



Reforms Incentive Claims Toolkit (F.Y. 2016-17)



Town & Country Planning Organisation

Ministry of Urban Development
Government of India
December, 2016

Preface

The Atal Mission for Rejuvenation and Urban Transformation (AMRUT) is a landmark initiative of Government of India for improving infrastructure and service delivery system in cities having one lakh and more population through better governance and financial management system. To achieve this the Mission envisages implementation of a set of Reform agenda such as E-Governance, Constitution & professionalization of Municipal Cadre, Double Entry Accounting system, Urban Planning, Devolution of funds & Functions, Review of Building Bye Laws, Set up Financial Intermediaries at State Level, Credit Rating of the Urban Local Bodies, Energy & Water Audit. Once these reforms are implemented it is expected to bring in improvement in service delivery, mobilization of resources and making municipal functioning more transparent and accountable. As per AMRUT Guideline Para 12 on Urban Reforms 10% incentive shall be provided to the State / ULBs on the basis of self-assessment done by the States as per table 5.5 of AMRUT guidelines. The reform achievements would be evaluated annually after the end of Financial Year by allocating 10 marks for each Reform milestone achieved during the year. The self-assessment is to be confirmed by the SHPSC and validated by the IRMAs

However it has been observed that many states faced difficulty in preparing the self-assessment report for FY 2015-16 for 9 Reforms & 28 Milestones and also to substantiate with documentary evidences. This resulted in many States not approaching for incentives or delay in the submission of proposal for availing 10% incentive. In certain cases, even though the States/ ULBs had achieved the milestones but due to lack of understanding failed to submit the desired supporting documentary evidences and the score could not be validated by TCPO.

In order to streamline the entire assessment process the Ministry of Urban Development (MoUD) has decided to prepare a comprehensive toolkit for implementation of 13 Milestones of 9 major Reforms to be achieved during current FY 2016-17. The toolkit is an attempt to define each milestone, its objectives, rationale, deliverables and evaluation criteria to be followed in assessing and validating the scores for each reform milestone based on the documentary evidences against the successful implementation of each reform milestone.

I hope this toolkit will be very useful to the States/ ULBs for smooth implementation of the Reform milestones for FY 2016-17 and submitting self-assessment report to MoUD without facing any difficulty.



New Delhi
December, 2016

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1. Introduction

1.1 Background

Ministry of Urban Development, Govt. of India launched Atal Mission for Rejuvenation and Urban Transformation (AMRUT) on 25th June, 2015 as a national priority to provide basic services like water supply, sewerage and urban transport to households. The mission envisages building amenities in cities to improve quality of life for all citizens, especially the poor and the disadvantaged.

Reforms have been included in the Mission to effect improvement in service delivery, mobilize resources, make municipal functioning more transparent and functionaries more accountable, while Capacity Building of Municipalities will empower municipal functionaries and lead to timely completion of projects. A set of 11 reforms consisting of 54 milestones have to be implemented by all states/UTs in 500 mission cities within a period of four years as mandated in the mission guidelines. The roadmap for implementation of reforms forms a part of State Annual Action Plan (SAAP).

As per AMRUT Guideline Para 12 regarding Urban Reforms under AMRUT Mission 10% incentive shall be provided to the State ULBs on the basis of self-assessment of ULBs. Self-appraisal would be done on the basis of a self-assessment form provided in table 5.5 of AMRUT guidelines. As per AMRUT Guidelines the reform achievements would be evaluated annually after the end of that Financial Year by allocating 10 marks for each Reform milestone achieved. The self-assessment is to be confirmed by the SHPSC and validated by the IRMAs. Target set by Ministry of Urban Development is:

Sr. No.	Year	No. of Milestones	Maximum Score
1	1st Year	28	280
2	2nd Year*	13	130
3	3rd Year*	10	100
4	4th Year*	3	30

* Publication of annual financial statements on website under Double Entry Accounting System and Develop at least one Children Park every year in AMRUT cities under Urban Planning to be repeated

National Mission Directorate, on receipt of the self-assessment, shall announce the award of incentives to the States for the previous year at the start of the succeeding Financial Year. The incentive fund will be provided by MoUD and no matching funds will be required to be given by the States/ ULBs. SHPSC is free to decide the use of the incentive amount. However, the incentive award can only be used in Mission cities on admissible components of AMRUT including new projects. The SHPSC is to keep MoUD apprised regarding the use of incentive funds on projects which otherwise cannot be used as the state share in projects under AMRUT but can be used by the ULBs for their project funding. Unutilized funds for Reform incentives will be transferred to Project Fund every year.

