Accountability:** Performance monitoring will become easy and will help in fixing accountability for under or non-performance.

Separate budget head for urban poor welfare and detailed budget items under this separate head, and other respective service heads for urban poor or separate budget structure is expected to have benefits for all stakeholders, namely citizens (urban poor) and the ULB.

For Citizens

- Equitable allocation of resources for the poor
- Focused development and efficient delivery of services
- Opportunities for greater participation in decision-making and improved interaction with municipal government
- Better monitoring of budget and progress of ULBs
- Transparency and accountability in resource allocation and utilization by ULB.

For ULBs

- Improved budget systems and procedures
- Enhanced focus on allocation and utilization of resources for urban poor
- Creation of an effective Management Information System (MIS)
- Facilitate objective and timely decision-making
- Better coordination between departments and agencies
- Ability to monitor and track programs, services, and revenues effectively and on a timely basis
- Overall improvement in governance, delivery of services and citizen interface.

For Management

- Availability of MIS on timely basis across all departments about spending on services and development provided to urban poor
- Appropriate and timely decision-making
- Ability to monitor and track programs, services, and revenues effectively and on a timely basis.

3. Reform components

There are three main aspects/components of this reform –

1. Adoption of clear, affirmative policy of earmarking (allocating) certain quantum (MHUPA recommended norm is 25 % of municipal budget including funds flowing from higher level governments¹) of funds for urban poor by the State and each municipal body of the State.
2. Constitution of ‘Basic Services for Urban Poor Fund’ and setting the rules/modalities for contribution to and disbursement from funds.
3. Creation and operation of appropriate budgetary mechanism to ensure that funds allocated for urban poor get spent on urban poor.

In response to the internal earmarking, within local body budgets, for basic services to the urban poor reform conditionality, states and ULBs have initiated processes (policy adoption) aimed at earmarking a certain percentage of the budget exclusively for the urban poor. For example,

¹ DO letter No. ----- dated May 14th 2007 from Minister for Housing and Urban Poverty Alleviation to Chief Ministers

Gujarat state has adopted a policy for earmarking 20 percent of its budget for urban poor and has made it mandatory for ULBs in the state to earmark the same proportion of their budgets for provision of services to the urban poor. Andhra Pradesh State has given policy direction to municipal bodies to allocate 40% of total budget for provision of services to the urban poor. Though this is a step in the right direction it will be effective only if above mentioned main three aspects/components and various sub-aspects of the reform (explained below) are implemented in a following manner.

4. Steps in implementing the reform

Implementing the reform relating to internal earmarking of funds for the urban poor may be based on the concept of Urban Poverty Sub Plan in every city² (Urban Local Body) creating a vision poverty free, slum free cities, setting milestones for affordable housing, basic amenities and employment generation etc. estimating requirement funds, developing a legal framework based policy for internal earmarking of funds, ensuring the preparation of separate budget for urban poor, creating BSUP Fund etc.

A comprehensive reform implementation plan for achieving internal earmarking of funds for services is described under three main components of reforms - adoption of an affirmative public policy, constitution of non-lapsable BSUP Fund and creation of an appropriate budget structure and mechanism.

Adoption of Policy on internal earmarking for basic services to the urban poor

A local body can adopt internal earmarking of funds for urban poor policy by council resolution but taking in to account bigger picture of this reform it is necessary that the State Government should take lead to formulate and adopt internal earmarking of fund for the urban poor in statutory terms (suitable amendment of Municipal Acts).

Earmarking certain specified percentage of local body budget is the soul of this reform. As mentioned above MHUPA recommended norm is 25 % of municipal budget including funds flowing from higher level governments but this policy decision certainly involves various considerations mentioned below.

Whether to reserve certain percentage of municipal income (and more importantly of which source of income revenue, capital etc.) or of expenditure and that too of which type of expenditure revenue, capital etc.? If it is linked to particular source of income then there exists possibility of missing distributional equity aspect. Instead of earmarking funds for urban poor in a one-dimensional manner, State and local bodies may earmark funds in following multidimensional way in the policy -

- % of municipal revenue income for the urban poor out of total municipal revenue income (in case of surplus budget)
- % of municipal revenue expenditure for the urban poor of total municipal revenue expenditure (in case of deficit budget)
- % of capital expenditure out of total capital expenditure

² DO letter No. ----- dated May 14th 2007 from Minister for Housing and Urban Poverty Alleviation to Chief Ministers

It is important to know that earmarking in itself may not serve any purpose without measures to improve municipal finance and reserving part of various sources (income) for the urban poor in a separate Fund.

Beside how much should be the reservation of funds for the urban poor, public policy should consist following

- Defining clearly who is urban poor? As each State and City is at different of socio-economic infrastructure development, application of blanket poverty definition will not be appropriate. Equally important is the process of identifying and registering an urban poor objectively and transparently to receive basic service under this and future scheme.
- JnNURM scheme has recommended certain basic services to be provided to the urban poor but it is necessary that the State Governments decide the list and the level of basic services to be provided to urban poor in the light of state and city level specific conditions.

Constitution of a ‘Basic Services for Poor Fund’

The policy should provide for the constitution of a non-lapsable fund to be known as a BSUP fund and also should set rules and modalities contribution to and disbursement from funds. Rules should also provide that if the earmarked budget is not spent on the urban poor, then the unspent (balance) amounts to be transferred to the non-lapsable BSUP Fund.

