Fifth Delhi Finance Commission

2016-2021

Report

सत्यमेव जयते

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Contents

GLOSSARY

AAI	Airports Authority of India
ABAS	Accrual Based Accounting System
ACA	Additional Central Assistance
AGR	Annual Growth Rate
AIILSG	All India Institute of Local Self Government
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
ANM	Auxiliary Nurse cum Midwife
Annex	Annexure
ARD	Administrative Reforms Department
ARMA	Auto Regressive Moving Average
ARV	Annual Rental Value
ASHA	Accredited Social Health Activist
ASI	Annual Survey of Industries
ASI	Archaeological Survey of India
ATM	Automated Teller Machine
ATR	Action Taken Report
BDO	Block Development Officer
BE	Budget Estimate
BRPL	BSES Rajdhani Power Limited
BRTS	Bus Rapid Transit System
BSES	Bombay Suburban Electric Supply
BSLLD	Basic Statistics for Local Level Development
BTA	Basic Tax Assignment
BYPL	BSES Yamuna Power Limited
C&D	Construction & Demolition
CAA	Constitutional Amendment Act
CAG	Comptroller and Auditor General
CAGR	Compound Annual Growth Rate
CATS	Central Accident and Trauma Service
CBAS	Cash Based Accounting System
CBO	Community Based Organization
CDM	Clean Development Mechanism.
CEO	Chief Executive Officer
CFC	Central Finance Commission
CG Hospital	Cantonment General Hospital
CGST	Central Goods & Services Tax
CNG	Compressed Natural Gas
CPC	Central Pay Commission
CPI	Consumer Price Index
CPSUs	Central Public Sector Undertakings
CR	Cycle Rickshaw
CRF	Central Road Fund
CSE	Conservancy and Sanitation Engineer
CSO	Central Statistics Office
CST	Central Sales Tax
CTC	Community Toilet Complex
DCA	Deputy Controller of Accounts
DCB	Delhi Cantonment Board
DDA	Delhi Development Authority
DEMS	Department of Environment Management Services
DES	Directorate of Economics & Statistics
DESU	Delhi Electric Supply Undertaking
DFC	Delhi Finance Commission
DGDE	Directorate General of Defence Estates
DGST	Delhi Goods & Services Tax
DIMTS	Delhi Integrated Multi-Modal Transit System
DISCOMs	Distribution Companies
DJB	Delhi Jal Board
DL	Driving license
DMC	Delhi Municipal Corporation
DMRC	Delhi Metro Rail Corporation
DPR	Detailed Project Report
DSA	Delhi Statistical Abstract
DSIDC	Delhi State Industrial Development Corporation
DSIIDC	Delhi State Industrial and Infrastructure Development Corporation
DSSDI	Delhi State Spatial Data Infrastructure
DSSSB	Delhi Subordinate Staff Selection Board
DTC	Delhi Transport Corporation
DTT	Department of Trade and Taxes