1.2 Role of State Mission Directorate

Each State/UTs is required to submit self-assessment Report as per the proforma prescribed in Table 5.5 of the Scheme Guidelines. However, in order to facilitate TCPO to maintain consistency and systematic approach for score validation, each state/UT is also required to furnish milestone wise documentary evidences properly indexed along with a summary in the proforma as given at Annexure1.

1.3 Role of TCPO

Town & Country Planning Organisation, a technical wing of the Ministry of Urban Development has been entrusted the task of monitoring the Reform achievement as submitted by the states and validate the self-assessment scores for release of 10% incentives. In order to maintain a uniform and systematic approach for score calibration, a list of documentary evidences that are required to submitted have also been specified for each milestone for better assessment and score validation. The list is only indicative not restrictive, States are free to submit any documentary or online evidences in support of their claim or proof of reform accomplishment.

1.4 Submission Schedule

The last date for submission of the self-assessment reports of States to Ministry of Urban Development is 30th April 2017. Town and Country Planning Organisation will review and submit validation report by May 2017.

It is mandatory for States to submit assessment for any reforms that were not completed or achieved in the previous year failing which their reforms for 2016-17 will not be considered.

The completed documents along with all Annexure may be sent to:

Shri K.K. Joadder, Chief Planner,

Town & Country Planning Organisation (TCPO),

M/O Urban Development,

E Block, VikasBhavan, I.P. Estate, New Delhi-110002.

Tele: 011-23370306, Fax: 011-23379197,

Email: cp.tcpo@yahoo.com.

All correspondence must be addressed to Chief Planner, TCPO.

2. E Governance: Coverage with EMASS

2.1 What is E- GOVERNANCE?

It is the *transformation of governance* to provide efficient convenient & transparent services to the citizens & businesses through Information & Communication Technologies. E-governance has a great potential to transform the citizen services' delivery, provide access to information to empower the citizens, enable their participation in government decision making/ monitoring process and enable inclusive access to economic and social opportunities.



This is a ULB Level Reform.

2.2 Objectives

Key objectives of coverage with EMASS are to make the following services online:

- Registration of Birth/ Death/ Marriage
- Water & Sewerage Charges
- Grievance Redressal
- Property Tax
- Advertisement Tax
- Issuance of Licenses
- Building Permission
- Mutations
- Payroll
- Pension
- E-Procurement
- Personnel Staff Management
- Project Management

2.3 Rationale

Achievement of this reform will ensure better delivery of services and easier accessibility of information and simplification of procedures. The improved interaction with ULBs at different levels will also help to track the performance of ULBs and maintain transparency and accountability in ULB functioning and efficient and quick redressal of citizen grievances. The

improved accessibility is also likely to lead to an improvement in revenue collection and better mobilization and utilization of resources.

2.4 Activities and Evaluation Criteria & Marking scheme

Sl. No	Milestone	Activities/ Mandatory steps	Score
1	Registration of Birth/ Death/ Marriage	1) Online birth/ death/ Marriage registration & Issue of certificate	1
2	Water & sewerage	1) Online registration to pay municipal services / utility charges, e- payment and receipt	1
3	Grievance Redressal Advertisement tax Mutation Payroll/ Pension E-procurement	1) Online grievance lodging & monitoring system. 2) Online Issue of advertisement permits & Collection of renewal charges 3) Online mutation of properties 4) Automated employee information system and payroll & pension system to streamline the establishment operations and expenses. 5) Automation of the procurement processes from indent to supplier payments.	1
4	Property tax	1) Filling of property tax forms online. 2) Online payment facility and e-receipt 3) Payment history.	1
6	Issuance of licenses	1) Pay license fee online. 2) Online license status and history available to each citizen.	1
7	Building permission	1) Online approval of building plan permission with no human interaction including e – payment and integration with all agencies for various NOCs, provision to view status of building plan and issue it within 30 days for all mission cities.	5

2.5 Major Deliverables

- Reduction in time lag in delivery of services, issuance of birth, death & marriage certificates, assessment & collection of property tax, payment of utility bills etc.;
- Easy access to municipal services;
- Hassle free payments of taxes and user charges;
- Improvements in efficiency and effectiveness of business processes/ functions of ULB's;
- Better delivery of urban services;
- Provide integrated view of performance of municipalities at the state and ULB level.