Constitution of a separate fund is important aspect of actualizing objectives of internal earmarking of funds for the urban poor. If vehicle of fund is not created then as it has been past experience earmarking may happen in local budget but in actual terms expenditure may not happen. Further Fund serves as an accounting and statutory entity which will facilitates transparency about amount contributed to and disbursed from the fund for the urban poor and will help in big way in ensuring accountability of spending funds for the urban poor.

The BSUP Fund may be created by earmarking portion of following sources³ of or by providing specific percentage share of total revenue income of Urban Local Body as discussed earlier.

Property Tax,	Professional Tax,	Entertainment tax
Stamp Duty Surcharge	Vacant Land Tax	Land Use Conversion Charges
Town Planning Fees/Charges	Betterment Levies	External Development Charges
Grants from Central and State Government		

Recovery of at least 10% of the funds released to implementing agencies under JnNURM through revolving fund

Creation of an appropriate municipal budget structure and mechanism

The last mile necessity for actualizing policy of internal earmarking of specific budget for providing services to urban poor and for operationalising BSUP Fund is of this reform is the creation of an appropriate municipal budget structure and mechanism. Budget is a management tool for planning as well as controlling (monitoring/tracking) the performance. Beside earmarking specific amount in a non-lapsable BSUP Fund it is important to plan appropriate works for providing basic services to the urban poor; to allocate necessary funds for these works and finally

³ Annexure 3 to the DO letter No. ----- dated May 14th 2007 from Minister for Housing and Urban Poverty Alleviation to Chief Ministers.

to monitor performance (physical and financial) of the works to achieve desired objective of urban poor, slum free cities. It is therefore necessary to create appropriate budget structure and mechanism at local body level keeping following ground realities, operational issues in consideration.

At present budget items earmarking budget for services to poor do exist in municipal budgets but in rudimentary and scattered across the budget manner without any linkage with each other. (Refer Figure 1) Such type of budget system will not sufficient to achieve objectives of the internal earmarking of funds for the urban poor reform.

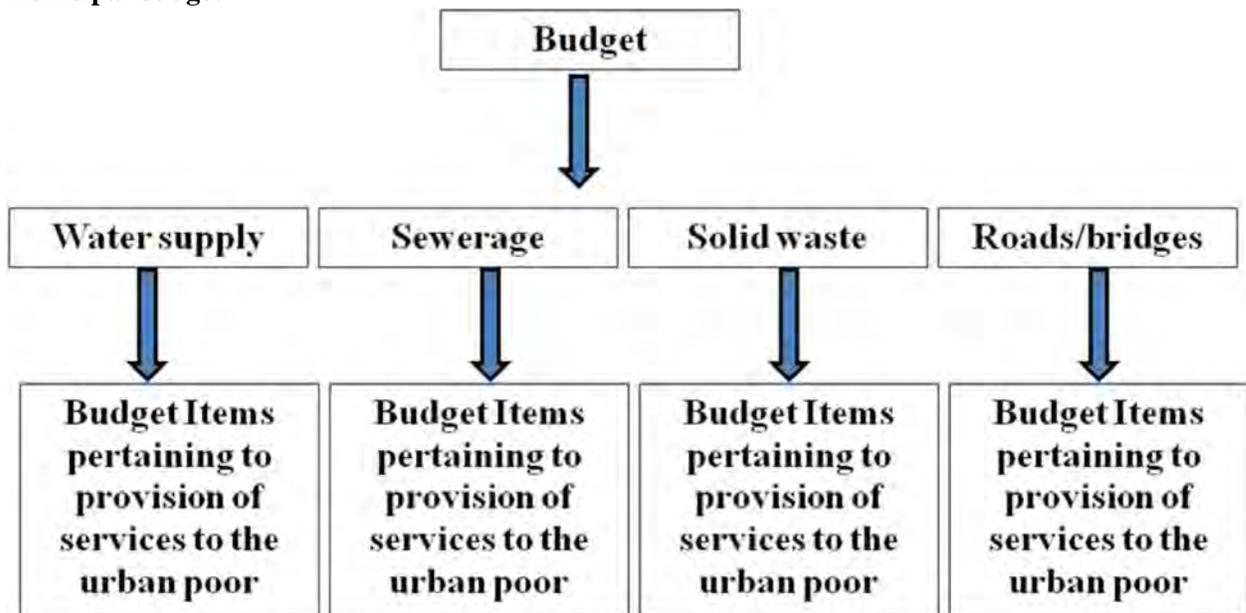
There are three ways to restructure municipal budget to actualize this reform –

- Though Figure 1 shows that present municipal budgets have functional classification but that is not the case. As explained in next section municipal budgets lack correct, logical functional classification coupled by scattered around few items for urban poor. So the first way could be adopting functional classification on the lines of Annexure 1 of this primer and then dividing each function and the items falling under the function in to poor and non-poor category (Refer Figure 4) Bangalore Municipal Corporation has attempted this option. Compare to next two options/budget structure this structure allows flexibility in transferring of funds from one function (Road) to another function (Sanitation).
- Creation of a separate functional budget head in both revenue and capital budgets titled **‘urban poverty alleviation, basic services to and welfare of urban poor’** with detailed items put under this separate budget head for urban poor. All the items pertaining to provision of basic services and other services to urban poor which stand scattered in the present budget structure to be brought under this separate budget head (Refer Figure 5). This kind of structure will have more flexibility and focus compare to simple functional structure (Figure 4).
- Dividing municipal budget at source (vertically) in to poor and non-poor that is creation of a separate budget for services to the urban poor with all functional budget heads, sub-heads and budget item under it (Refer Figure 6). Such separate budget structure is most logical for operationalising BSUP Fund. It also allows flexibility in allocation of funds for various services for poor. Such a separate budget can be called as **‘P Budget’**. Pimpri-Chinchwad Municipal Corporation of Maharashtra has attempted this option.