DUSIB	Delhi Urban Shelter Improvement Board
DVAT	Delhi Value Added Tax
DVB	Delhi Vidyut Board
EBs	Enumeration Blocks
EC	Expert Committee
ECC	Environment Compensation Charge
EDMC	East Delhi Municipal Corporation
EPCA	Environment Pollution (Prevention and Control) Authority
EWS	Economically Weaker Section
FAR	Floor Area Ratio
FC	Finance Commission
FCC	Finance Commission Cell
FCO	Fertilizer Control Order
FD	Finance Department
G/o	Government of
GAAP	Generally Accepted Accounting Principle
GDP	Gross Domestic Product
GIA	Grant in Aid
GIS	Geographic Information System
GLM	Giridhari Lal Maternity (Hospital)
GNCT	Government of National Capital Territory
GNCTD	Government of National Capital Territory of Delhi
GoD	Government of Delhi
GOI	Government of India
GPS	Global Positioning System
GSDL	Geospatial Delhi Limited
GSDP	Gross State Domestic Product
GST	Goods & Services Tax
GSVA	Gross State Value Added
GTC	Gross Tax Collection
GVA	Gross Value Added
H &FW	Health & Family Welfare
I & FC	Irrigation & Flood Control
IA	Interlocutory Application
ICAI	Institute of Chartered Accountants of India
ICE	Information, Communication Education/ Extension
ICT	Information & Communication Technology.
IL & FS	Infrastructure Leasing & Financial Services
IPD	In Patient Department
IPT	Intermediate Public Transport
JJ	Jhuggie Jhompri
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
K-SHIP	Karnataka State Highway Improvement Programme
LB	Local Body
LED	Light Emitting Diodes
M&CW	Maternity & Child Welfare
MCA	Municipal Chief Auditor
MCD	Municipal Corporation of Delhi
MCI	Medical Council of India
MHUA/MoHUA	Ministry of Housing & Urban Affairs
MOHRD	Ministry of Human Resource Development
MORTH	Ministry of Road Transport & Highways
MOSPI	Ministry of Statistics & Programme Implementation
MoUD	Ministry of Urban Development
MPC	Metropolitan Planning Committee
MPD	Master Plan of Delhi
MRF	Municipal Reforms Fund
MRTS	Mass Rapid Transit System
MSW	Municipal Solid Waste
MVC	Municipal Valuation Committee
MVID	Maharishi Valmiki Infections Disease (Hospital)
MVs	Motor Vehicles
NBCC	National Buildings Construction Corporation
NCRPB	National Capital Region Planning Board
NCT	National Capital Territory
NDMC	New Delhi Municipal Council
NGO	Non Governmental Organization
NHAI	National Highway Authority of India
NITI Aayog	National Institution for Transforming India Aayog
NMT	Non Motorised Transport
NRHM	National Rural Health Mission
NSDP	Net State Domestic Product
NSS	National Sample Survey
NTC	Net Tax Collection
NUHM	National Urban Health Mission
O & M	Operation & Maintenance
OPD	Out Patient Department
OT	Operation Theatre
OTR	Own Tax Revenues
PATHYA	People Association for Total Health & Youth Applause

PCA	Primary Census Abstract
PCNSDP	Per Capita Net State Domestic Product
PF	Provident Fund
PID	Property Identity
PPP	Public Private Partnership
PRI	Panchayati Raj Institution
PSU	Public Sector Undertaking
PTR	Pupil Teacher Ratio
PWD	Public Works Department
QCBC	Quality Cum Cost Basis System
RAM	Road Assets Management
RBE	Revised Budget Estimate
RBI	Reserve Bank of India
RBIPMT	Hospital Rajan Babu Institute of Pulmonary Medicine & Tuberculosis (Hospital)
RDF	Refuse Derived Fuel
RE	Revised Estimate
RGI	Registrar General of India
RIS	Road Information System
RMC	Road Maintenance Calendar
ROBs	Railway over Bridges
ROW	Right of Way
RRI	Road Research Institute
RTE	Right of Children to Free and Compulsory Education
RUBs	Railway under Bridges
RWAs	Resident Welfare Associations
SBM	Swachh Bharat Mission
SCDRC	Standing City Development & Reforms Committee
SDMC	South Delhi Municipal Corporation
SDN	Hospital Swami Dayanand Hospital
SEBI	Security & Exchange Board of India
SFC	State Finance Commission
SKs	Safai Karamcharis
SLF	Sanitary Land Fill
SOI	Survey of India
SSA	Sarva Shiksha Abhiyan
SWM	Solid Waste Management
T & D	Transmission & Distribution
TDR	Transfer of Development Rights
TGR	Trend Growth Rate
TLE	Teacher Learning Equipment
TOD	Transit Oriented Development
TOR	Terms of Reference
TPD	Tonnes Per Daily
TPDDL	Tata Power Delhi Distribution Ltd.
TSRs	Three Wheelers, Scooters & Rickshaws
U-DISE	Unified District Information System for Education
UAM	Unit Area Method
UCHC	Urban Community Health Centre
UD	Urban Development
UDD	Urban Development Department
UFC	Union Finance Commission
ULBs	Urban Local Bodies
UOI/UoI	Union Of India
UPIC	Unique Property Identification Code
URDPFI	Urban and Regional Development Plans Formulation and Implementation
UT	Union Territory
UTTIPEC	Unified Traffic & Transportation Infrastructure Planning & Engineering Centre
VAT	Value Added Tax
VGF	Viability Gap Funding
W2E	Waste to Energy
WMA	Ways & Means Advances
YoY	Year on Year