2.6 Timeline

To be achieved by 31st March 2017.

2.7 Admissible Documentary Evidences

1. Website screenshots certified by the State Government;
2. Citizen response or on line feedback;
3. Various MIS reports available;
4. Snap shots of Property Tax document from website;

Online checking of grievances regarding forms, tenders, notices, fee details etc. and also hard copies to be submitted by ULB as documentary proof.

3. Constitution & Professionalization of Municipal Cadre

3.1. Establishment of municipal cadre

3.1.1 What is MUNICIPAL CADRE?

In order to Improve institutional capacity and strengthening organization structure of ULBs for better municipal governance, financial management and service delivery system there is a need to establish municipal cadre in Local bodies. For the purpose of assessing this Reform, assessment of Municipal cadre will be having following features/ characteristics:



- Cost of Services of cadre to be borne at State level and not ULB level.
- Services of these officers/ Staff to be transferrable among ULBs.
- There should be State level Recruitment Rules for each cadre.
- The indicative list of three services is given below in Table -1:

This is a State Level Reform.

Table 1: Indicative list of services

Municipal Functional Groups	Municipal Services under the Municipal Cadre
Municipal Administrative Service [MAS]	<ul style="list-style-type: none"> ▪ Municipal Executive Service ▪ Municipal Social Development Service ▪ Municipal Staff Services
Municipal Technical Service [MTS]	<ul style="list-style-type: none"> ▪ Urban Planning/Engineering/Transportation Service ▪ Municipal E-Governance Service
Municipal Finance Service [MFS]	<ul style="list-style-type: none"> ▪ Municipal Accounts Service ▪ Municipal Revenue & Financial Service ▪ Audit services

The above cadre & services are the minimum requirements.

3.1.2 Objectives

The objectives are to review the existing Municipal Laws and the staffing norms for Establishment of Municipal cadre at ULB level.

3.1.3 Rationale

A sound institutional structure is the foundation to make the AMRUT Mission successful by strengthening the organizational structure and professionalization of municipal officials.

3.1.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Cadre Type	Whether Municipal Cadre created? If no = 0 If yes= score as below	Whether at least 50% of position filled up or in place? If no = 0 If yes= score as below
1	Establishment of Municipal Cadre: (Appointment of professionals like Town Planners, Engineers, Accountants, other specialists to match the state level policy.)	Administrative	2	1
		Technical	3	1
		Finance	2	1
		Total	7	3

3.1.5 Major Deliverables

Establishment of Cadre in ULBs for new posts will enable ULBs to play their role more effectively and ensure better service delivery.

3.1.6 Timeline

To be achieved by 31st March 2017.

3.1.7 Admissible Documentary Evidences

1. Copy of Recruitment Rules for each cadre.
2. List of officers/ professionals/employees serving on each cadre

3. Constitution & Professionalization of Municipal Cadre

3.2. Cadre linked training

3.2.1 Why CADRE LINKED TRAINING?

Presently training at State & ULB level is inadequate and ad-hoc in nature. As such there is an urgent need to conduct a 'Training Need Analysis' (TNA) and based on the needs so identified chalk out a systematic and comprehensive Cadre Training Plan at Municipal and State level.

This is a State Level Reform.



3.2.2 Objectives

- Develop State level urban Training and Development Strategy.
- Build a state level Institutional Training Structure for ULBs.
- Promote Institutional Cadre Training to the new cadre recruits with mandatory foundation training as well as mid-career training as a pre-condition for promotion besides periodic focused training.

3.2.3 Rationale

The National Conclave of Ministers and Workshop of Secretaries from States on "Urban Governance and Housing for All': Opportunities & Challenges" held in Delhi on 2nd & 3rd July 2014, emphasized the need for Capacity Building of Municipal officials.