It will be up to an urban local body and a state government to adopt any one of these three options but adoption of functional classification as per Schedule 12 of the Constitution of India and National Municipal Accounting Manual (see Annexure 1 of the primer) and correcting accounting classification (Figures 2 and 3) will be most fundamental .

Grouping scattered budget items for basic service to urban poor and placing them under each functional budget head in to Poor category (option 1, Figure 4) or adopting a separate budget head for urban poor welfare and detailed budget items under this separate head and other respective service heads (option 2 Figure 5) or a separate budget structure (option 3 Figure 6) doesn't simply mean creation of budget items under two heads or budgets, namely budget for urban poor and budget for non-poor. It will require re-engineering of the entire budgetary process. The following principles would need to be kept in mind while introducing a separate budget head for urban poor welfare with detailed budget items under this separate head, and other respective service heads or a separate budget structure for urban poor:

Figure 1 – Existing system of internal earmarking of budget for urban poor in overall municipal budget



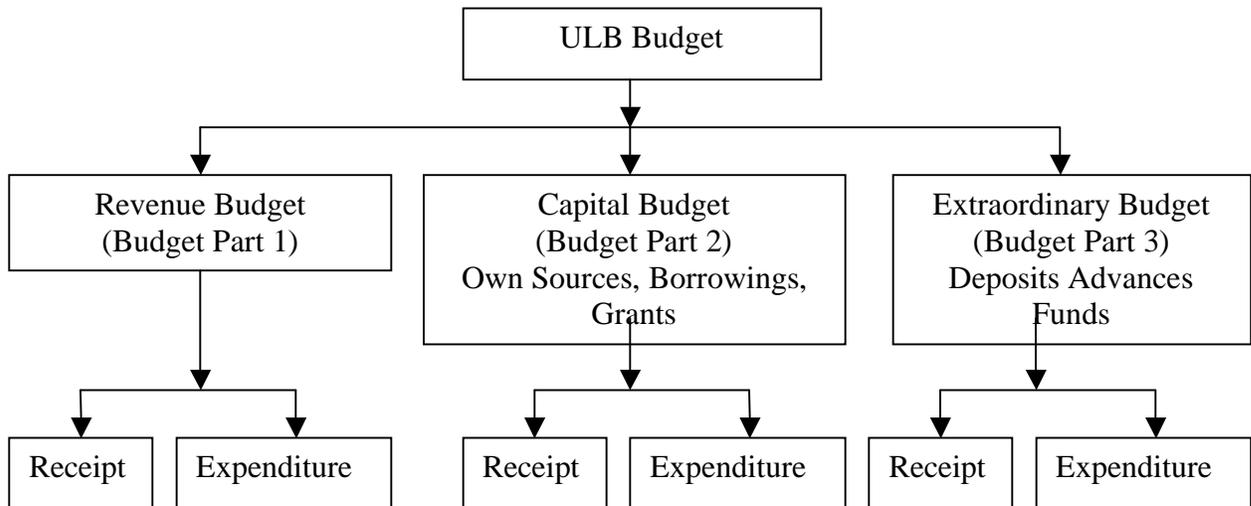
- In the absence of structural guidelines, almost all ULBs have a unique structuring of their budget with great heterogeneity and non-compatibility existing among ULBs. It is necessary to adopt a common basic minimum budget structure as prescribed in the National Municipal Accounting Manual (NMAM).
- Unless the underlying classification is corrected, a separate budget head for urban poor welfare with detailed budget items under this separate head, and other respective service heads for the urban poor or a separate budget reform will not have much utility.
- Since internal earmarking of funds for services (adoption of a separate budget head for urban poor welfare with detailed budget items under this separate head, or a separate budget structure) for the urban poor is also a mandatory reform under the UIDSSMT scheme, as well as JNNURM, a state-wide approach for designing and steering implementation of appropriate budgeting for the urban poor would be necessary. This will result in uniformity across the state and also result in reduced implementation time and savings.
- The state/ULB must undertake a critical study of the existing budgeting system and structure, and explore possibilities of improvement in the structure and procedures.
- Focus should be on creating separate self-contained budget head for the urban poor under existing budget document or a separate budget structure for the urban poor.
- This reform should be integrated with accounting and e-Governance initiatives being undertaken in the ULB.
- Adopt a flexible phase-wise approach for implementation based on the need and requirements of ULBs.

In the case of most ULBs (with some exceptions) the present budget classification clubs two diametrically opposite accounting items/heads, e.g., deposits and advances along with revenue and capital items. While deposits or funds receipts amount to current liability, advances given amount to current assets. Similarly, deposits refund or fund utilization results in reduction in current liability, while recovery or adjustment of advances given, results in a reduction in current assets. Consequently, it is appropriate to group these items under separate budget parts, including

under an extraordinary budget not under revenue or capital budget. With the classification that clubs revenue receipts and expenditure (Budget Part 1) and capital receipts and expenditure from the own resources part of the capital budget (Budget Part 2); it will be easy to assess a ULB's own resource position. Similarly, by clubbing the borrowings and grant parts of the capital budget (Budget Part 2) and deposits, advances and fund parts of the extraordinary budget (Budget Part 3) the ULB's assets and liability (balance sheet) position can be readily assessed.

A three-part budget classification has been suggested (refer Figure 2).

Figure 2: Basic Budget Classification (as per National Municipal Accounts Manual)



The three-part budget classification will have to be repeated under all the separate budget heads that an Urban Local Body plans to maintain.