Annexures

Chapter 1

Summary of Major Recommendations

1.1. The Commission has examined the financial data and other relevant documents of the GNCTD and the Municipalities. It also had the privilege of interacting with the Deputy Chief Minister and the Minister for Urban Development and Health & Family Welfare of the GNCTD, the Mayors and the Commissioners of the three Municipal Corporations of Delhi, the Chairman, New Delhi Municipal Council, the Director General of Defence Estates, the CEO of the Delhi Cantonment Board and many other senior functionaries and experts.

1.2. The Commission was also benefited by the well-articulated memoranda submitted by each of the municipalities, though it could not get the benefit of having the memoranda from the most relevant departments of the GNCTD, including the Urban Development Department, the Finance Department, the Education Department and the Health & Family Welfare Department.

1.3. The data gathered through the various materials secured from the GNCTD, the municipalities and other sources, duly supplemented with the research studies commissioned by the Commission and the interaction with various experts, provided us considerable information on the issues contained in our terms of reference (TOR).

1.4. In the subsequent paragraphs, we are presenting a summary of the major recommendations contained in various chapters. However, there are many more suggestions made in different parts of the Report, which too are relevant and need to be taken note of by those concerned.

Governance Reforms for GNCTD

1. Delhi continues to remain important for the country and keeps attracting people, even though the growth rate of population has declined during recent years (2001-2011). Accordingly, all institutions, including the municipalities, will have to remain prepared to meet the challenges of providing services to the ever-growing population of the NCT.

   (Para 3.14)

2. GNCTD should work out the population data for Census 2001 and 2011, for each of the three MCDs, using the ward-wise data.

   (Para 3.65)

3. GNCTD should standardise the procedure for annual revision of circle rates by the Revenue Department and notify even a downward revision, if the facts call for.

   (Para 5.22)

4. GNCTD should set up a committee to lay down a road map within next six months for *(a)* conversion of the remaining unauthorised colonies into regularised ones *(b)* introducing the basic standards of civic infrastructure and services in all the settlements, *(c)* removal of all such settlements which the committee declares as unfit for regularisation, and *(d)* preventing any future birth and growth of unauthorised settlements.

   (Para 6.65)

5. Director, Local Bodies should convene quarterly meetings of all the municipalities for sharing the details of efforts and experiences in revenue mobilisation, for peer learning.

   (Para 6.80)

6. GNCTD should mandate that registration of the property with the municipality concerned will be a pre-condition for securing any government

facility, including licences and approvals (such as of building plans) wherein house address is to be indicated. This should include the tax-exempt properties also.

(Para 6.108)

7. GNCTD may make use of the good offices of the Lt. Governor to convene a standing forum for resolution of disputes between the DDA and the municipalities on various issues, including in relation to property taxes.

(Para 6.109)

8 The State Education Department should update their web-portal and display information on the critical parameters in respect of schools in different categories, along with the Sarva Shiksha Abhiyan (SSA) standards.

(Para 7.40)

9. GNCTD should accord to the municipalities the leader status in various missions, especially in the areas that are the obligatory functions of the municipalities.

(Para 7.41)

10. The output standards for each school, ward, zone and municipality should be defined by the GNCTD and measured at least annually through self-reporting and selective independent evaluation.

(Para 7.43)

11. GNCTD should arrange for periodic (quarterly) collection of core educational statistics for schools being operated by MCDs, state government and private sector, etc. and make a comparative analysis.

(Para 7.46)

12. GNCTD should notify the State Municipal Solid Waste Management Policy and also approve the Municipal Solid Waste and Sanitation Byelaws of the respective municipalities, by 31.12.2017. In case of any delay, GNCTD should pay a monthly grant of ₹ 10 crore to each of the MCDs w.e.f. 1st April 2018.

(Para 7.157)

13. Delhi is lagging behind in most of the health indicators, as also in gender ratio, when compared to five other high urbanised states. GNCTD should examine the causes and the solutions for the same..