3.2.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Cadre linked Training	MOU signed with at least two training institutes by:	
		30 th September, 2016	5
		31 th December, 2016	3
		After 31 st December, 2016	0
		Actual persons trained/ training completed as per SAAP:	
		100%	5
		75%	4
		50%	3
		25%	2
		Less than 25%	0

3.2.5 Major Deliverables

Improved institutional capacity in Municipal governance, Finance and Service delivery system.

3.2.6 Timeline

To be achieved by 31st March 2017.

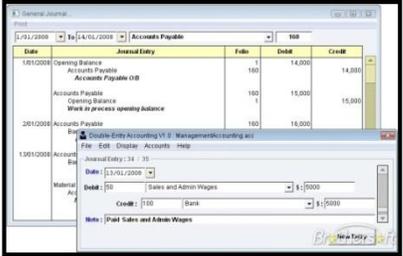
3.2.7 Admissible Documentary Evidences

1. Copy of MoU signed with training institutes
2. Copy of approved Training Modules.
3. Nos. of personnel trained;
4. Expenditure details: Amount spent on training.

4. Double Entry Accounting: Appointment of Internal Auditor

4.1 What is INTERNAL-AUDIT?

Internal auditing is a catalyst for improving an organization's governance, risk management and controls by providing insight and recommendations based on analyses and assessments of data and ULB's/ State activities. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.



The screenshot displays a 'General Journal' window with a table of journal entries. The table has columns for 'Date', 'Journal Entry', 'Folio', 'Debit', and 'Credit'. The entries are as follows:

Date	Journal Entry	Folio	Debit	Credit
1/01/2008	Opening Balance	1	14,000	
	Accounts Payable	100		14,000
	Accounts Payable OB			14,000
	Accounts Payable	100	15,000	
	Opening Balance	1		15,000
	Bank in process opening balance			15,000
2012/0000	Accounts Payable	100	18,000	

Below the table, there is a 'Double Entry Accounting V1.0: Management Accounting' window. It shows a 'Debit' entry of 100 to 'Sales and Admin Wages' for 15,000 and a 'Credit' entry of 100 to 'Bank' for 15,000. A note at the bottom reads 'Note: [Paid Sales and Admin Wages]'. The software interface includes a 'Wise Entry' logo in the bottom right corner.

This is a ULB Level Reform.

4.2 Objectives

Key objectives of coverage with EMASS are to make the following services online:

- Improved financial management, accountability.
- Better control and utilisation of assets.
- Better management of resources and risks.

4.3 Rationale

The rationale for the reform lies in improvement of financial and expenditure management and accountability of municipal staff in terms of accurate presentation of financial statements through an income and expenditure accounts, a balance sheet and a statement of cash flow. This will enable budgeting in a scientific manner and performance based. Internal auditing is also mandatory and will enable ULBs to assess their long term ability to meet financial obligations and their overall financial condition.

4.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Appointment of Internal Auditor	1) Selection and appointment of Internal Auditor (Appointment could be either on deputation/contract basis/ additional charge / full time/part time) 2) Publication of Internal Auditor report on ULB website (At least one in past 3 years)	5 5

4.5 Major Deliverables

The major deliverables will be:

- Improved financial management, accountability, transparency and improved governance;
- Accurate accounting for all urban services;
- Better control and utilisation of assets;
- Publishing of audited financial statements on timely basis;
- Trained accounting staff of the ULBs in maintenance of books of accounts and preparation of financial statement.

4.6 Timeline

To be achieved by 31st March 2017.

4.7 Admissible Documentary Evidences

1. Appointment order.
2. Snap shot of audited reports

5. Urban Planning: State level policy for NMSH – Energy Efficient Projects

5.1 What is Energy Efficiency?

Efficient energy use, sometimes simply called **energy efficiency** is the goal to reduce the amount of **energy** required to provide products and services. For example, energy efficient pumps in water supply & sewerage, energy efficient LED street lights and energy efficient buildings. There are two components to the project:

The first component of the project is Energy efficiency investments in public facilities. This component will support energy efficiency investments in public facilities and utilities. The energy efficiency investments will reduce the energy consumption of retrofitted public and social facilities and reduce the CO2 emissions. Additionally, these investments will generate substantial economic and social benefits including better environment and improved health.

The second component of the project is technical assistance which will help remove the existing barriers to realize the energy efficiency potential and create an enabling environment for energy efficiency in the public sector.