Part I – Revenue Budget – Revenue Receipts and Expenditure

Part II – Capital Budget – Capital Receipts and Expenditure but grouped separately under following sub-parts:

Capital (own sources) Budget – Capital Receipts and Expenditure from own sources

Capital (loans & borrowings) Budget – Capital Receipts received in the form of new loans and the expenditure carried out from them.

Capital (grants) – Capital Receipts received in the form of development grants and the expenditure carried out from them.

Part III – Extraordinary Budget – Receipts and Payment of extraordinary nature grouped under following distinct parts:

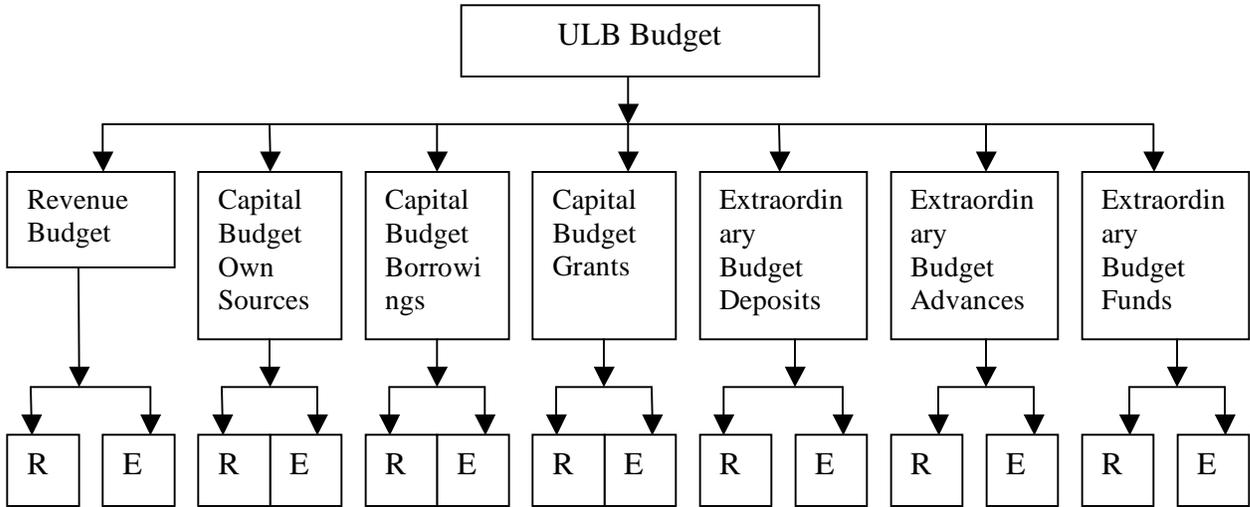
Deposits and Fund Budget – Deposits and Special Funds receipts and payment made from them.

Advances Budget – New advances given and advances adjusted or recovered.

The classification builds in flexibility to cope up with an increase in volume and sphere of the ULBs. The three-part budget classification can be easily expanded in future into seven parts. For example, the capital budget can be bifurcated into three parts, namely Capital (own sources),

Capital (loans and borrowings) and Capital (grants). Similarly, the extraordinary budget can be bifurcated into three parts Deposits, Funds and Advances (refer Figure 3).

Figure 3 - Basic Budget Classification in an Extended Form



Having achieved correct classification and structure as shown in figure 2 & 3 in the light of reform components, ULBs should go for an internal earmarking of funds for services by (adoption of a improved functional budget system as shown in Figure 4 or a separate budget head for urban poor welfare, with detailed budget items under this separate head as depicted in Figure 5, or separate budget structure for the urban poor as depicted in Figure 6.

Any structure selected out of structures shown in the Figures 4 to 6 should be adopted consistently for all the three basic budgets (Figure 2) or seven basic budgets (Figure 3) explained above.