(Para 3.16, 7.169-7.173)

14. The State H&FW Department should undertake mapping of the health related vulnerability details for the state as a whole, broken down into municipalities, zones and wards and develop a health management plan, as per the framework of the National Urban Health Mission.

(Para 7.199-7.201 & 7.217)

15. We recommend a detailed study to ascertain the relative efficiency in the operations of the hospitals owned by different authorities, namely, the MCDs, the GNCTD and others.

(Para 7.216)

16. As for now, keeping all aspects in view, we do not recommend for transfer of major hospitals from the municipalities to GNCTD. We recommend suitable grants to be extended to the municipalities for maintaining the hospitals.

(Para 7.217)

17. Any investment in planning, development or maintenance of roads should necessarily take care of the footpaths and drains, as also the avenue plantation, street vending and vehicle parking.

(Para 7.230)

18. The state PWD, in association with all road-owning agencies, should develop and maintain a GIS based Road Information System (RIS), which is compatible with General Packet Radio Services (GPRS).

(Para 7.274)

19. Each road agency should prepare a Road Maintenance Calendar (RMC) that should list out the required periodicity of special and annual maintenance with estimates of costs and past investment details for each road.

(Para 7.275)

20. Each road agency should maintain the Road Assets Management System (RAMS), to indicate the condition of each of the roads, its estimated value, an RMC and the extent and type of usage including traffic. This should lead to preparation of RAM Plans. Road repair activities should be budgeted and executed as per the RAM Plan, rather than as per sporadic demands.

    (Para 7.276)

21. The basis of the contracts for road development, upgradation and maintenance should be changed from input based to performance and output based systems. Also, the lowest (L1) bid based system may be replaced by quality cum cost basis (QCBS).

    (Para 7.277)

22. The drainage maintenance in respect of the roads belonging to all the departments, including the PWD, should be assigned to the respective municipalities, with cost reimbursement.

    (Para 7.279)

23. The state PWD should sponsor a Road Research Institute, giving suitable representation to all the major road agencies, including the municipalities, on the executive and governing committees.

    (Para 7.280)

24. The utilisation of the allocations under the Central Road Fund (CRF) by the GNCTD had declined to zero in 2015-16 and 2016-17. GNCTD should inquire into this and take suitable measures to make fullest use of the CRF allocations at least from 2017-18 onwards.

    (Para 7.290)

25. MCDs should be represented on the Board of Directors of the DISCOMs and the DJB at the level of Commissioner, with an Additional Commissioner as Alternative Director.

    (Para 6.191 & 7.302)

26. The DJB may commission a study for identifying the scope of fruitfully associating the municipalities in the water supply and sewage management functions, particularly beyond the trunk lines.

    (Para 7.303)

27. The GNCTD may help the Municipal Chief Auditor (MCA) of the MCDs in getting the numerous vacancies existing in the MCA establishment filled up soon. The GNCTD may also advise the DSSSB to speed up the selection processes.

    (Para 10.11)

28. The Administrative Reforms Department of GNCTD should conduct studies on the governance structure and processes for the municipalities in line with the principles of ‘Outcome-based Budget’, in collaboration with the Director of Local Bodies. A study of the best practices of the municipalities and dissemination thereof should also be undertaken.

    (Para 10.43)

29. All surveys and censuses undertaken by various agencies of the GNCTD, including those done at the behest of the GOI, should be designed to enable preparation of datasets at the ward, zone and municipality levels, seamlessly.

    (Para 11.5a)

30. The framework of the decennial population census should be adopted for all surveys that are conducted on house-to-house basis.

    (Para 11.5b)

31. The structure of the information gathered for various surveys/censuses should be aligned with the framework of the Basic Statistics for Local Level Development (BSLLD) recommended by the MOSPI.

    (Para 11.5c)

32. The datasets for the ward, zone and municipality levels should be made available easily and freely on the website of the organisation conducting the census/survey.

    (Para 11.5d)

33. The BSLLD framework may be formally adopted

by the GNCTD, with suitable modifications to suit the needs of the municipalities.

(Para 11.5f)

34. The BSLLD framework should be dovetailed with the e-governance system of the municipalities and other relevant agencies, to update the BSLLD datasets on a real-time basis.