This is a State Level Reform.

5.2 Objectives

To achieve energy efficiency in public services and utilities.

5.3 Rationale

To reduce energy consumption of social and other public facilities and services.

5.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Energy Efficiency Projects	1. Either Completed or Awarded or under bidding process for replacement of energy efficient water pumps for all viable projects as identified after energy audit in all Mission cities. (It implies that energy audit is a precondition to bidding)	10

5.5 Major Deliverables

Reduction in Energy consumption and cost saving for ULBs in water supply system.

5.6 Timeline

To be achieved by 31st March 2017.

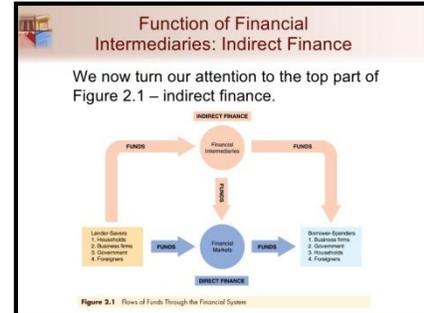
5.7 Admissible Documentary Evidences

1. Documents to show implementation of energy efficient projects.

6. Devolution of funds & functions: Implementation of SFC Recommendations

6.1 What is STATE FINANCE COMMISSION?

Article 243 I of the Indian Constitution prescribes that the Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats / ULBs and to make recommendations to the Governor.



Article 243Y of the Constitution further provides that the Finance Commission constituted under Article 243 I shall make similar recommendation vis-a-vis municipalities.

The Governor is required to cause every recommendation made by the State Finance Commission together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

This is a State Level Reform.

6.2 Objectives

The objective is to rejuvenate ULBs by devolving funds and functions to the local government. The implementation of State Finance Commission recommendations will ensure that this is achieved in a time bound manner.

6.3 Rationale

Devolution of funds and functions will require review of financial condition of the ULBs to make recommendation to Governor by the SFC and implementation of SFC recommendations would lead to release of grant/ aid to the ULBs from consolidated fund of the State and adoption of measures needed to improve the financial conditions of the ULBs.

6.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Implementation of SFC Recommendations	1. Appointment of SFC/ SFC in place* 2. Action taken report by the state government on the previous SFC's recommendations finalized.	5 5

* This criterion is not applied to UTs.

6.5 Major Deliverables

- Finalised action taken report on the SFC's recommendations.
- Review of financial condition of the ULBs which will enable them to plan and implement schemes for economic development and social justice, including those in relation to matters listed in the Eleventh Schedule.

6.6 Timeline

To be achieved by 31st March 2017.

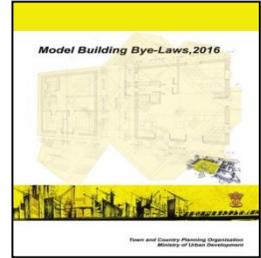
6.7 Admissible Documentary Evidences

1. State Government orders/notification
2. Copy of final action taken report on SFC recommendation.

7. Review of Building Bye Laws: Adoption of Model Building Bye-Laws-2016

7.1 What is Model Building Bye laws-2016?

The Ministry of Urban Development has brought out Model Building Bye-Laws, 2016 and circulated to all states / UTs to facilitate revising their Building Bye-laws by suitably modifying or incorporating the 14 features as envisaged in the Model Building Bye-laws – 2016.



This is a State Level Reform.

7.2 Objectives

Review of Building Bye Laws (BBL) and incorporation of 14 features as envisaged in the Model Building Bye-laws – 2016 circulated to all states/UTsas given below:

1. Provisions for Segregated Sanitation facilities for visitors in public buildings
2. Provisions of High-Rise Buildings
3. Provision of Structural Safety
4. Provisions for Differently abled, elderly and children
5. Rainwater Harvesting
6. Green Buildings and Sustainability provisions
7. Water Re-use and Re-cycling
8. Rooftop Solar Energy installation
9. Installation of Solar assisted water heating systems
10. Sustainable Waste management
11. Green Rating systems
12. Streamlining of Building Plan Approvals Single window system with on line BP approvals to be given in 30 days by obtaining all the clearances
13. Risk based classification of building propels
14. Climate resilient construction – integration of environmental clearance with building sanction

7.3 Rationale

To regulate building construction so as to achieve orderly development of cities.