Figure 4 – Dividing Functional Budget in to Poor and Non-Poor category

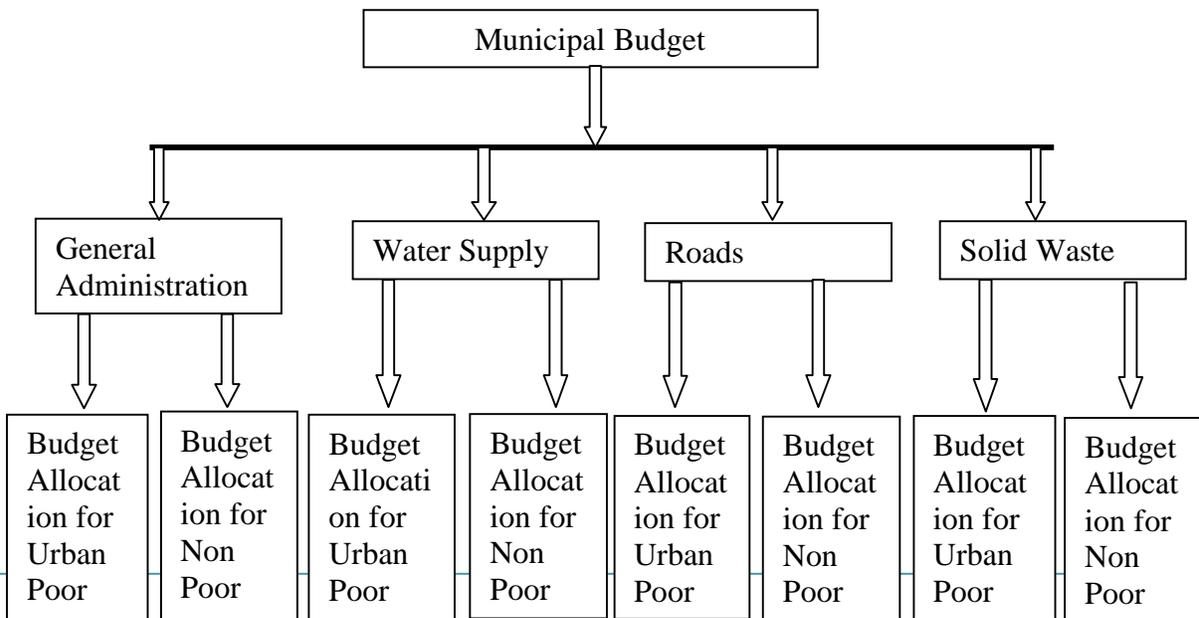


Figure 5 – Separate Budget Head Budget Structure for internal earmarking of funds for urban poor

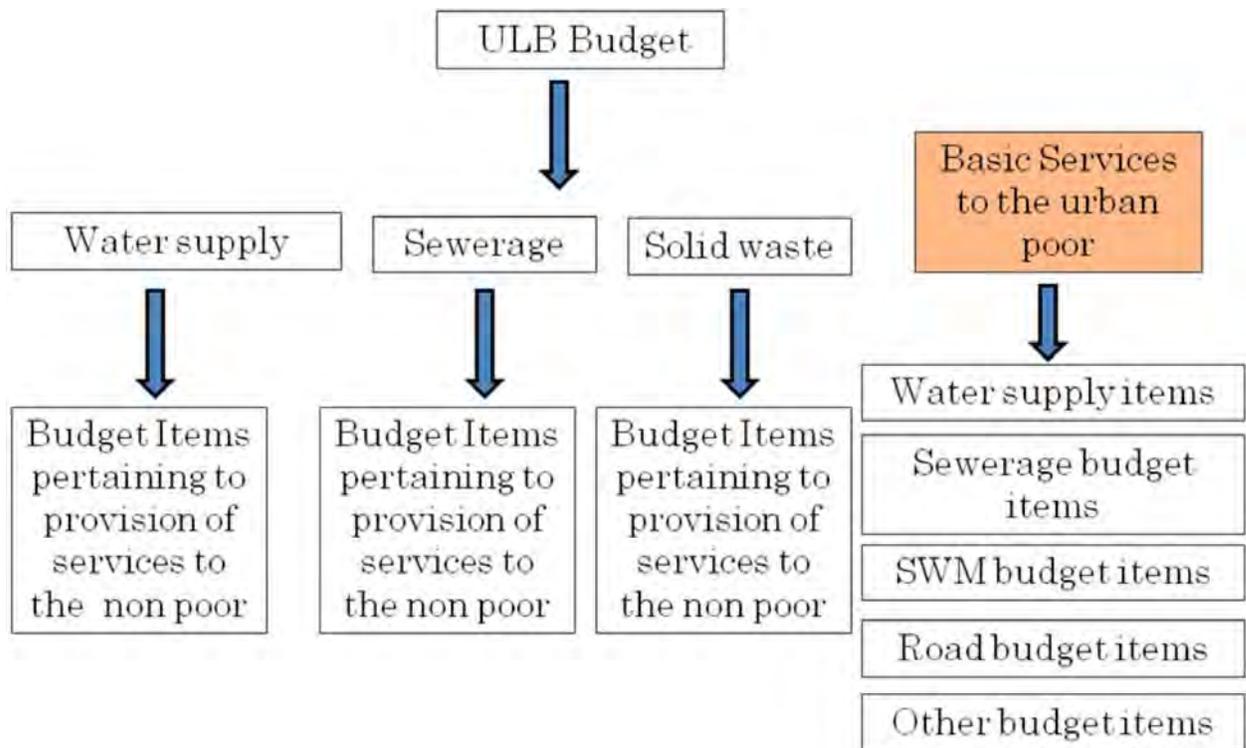
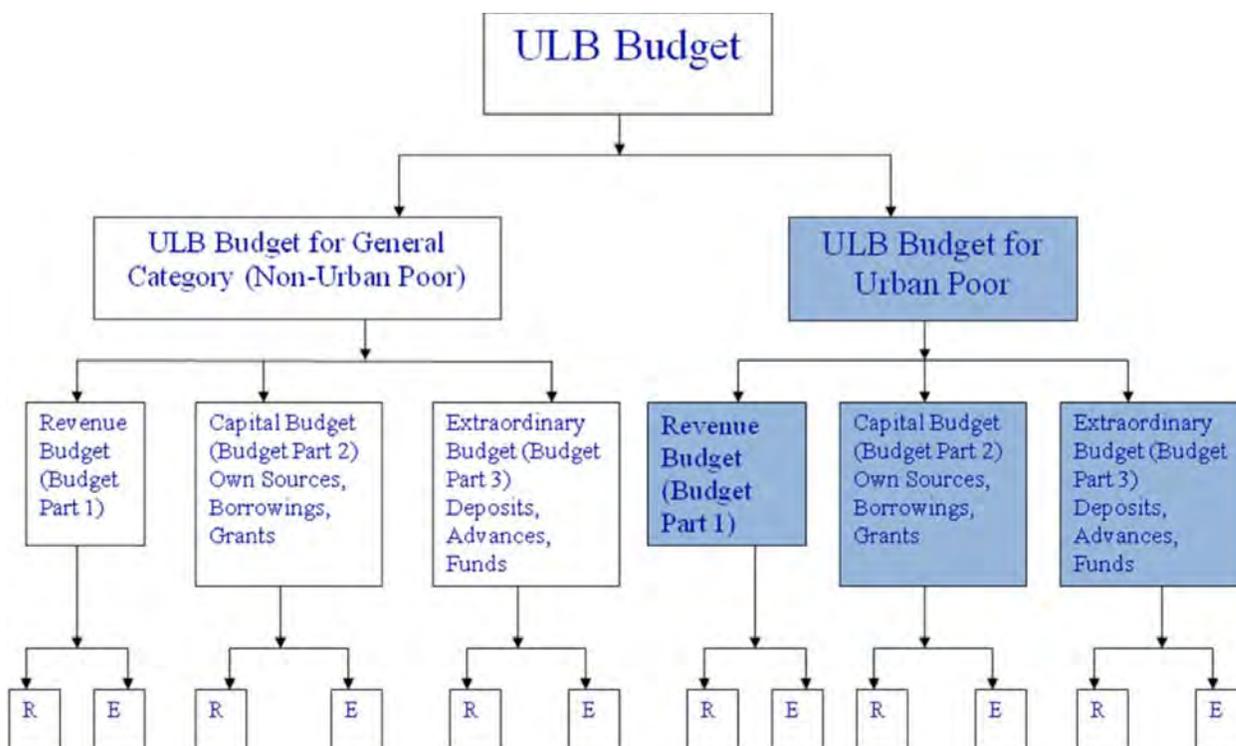