(Para 11.5g)

35. The remaining gram sabha lands, which have neither been transferred to the Forest Department nor to the DDA, should be protected from encroachment and made proper use of.

(Para 11.17)

36. The funds of the gaon sabhas should immediately be put to use for development of infrastructure and services in the villages with the vision of developing the villages into model habitats.

(Para 11.18)

37. The posts of the MCD Commissioners and of the Chairman, NDMC should be encadred in the Delhi segment of the AGMUT cadre of the IAS.

(Para 11.21)

38. Each of the MCDs and the NDMC should have at least two IAS officers as Additional Commissioners. Also, officers from the IAS and DANICS should head each of the 12 MCD zones.

(Para 11.22)

39. The revenue districts should be re-organised to correspond with the 12 MCD zones, with a view to strengthening inter-institutional coordination.

(Para 11.23)

40. No officer who has not worked as Commissioner/ Additional Commissioner, MCD or Chairman/ Secretary, NDMC, should be posted as Principal Secretary in the Urban Development, Education, Health, Environment and Public Works Departments.

(Para 11.24)

41. The officers of the Indian Civil Accounts Service should fill in the post of the Controller of Accounts cum Financial Adviser in the MCDs and NDMC.

(Para 11.27)

42. The GNCTD should direct all the line departments to provide sector leadership to the municipalities by way of (*a*) preparation of integrated sector plans, (*b*) providing a link on its web portal to its counterpart department in the municipalities, (*c*) guiding the municipalities for updating their technical manuals and the outcome based budgeting, and (*d*) providing subject matter training in their respective training facilities, on cost reimbursement basis.

(Para 11.32)

43. State UD Department should, in collaboration with the Planning Department, handhold the municipalities for preparing the outcome budget.

(Para 11.34)

44. The GNCTD should have an advertisement policy, which should cut across the boundaries of individual municipalities. The Byelaws of the municipalities should adopt the advertisement policy so notified.

(Para 6.224)

45. The GNCTD should notify a parking policy for the NCT, which should cover the requirements of all types of vehicles.

(Para 6.352)

Fiscal Reforms for the GNCTD

46. The revision of circle rates notified by the Revenue Department should be declared as equivalent to the Municipal Valuation Committee (MVC) Report. The circle rate revision should be based on consumer price index (CPI) and undertaken on an annual basis mandatorily, like the revision of the dearness allowances of the employees.

(Para 5.23)

47. Similarly, the GNCTD should direct the municipalities and state utilities (DJB, DTC etc.) to notify annual revision of all types of taxes and charges.

(Para 5.24)

48. The registration fee being levied under the Registration Act 1908 (Act 16 of 1908) should be reduced to a nominal level, which should be enough to cover the administrative cost of transactions and not be treated as buoyant source of revenue for the government..

(Para 5.30)

49. Liquors and other commodities that are currently exempted from GST should be brought in the fold of the GST. Delhi being a major consuming state, should take lead in initiating a dialogue on this issue among the states.

(Para 5.34)

50. GNCTD should undertake a detailed cost-benefit analysis of each source of non-tax receipts. The sources for non-tax revenues may be classified into 'commercial' and 'services'. Commercial investments should yield a return of at least one per cent, while the receipts from the 'services' component should meet the costs of services.

(Para 5.64 & 5.70)

51. GNCTD should undertake a thorough study of all debtor institutions (DJB, DTC, DUSIB, etc.) and restructure the outstanding loans so as to make each such institution financially viable. This will also improve the balance sheet of GNCTD.

(Para 5.95)

52. All outstanding loans should be verified for both, the loan amounts and the interest dues, and reflected in the finance accounts of GNCTD. These should also be tallied with the assets-liability statements of the PSUs and other debtor entities concerned.

(Para 5.97)

53. GNCTD should switch over to accrual-based accounting for its own accounts. This was also recommended by the 12th and the 14th Union Finance Commissions.

(Para 5.98 & Paragraph 10.40)

54. The outstanding debt liability of the three MCDs put together to the GNCTD as on 31.3.2016 was ₹ 3,256 crore, which is just about five per cent of the total loans and advances receivable by the GNCTD from various entities put together. This supports the case for a package of debt relief to the municipalities.