7.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Adoption of Model Building By-Laws-2016	1. Adopting all 14 parameters of MBBL-2016. (Ministry desires that States may suitably incorporate all parameters/ features of MBBL-2016 with or without modifications)	20
		2. Adopting at least 12 parameters of MBBL-2016. (Ministry desires that States may suitably incorporate all parameters/ features of MBBL-2016 with or without modifications)	10
		3. Adopting less than 12 parameters of MBBL-2016. (Ministry desires that States may suitably incorporate all parameters/ features of MBBL-2016 with or without modifications)	0

7.5 Major Deliverables

The reform, would achieve:

- Empowering ULBs to regulate building construction by promoting environment friendly feature for sustainable features and streamlining building plan approval system.

7.6 Timeline

To be achieved by 31st March 2017.

7.7 Admissible Documentary Evidences

1. Copy of Notification of revised BBL as applicable to all Mission cities and resolution of concerned ULB to have adopted the revised BBL (wherever necessary).

8 Set-up Financial Intermediaries at State Level

8.1 What is a state level financial intermediary?

The ULBs are constrained by long and cumbersome procedures prescribed by State Governments to permit local bodies to borrow. There is, however, a need to promote borrowing by Municipalities/ ULBs to enable them to access the vast pool of private capital market resources. Thus, large and more viable institutions at State

level are set up, which are in a position to pool risks and borrow with ease and can approach the capital market on behalf of Municipalities/ ULBs for financing them in infrastructure projects. Examples are Tamilnadu Urban Finance and Infrastructure Development Corporation Ltd (TUFIDCO) & Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). Both have been successful in assisting smaller Municipalities/ ULBs in accessing credit from the market for water and sanitation projects through water and sanitation pooled funds (WSPF) bonds.

This is a State Level Reform.

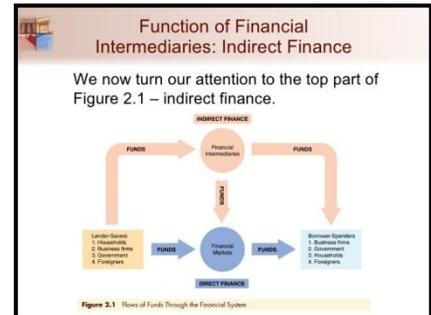
8.2 Objectives

The objective is to establish a State Level Financial Intermediary (SLFI) to mobilize additional funds from external sources i.e. capital market borrowing, line of credit from donor agencies, and Private Sector Investments to meet the requirement of infrastructure development in the cities.

8.3 Rationale

In addition to the funds made available by the Central/State Government, ULBs need funds for infrastructure development and improvement in service delivery. ULBs especially medium and smaller may not have the capacity to raise fund at their own level. To overcome this, State Level Financial Intermediaries (SLFI) can be established at state level which can facilitate raising of funds from different available sources and then lend them to cities for funding infrastructure projects. SLFI will broadly carry out following activities:

- Fund Urban Infrastructure development project including under AMRUT that improve living standards of the urban population;



- Enter into Joint Ventures and/or Public Private Partnerships and facilitate private sector participation in infrastructure development;
- Operate a complementary window of Viability Gap Fund to assist in addressing of the cities with weak financial health;
- Mobilize market based funds for ULBs to finance Urban Infrastructure.

8.4 Activities and Evaluation Criteria & Marking Scheme

Creation of urban infrastructure development fund as a “trust” and a project development company which also acts as asset Management Company to the “trust” besides taking up infrastructure development project

Sl. No	Milestone	Activities/ Steps	Score
1	Establish and operationalize financial intermediary-pool finance, access external funds, float municipal bonds	1. Establishing SLFI at state level * 2. Achievement and performance (To generate at least 20% of SAAP amount or Rs 200 crore whichever is less for the FY 2016-17)	5 5

* This is not applicable to UTs and special category states (North East and Hill States)

8.5 Major Deliverables

The states to establish SLFI to suit their requirements.

8.6 Timeline

To be achieved by 31st March 2017.

8.7 Admissible Documentary Evidences

State Government Orders to set up SLFI.