Figure 6 – Separate Budget Structure for earmarking internal funds for urban poor



The National Municipal Accounting Manual (NMAM) has provided a functional classification that is budget code comprising 10 main heads and 9 minor heads under each main budget head. The NMAM budget structure has been elaborated by adding one more digit to accommodate detailed municipal functions/sub-functions. Taking into account the budget coding structure proposed by NMAM, a model budget coding structure is prepared for ULBs and illustrated in Annexure 1. ULBs should adopt this budget heads/sub-heads appropriately for their proposed separate budget head or separate budget structure for earmarking funds for urban poor welfare.

The final aspect of creation of an appropriate budgetary structure and mechanism to actualize internal earmarking of funds for urban poor reform is regarding treatment of expenditure that is which expenditure should be booked under BSUP Fund and under separate budget or budget head or budget items for the urban poor. The policy document /implementation order of State Government should clearly mention criteria and detailed modalities, accounting treatment for allocation of expenditures to separate urban poor fund and budget on the following lines –

- All directly attributable expenses (revenue and capital) specifically incurred for development and delivery of basic services to the urban poor should be booked under the separate P Budget or separate budget head or under budget for poor category falling under each function (as the case may depending upon selection of a option out of three explained earlier).
- All the expenses which can not be attributed directly to development and delivery of basic service to urban poor e.g. general administration or expenditure incurred on capital projects which benefit entire city and not particular area or group of people (water source augmentation for bringing additional water for the city, sewerage treatment plants, ring road, sanitary land fill site development, disaster management etc) may be allocated on the basis of ratio of urban poor population to total population of the city.

- If ULB has raised loans and have used those funds specifically for urban poor then only interest payment of that loan amount may be charged to revenue expenditure on urban poor and loan repayment of that particular loan may be charged to capital expenditure on urban poor. The loans which have been spent for the projects benefiting entire city the as explained above capital expenditure may be allocated to urban poor budget in the ratio of population but interest payment and loan repayment of such loans should not be charged to revenue and capital budget for urban poor respectively.

These are broad guidelines, state and local body should develop detailed accounting guidelines after due considerations.

The above described entire process of implementing internal earmarking of funds reform is summarized in a tabular form as follows –

Component	Description
Roadmap for internal earmarking of local budget for basic services to the urban poor ⁴	Defining a clear roadmap and implementation plan, which comprises: <ul style="list-style-type: none"> • Adoption of concept of Urban Poverty Sub Plan in every city (ULB) • Creating a State’s vision for poverty free, slum free cities, • Conducting poverty, slums, livelihood surveys, assessing backlog and current and future growth needs and undertaking prioritization • Preparation of City Development Plan, Urban Poverty Reduction Strategy, Municipal Action Plan, Detailed Project Report etc. • Setting milestones for providing basic services to the urban poor including affordable housing with secured tenure etc. and estimating requirement funds. • Reviewing legislative framework and Adopting a legal framework based public policy for internal earmarking of funds in local budget for urban poor • Constitution of BSUP Fund • Creation of an appropriate municipal budget structure and mechanism <ul style="list-style-type: none"> ○ Assessment of state’s current municipal budget structure, system, processes and practices ○ Preparation of municipal budget reform strategy ○ Revised municipal budget structure and implementation

⁴ Based on 7 point charter provided in Annexure 2 of the DO letter No. ----- dated May 14th 2007 from Minister for Housing and Urban Poverty Alleviation to Chief Ministers.