(Para 5.99)

55. The outstanding loan of the DUSIB from the GNCTD amounting to ₹ 90 crore towards the principal and ₹ 17.73 crore towards interest, should be converted into grant. We also recommend the GNCTD should assess the financial viability of the DUSIB and provide it adequate annual grants for its smooth functioning.

(Para 5.101)

56. GNCTD should encourage the municipalities to come up with financial models of infrastructure projects and offer viability gap funding (VGF) up to 20 per cent of the capital costs, also drawing equal amount from the GOI under the VGF Scheme of the Ministry of Finance.

(Para 5.104)

57. The procedure for enforcing loan repayment by way of deduction from tax devolution appears unfair because it eats away the devolution and its concomitant benefits.

(Para 7.355)

58. The GNCTD may ensure that loans are given only for productive purposes. If, however, any loan is to be given in the nature of 'ways & means advance' then it should be given with a clear understanding that the recepient entity would be able to repay it in next 30 to 45 days. If the government, at the time of granting the loan/advance, is clear that the recipient entity will not be able to repay it, then it should release it as a grant only, in the first stance.

(Para 7.356)

59. GNCTD should write off the loans outstanding for the three MCDs at the time of their trifurcation, by way of conversion into grants. GNCTD should also extend special incentives grants to the MCDs linked to their collection of professions tax, at the rate of 50 per cent of

the collection in 2018-19, which should reduce progressively to 40 per cent in 2019-20 and 30 per cent in 2020-21. MCDs should use this incentive amount to pay off the outstanding loan amounts.

(Para 8.28)

60. The UDD should, in collaboration with the Pay & Accounts Office, review the budgetary classifications of all five municipalities and identify vague classification such as 'Contingencies', 'Other Miscellaneous', etc. and replace the same with specific purposes of expenditure, after analysing the actual situation of the past years. Similar exercise should be undertaken in respect of the GNCTD as well.

(Para 10.25)

61. The GNCTD should get a special audit conducted under Section 207 of the DMC Act 1957, to identify the large scale prevalence of 'deferred liabilities' in the MCDs and determine a framework for complete stoppage of such practices.

(Para 10.32)

62. The GNCTD should adopt the accrual-based accounting system (ABAS) and also ensure that the ABAS is adopted by the MCDs w.e.f. 1st April, 2018 and the Municipal Account Code 1958 is amended suitably. The Director General of Defence Estates (DGDE) should take similar action in respect of the DCB.

(Para 10.38 & 10.40)

63. The budget classification of GNCTD needs a fresh orientation, wherein the classification such as 'Programmes/Projects Expenditure' and 'Other Expenditure' should be replaced by 'Revenue' and 'Capital' classification. The Financial Budget and the Outcome Budget should also be aligned accordingly.

(Para 11.11)

64. The GNCTD should prevail upon the GOI to make available the service charges to the DCB in a timely manner by paying the annual current dues (₹ 800 crore) in monthly instalments, while the outstanding arrears of ₹ 8,800 crore may be provided to the DCB in 10 equal annual instalments.

(Para 6.58)

65. GNCTD may verify if they are collecting the transfer duty in respect of the transaction that fall in the jurisdiction of the DCB and if it is so, then the GNCTD should transfer the transfer duty component to the DCB including the arrears.

(Para 6.152)

66. GNCTD should reduce the cost of collection of transfer duties from 3.5 per cent to one per cent, with effect from 1st April 2016.

(Para 6.153)

Governance Reforms for the Municipalities

67. Each municipality should bring out employee census data every year and publish it in their annual reports.

(Para 11.5e)

68. There is an urgent need to strengthen the training arrangements for the officers and staff of the municipalities

(Para 11.29)

69. The municipalities should organise joint inspection by the DISCOM representative, MCD officials and the ward councilors, ward-wise every month, to assess the quality of street lighting.

(Para 6.165)

70. A coordination committee chaired by the Chief Secretary should be set up to improve the street lighting arrangements.

(Para 6.166 & 6.167)

71. License administration should be made more user-friendly by adopting the framework of self-declaration and self-certification, subject to random *post facto* physical verification.

(Para 7.328)

72. The GNCTD and the municipalities should implement the NCT of Delhi (Protection of Livelihood and Regulation of Street Vending) Scheme, 2015 in right earnest.