9 Credit Rating of the Urban Local Bodies

9.1 What is CREDIT RATING?

Credit rating is an analysis of the credit risks associated with a financial instrument or a financial entity. It is a rating given to a particular entity based on the credentials and the extent to which the financial statements of the entity are sound, in terms of borrowing and lending that has been done in the past.

Rating Marks for Long-Term Bonds	Definitions
AAA	Most likely that debt obligations will be honored.
AA (+/-)	High likelihood that debt obligations will be honored.
A (+/-)	Reasonable likelihood that debt obligations will be honored.
BBB (+/-)	There is a statement that debt obligations will be honored, but compared to the higher rating (A), there is the possibility of a diminished likelihood of debt repayment.
BB (+/-)	Repayment does not pose a problem at present but may become problematic in the future.
B (+/-)	Probability of repayment is weak, with cause for concern.
CCC	Repayment is uncertain and there is the danger of default on debt obligations as a real possibility.
CC	High likelihood of default on debt obligations.
C	Extremely high probability of default on debt obligations.
D	Defaulting on debt obligations.

Note: Credit ratings range from AAA to D, and are further subdivided into a total of 20 ratings (see chart) by the use of plus and minus signs for ratings AA to B.

Usually, it is in the form of a detailed report based on the financial history of borrowing or lending and credit worthiness of the entity or the person obtained from the statements of its assets and liabilities with an aim to determine their ability to meet the debt obligations. It helps in assessment of the solvency of the particular entity. These ratings based on detailed analysis are published by various credit rating agencies like Standard & Poor's, Moody's Investors Service, CRISIL, and ICRA, to name a few.

This is a State Level Reform.

9.2 Objectives

The objective is to undertake Credit Rating of the Urban Local Bodies to assess their credit worthiness and prepare a road map including “Financial Improvement Action Plan” for enhancement of their credit worthiness to investment grade. The scheme also aims at reviewing progress of their performance against implementation of Credit Enhancement Plan.

9.3 Rationale

- Urban Local Bodies will need to raise funds from additional sources including borrowings from Capital Markets or Private Investors for financing projects under “AMRUT”. Credit Rating is one of the prerequisite to access the Capital Market Borrowing.
- Private Investors also look at credit worthiness of the institution before investing.
- Credit rating is widely used in financial sectors as an independent view of creditworthiness or risk associated with the institutions being rated. The cost of borrowing is also related to

Credit Rating of the institution. The borrowers with higher credit rating can borrow at lower rate of interest as compared to borrowers with lower credit rating due to lesser associated risks.

- Credit Rating process assesses the overall performance of the ULBs in both financial and non-financial activities. Based on this performance assessment, a road map including Financial Improvement Action Plan can be prepared for enhancement in Credit worthiness of the ULBs to investment grade and lower cost of borrowings.

9.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Complete the credit ratings of the ULBs.	Completed 100% of all Mission cities:	10
		Completed 75% of all Mission cities	5
		Less than 75%	0

9.5 Major Deliverables

The tasks to be undertaken for credit rating exercise will be divided into following two distinct activities i.e.:

1. Credit Rating:

Credit Rating process highlights the overall performance of the ULBs in both financial and non-financial activities. Based on this performance assessment, a road map including Financial Improvement Action Plan can be prepared for enhancement in Credit worthiness of the ULBs to investment grade and lower cost of borrowings

- a. Credit Rating will comprise of Credit Worthiness Assessment and Rating of the ULBs using established methodology in use and broadly consisting of:
 - Social and Economic Profile of the City
 - Leadership and General Management of the ULB
 - Service Delivery and Operating Efficiency

- Fiscal and Financial Performance
 - Cash and Debt Management
 - Reform Orientation
 - Outlook for short and medium term future.
- b. Credit Rating agency will identify areas of strengths and weaknesses of the ULBs in their service delivery system and management of their finances
- c. It will also recommend a road map for Credit Enhancement Plan including Financial Improvement Action Plan to improve Credit Worthiness of the ULB to investment grade, if not found up to that level.

2. Review (Surveillance) of Rating:

Review (Surveillance) of initial Credit Rating of the ULBs will be undertaken to review their progress against implementation of the Credit Enhancement Plan to investment grade

9.6 Timeline

To be achieved by 31st March 2017.