	<p>manual using this primer as a base</p> <ul style="list-style-type: none"> • Setting up of Urban Poverty and Livelihood cell • Capacity building of ULBs and handholding support to ULBs in implementation
Institutional Framework	Realignment and regrouping of staff, administrative processes and other organization resources on the lines of a separate budget head for urban poor welfare with detailed budget items under this separate head, or separate budget structure for the urban poor
Business Process Reengineering	It will be necessary to examine all the budget processes – identification and selection of development works for urban poor, processing and implementation of works, etc.
Opinion Building and Attitudinal Transformation	Mere earmarking of funds or adoption of a separate budget head or separate budget structure for urban poor welfare with detailed budget items under this separate head will not yield the desired result unless it is accompanied by a program of change management in the organization. Opinion building and attitudinal transformation exercises would need to be undertaken.
Participative Budgeting	Budget formulation and implementation processes should be made participatory.
Performance and Outcome Budgeting	Earmarking of funds for the urban poor should be backed by performance and outcome budgeting. Budgets for the urban poor and non-poor (general category) should be expressed in physical terms (planned achievements in physical terms) and also in terms of outcomes expected from each and every budgeted development work or allocation of resources.
Capacity Building and Change Management:	<p>In order to build the capacity of the ULBs to prioritize, conceptualize, develop and implement the development works and provision of services for the urban poor, states should prepare capacity building plans addressing:</p> <ul style="list-style-type: none"> • Capacity gaps at different levels of functionaries and identification of training needs • Define the training areas and target groups • Institutional framework for building capacity in the states/ULBS
Public Awareness and Communication	Communicating and creating awareness among stakeholders and the public at large regarding the system of a separate budget head or budget structure for urban poor welfare with detailed budget items under this separate head, or structure and its benefits would ensure better participation of the target communities (urban poor) in budget formulation and monitoring.

Processes for Creation of an appropriate municipal budget structure and mechanism

Processes	Responsibility	Role
Pre-Implementation Phase		
Identify the Nodal Agency for Implementing	State	Responsible for managing the implementation, dealing with technology, process and change management related issues internally, quality assurance, etc.:

NMAM in the State		<ul style="list-style-type: none"> • Selection of budgetary reform consultant • Finalize the roadmap • Finalize institutional framework • Monitor budgetary reforms across ULBs • Finalize the capacity building and change management plan for the state
Selection of Budgetary Reforms Consultant	State	<ul style="list-style-type: none"> • Prepare separate budget head or budget structure for urban poor welfare with detailed budget items for urban poor reforms roadmap. • Analysis of existing budgetary system • Preparation of budgetary reforms operational manual for ULBs • Monitor budgetary reforms implementation of ULBs • Develop strategies for rolling out budgetary reforms across states/ULBs • Design change management program at the ULB level • Identify the milestones/indicators for monitoring success
Preparation of Budgetary Reforms Roadmap	State	<ul style="list-style-type: none"> • Describe changes to be carried out by budget structure, system and processes • Criteria and modalities for allocation of resources for urban poor • Modalities for institutional framework/organizational restructuring for operationalizing separate budget for the urban poor at ULB level • Roadmap for implementing performance and outcome budgeting along with separate budget head or budget structure for urban poor welfare with detailed budget items for urban poor • Capacity building requirements • Opinion building and attitudinal transformation strategies • Broad cost estimates
Implementation Phase		
Identify ULB Level Project Management Unit	ULB	<ul style="list-style-type: none"> • Preparation of budgetary reforms action plan • Monitor the budget reforms activities • Monitor the segregation of budget items, resources and preparation of new budget activity • Support deployment of the application • Design training strategy for the end-users • Report progress to the state implementation team • Manage change at the ULBs
Preparation of Budgetary Reforms Action Plan	ULB	<ul style="list-style-type: none"> • Prepare reform description including objectives, service levels and outcomes • Reform implementation approach and component detailing • Reforms costing • Implementation timelines • Develop evaluation and monitoring system

Pilot and Scale up	ULB	<ul style="list-style-type: none"> Pilot in one or two ULBs in the state Scale up
Change Management	State/ULB	<ul style="list-style-type: none"> Training end-users at state and ULB level
Documentation	State/ULB	Preparation of documents such as: <ul style="list-style-type: none"> Functional requirement document System design document User manuals Operational manual Maintenance manuals Other documentation

5. Setting the timeline

Activity/Timeline	Q1	Q2	Q3	Q4
State Level				
Adoption of Urban Poverty Sub Plan in every city (ULB)				
Conducting field survey of slums, poverty and livelihood				
Framing of Public Policy on internal earmarking of local budget for basic services to the urban poor				
Setting milestones for providing basic services to the urban poor including affordable housing with secured tenure etc. and estimating requirement funds.				
Reviewing legislative framework and Adopting a legal framework based public policy for internal earmarking of funds in local budget for urban poor				
Constitution of BSUP Fund				
Designate a state nodal organization				
Selection of budgetary reforms consultant or consulting agency				
Preparation of ULB level internal earmarking of budget for poor roadmap				
Government Resolution expressing commitment to internal earmarking of funds for services to urban poor				
Finalize the institutional framework for implementation				
Review legislative framework to identify changes necessary to implement internal earmarking of funds for urban poor				
Analysis of existing budgetary system and analysis				
Preparation of budgetary reforms operational manual for ULBs				
Formats of standard reports for state level MIS				
Creation of policies at state level				
Training to end-users				
City Level				
Assess existing accounting reform initiatives				
Formation of project management unit				
Assessment of functional requirement				
Preparation of budgetary reforms action plan				

Segregation and fine tuning of each and every budget head/item and resource allocation in non-urban poor (general category) and urban poor category				
Data digitization (entry and validation) of the manual records as per new structure				
Preparation of final user-friendly budget documents for non-urban poor and urban poor characterized by performance, outcome budgeting features				
Citizen (poor and non-poor) participation in various annual budget processes				
Training to end-users				
Documentation				
Project management				

6. Measuring Achievement / Outcomes

Key outcomes:

- Increased allocation of ULB resources for urban poor in the city
- Focused and improved implementation of development works for urban poor
- Enhanced interface between ULBs and citizens; increased citizen participation in budget formulation, implementation and monitoring
- Transparency and accountability in ULB budget (resources) allocation and utilization
- Improvements in quality of internal local-government operations to support and stimulate better delivery of services to the urban poor
- Key performance indicators based decision-support systems for reports and analysis