9.7 Admissible Documentary Evidences

- 1 ULB Resolution to identify, appointment of agency for rating credit worthiness of ULB.
- 2 Copy of ratings by Agency;

10. Energy and Water Audit: State level Policy for waste water recycle & Faecal Sludge Management (FSM))

10.1 What is Waste Water recycle & Faecal Sludge Management?

Reclaimed water or recycled water is former wastewater (sewage) that is treated to remove solids and impurities and used in landscaping irrigation, to recharge groundwater aquifers, to meet commercial and industrial water needs and for drinking.

Faecal sludge management is a management system that safely collects, transports and treats faecal sludge (also called septage) from pit latrines, septic tanks or other onsite sanitation facilities (OSSF).



This is a ULB Level Reform.

10.2 Objectives

1. The objective is to develop strategy to improve water efficiency by *Recycled water in order to satisfy most water demands, as long as it is adequately treated to ensure water quality appropriate for the use.*
2. To remove, treat, and disposal of faecal sludge from holding tanks (septic or networked through sewerage pipes).

10.3 Rationale

As the demand for water grows, more water is extracted, treated, and transported sometimes over great distances which can require a lot of energy. If the local source of water is ground water, the level of ground water becomes lower as more water is removed and this increases the energy required to pump the water to the surface. Recycling water on site or nearby reduces the energy needed to move water longer distances or pump water from deep within an aquifer. Using recycled water of lower quality for uses that don't require high quality water saves energy and money by reducing treatment requirements.

The indiscriminate and uncontrolled disposal of faecal sludge into drains, canals and onto open spaces, in urban areas impair public health and cause pollution. The haulage, treatment and reuse

or disposal of faecal sludge management should be considered as an integral part of citywide sanitation planning.

10.4 Activities and Evaluation Criteria & Marking Scheme

Sl. No	Milestone	Activities/ Steps	Score
1	Waste water recycle & Faecal Sludge Management (FSM)	1. Notify a State level policy for promotion of waste water recycle and reuse 2. Notify a State level Policy for Faecal Sludge Management	5

10.5 Major Deliverables

- Water recycling provides dependable, locally-controlled water supply and tremendous environmental benefits.
- By providing an additional source of water, water recycling can help us find ways to decrease the exploitation of ground water source.
- Other benefits include decreasing wastewater discharges and reducing and preventing pollution.
- Application of recycled water for agricultural and landscape irrigation can provide an additional source of nutrients and lessen the need to apply synthetic fertilizers.
- Recycling Water Can Save Energy

10.6 Timeline

To be achieved by 31st March 2017.

10.7 Admissible Documentary Evidences

- 1 Copy of notified policy document.

Proforma for submission of Self-Assessment

AMRUT Reform Scoring of 11+2 Milestones for FY 2016-17

State Claim

Date of submission by State/UT to Mission Director: dd-mm-2017

Date of Ministry of Urban Development forwarding : dd-mm-2017



State : [name] No. of ULBs: [count]

#	Reform	Milestones	Max Score	State Claim		Remarks
				Total	%age	
1	E-Governance	Coverage with E-MAAS	10			
		Registration of birth/death/ Marriage				
		Water & Sewerage Charges				
		Grievance Redressal				
		Property Tax				
		Advertisement tax				
		Issuance of licenses				
		Building Permission				
		Mutations				
		Payroll				
		Pension and e-procurement				
2	Municipal Cadre	Establishment of Municipal Cadre	10			
3		Cadre linking Training	10			
4	DEA	Appointment of internal auditor	10			
5		Publication of annual financial statements on website#	10			
6	Urban Planning	Energy Efficiency Projects	10			
7		Develop at least one Children Park every year in AMRUT cities#	10			
8	Devolution of Funds & Functions	Implementation of SFC recommendations within timeline	10			
9	Review of Building bye laws	Adoption of Model Building By-Laws-2016	20			
10	Set up Financial Intermediary at State Level	Establishing SLFI at state level*	10			
11	Credit Rating	Complete the credit ratings of the ULBs	10			
12	Energy & Water Audit	Waste Water recycling and Feecal Sludge Management	10			
		Total	130			

*Not applicable for UTs and Special category states (North East and Hill states)

Two Milestones of previous FY 2015-16 are carried forward during current FY 2016-17