Key Indicators:

State Level

- The state has adopted a Government policy expressing commitment to establish internal earmarking of funds for services to urban poor
- Review legislative framework and adoption of appropriate legislative changes at state level
- Setting up a nodal agency
- Appointment of ULB budgetary reforms consultant
- Preparation of UL B budgetary reforms roadmap
- Carried out business process reengineering
- Formats for MIS prepared and finalized
- Implementation of separate budget head for urban poor welfare and detailed budget items under this separate head and other respective service heads for urban poor in the state/ULBs
- Clearly defined development and service levels for urban poor of the city

ULB Level

- Separate budget head or separate budget structure for urban poor welfare with detailed budget items under this separate head, for the urban poor in ULB
- Well designed, structured, user-friendly budget document for general (non-urban poor) and urban poor category population of the city

- Institutional framework at ULB level for implementing development works and service delivery for urban poor of the city
- Number of budget heads, items segregated and appropriately provided with resources
- % of resources allocated to urban poor (amount budgeted – both revenue and capital accounts)
- % of resources actually utilized for urban poor against resources budgeted for urban poor (actual amount spent – both revenue and capital accounts; % of total budget)
- % participation of citizens in various budgetary processes

Annex 1 - Main & Sub-budget Heads (Functions) Coding for ULBs

Function Group Code first digit	Function -Group	Function Code (second digit)	Function Description	Sub-function Code (third digit)
0	General Administration & Tax Collection			
		1	Municipal Council Office	
		2	General Administration Department	
		3	Finance & Accounts Department	
		4	Audit Department	
		5	Octroi Department	
		6	Tax Assessment & Collection	
		7	Computer (IT) Department	
		8	Legal Department	
		9	Land & Estate and Income from Municipal Properties	
1	Planning & Regulations			
		1	City and Town Planning	
		2	Building Regulation	
		3	Economic Planning	
		4	Encroachment Removal	
		5	Trade License/Regulations	
		6	Land Acquisition	
		7	Heritage Conservation	
2	Water & Sewerage Service			
		1	Water Source Department	
		2	Water Treatment Department	
		3	Water Distribution Network	
		4	Individual Water Connections & Maintenance	
		5	Wells, Ponds, Tanks, etc.	
		6	Sewage Treatment Plants	
		7	Drainage Network (pumping stations, main lines)	
		8	Drainage Connections and their Maintenance	
		9	Public Toilet & Latrine	
3	Health			
		1	Public Health	
		2	Epidemic Prevention/Control	
		3	Family Planning	
		4	Clinical/Primary Health Care	
		5	Secondary Health Care	

Function Group Code first digit	Function -Group	Function Code (second digit)	Function Description	Sub-function Code (third digit)
		6	Crematoriums and Burial Grounds	
		7	Vital Statistics, Birth and Death Registration	
		8	Prevention and Food Adulteration	
		9	Ambulance Service and Hearse Van	
4	Sanitation and Solid Waste Management			
		1	Road Cleaning/Scavenging (collection of waste)	
		2	Solid Waste Transportation	
		3	Management of Disposal Sites	
		4	Conversion or Disposal of Waste by Other Methods	
		5	Compost Plant, Waste to Energy Plant	
		6	Public Convenience, Toilets	
		7	Veterinary Service, Management of Stray Dogs	
		8	Cattle Pounding	
		9	Slaughter House and Tanneries	
5	Public Works and Civic Amenities			
		1	Roads, Central Divider, Pavements, Footpaths	
		2	Bridges and Flyovers	
		3	Subways & Causeways	
		4	Storm Water Drainage	
		5	Street Lights	
		6	Traffic Signals & Traffic Circles, Island Improvement	
		7	Fire Services	
		8	Public/Office Buildings	
		9	Public Housing (MIG, HIG, etc.), Shopping Centers, Municipal Markets	
6	Urban Forestry & Recreational Infrastructure			
		1	Parks & Gardens	
		2	Play Grounds	
		3	Lakes and Ponds	
		4	Urban Forestry, Environment Conservation	
		5	Zoos	
		6	Art & Culture, Fairs and Festivals	
		7	Town Hall/Drama Theatre	
		8	Erection of Statues, Museums	
		9	Amusement & Recreational Infrastructure	
7	Urban Poverty Alleviation & Social Welfare			
		1	Welfare of Women	
		2	Welfare of Children	
		3	Welfare of Aged	
		4	Welfare of Handicapped	
		5	Welfare of SC/ST	
		6	Slum Improvements	
		7	Housing for Poor BPL/EWS	

Function Group Code first digit	Function -Group	Function Code (second digit)	Function Description	Sub-function Code (third digit)
		8	Urban Poverty Alleviation	
		9	Others	
8	Public Education			
		1	Central Office/General Administration	
		2	Balwadis /Anganwadis	
		3	Primary Schools	
		4	Secondary Schools	
		5	Higher Secondary Education	
		6	Special Schools - for Blind, Deaf and Spastic Children	
		7	Public Library	
		8	Adult Literacy/Sarv Shiksha Abhiyan	
		9	Other Types of Education - Technical, Vocational	
9	Other Services and Support Functions			
		1	Electricity	
		2	Transportation	
		3	Vehicle Pool and Workshop	
		4	Press and Public Relations Department	
		5	Security Department	
		6	Vigilance Department	
		7	Quality Control Department	
		8	Election and Census	
		9	Central Records	