(Para 7.331)

73. The municipalities should give a boost to the community services activities using innovative approaches such as public-private partnership.

(Para 7.337)

74. The municipalities should augment the resources for the veterinary services by way of involvement of the private sector.

(Para 7.340)

75. The municipalities should introduce innovative ways of promoting horticulture in a bigger way but without exceeding the expenditure levels indicated by us.

(Para 7.342)

Expenditure Management

76. The head of expenditure 'Exclusive Development Expenses' should be renamed as 'Ward Development Gap Filling Grant' and given a formal recognition in the MCD Account Code.

(Para 7.346)

77. The situation of maintenance of accounts by the MCDs has not been satisfactory, in general. The MCD-East and MCD-North have defaulted in submitting their monthly accounts, annual accounts and annual appropriation accounts for the years 2012-13 to 2016-17. This is a serious lapse and requires deliberation within the MCDs at council level. It also calls for review by the state government.

(Para 10.2)

78. Municipalities should consider audit of accounts as a tool for good governance and a valuable source of information for the management practices. Audit can be used as a tool for monitoring and evaluation too.

(Para 10.5)

79. The DMC Act 1957 and the NDMC Act 1994 should be amended to provide for an independent audit committee with a chairperson who is not chairperson of either the standing committee or any other committee of the MCD/NDMC having executive functions. Preferably, the Leader of Opposition in the Council should be the ex-officio chairman of the Audit Committee. Similar action would be desirable in respect of the Cantonments Act 2006 also.

(Para 10.8)

80. Each of the municipalities should operate a sinking fund and make provisions for regular contributions to these sinking fund such sums as would be adequate for timely discharge of various liabilities as mentioned in Section 191 of the DMC Act 1957 and Section 132 of the NDMC Act 1994. The Cantonments Act 2006 may also be amended to make provisions for a Sinking Fund.

(Para 10.18)

81. Each municipality should notify its Employees' Pension Fund Regulation and maintain a Pension Fund.

(Para 10.19)

82. We advise prudential investments of short-term liquidity by the municipalities. However, we do not recommend continued investments of large sums in bank fixed deposits year after year, by the municipalities. We would like the municipalities to use such surplus funds for making investments in the upgradation of the public infrastructure such as super-specialty hospitals, state-of-the-art sports facilities, libraries, museums, lakes, parks and maidans, etc.

(Para 10.23)

83. Municipalities must develop a tradition of realistic budgeting. This should be dovetailed with the arrangements for monitoring the receipts and expenditure on monthly and annual basis, as prescribed under the DMC Act and the NDMC Act.

(Para 11.9)

Property Tax

84. Municipalities should avoid recourse to the amnesty schemes for tax defaulters. Instead, regular inspections and other methods for enforcing timely discharge of tax liabilities by the property owners should be applied.

(Para 6.44)

85. The tradition of offering a rebate of 15 per cent of the property tax liability if full payment of tax is done during the first quarter of the year, should be reduced to eight per cent, because the interest rates have come down.

(Para 6.45)

86. Municipalities should speed up implementation of the UPIC project for a complete inventory of properties, assigning a geo-referenced unique ID to each property, to capture data regarding ownership, covered area and use, etc. This should be completed by 31.3.2018.

(Para 6.77)

87. Municipalities should undertake effective and time-bound special drive to improve coverage of taxable properties in all settlements including the rural and urban villages and the unauthorised and unauthorised-regularised colonies, besides a thorough review of the tax-exempt properties.

(Para 6.98)

88. Municipalities should put in enhanced efforts for early disposal of property tax disputes pending in various courts. Cases pending in the High Court should be transferred to the Municipal Taxation Tribunal, wherever possible.

(Para 6.101)

89. Municipalities should not discriminate among the disputing taxpayers and take equal recourse for recovery of the tax dues, including coercive measures, wherever required, including against government properties.

(Para 6.102)

90. Municipalities should conduct a thorough survey of all the tax-exempt properties to reaffirm their eligibility for tax exemption.

(Para 6.119)

91. We recommend a new framework for municipal property valuation system, with contours as described below.

a. The system of periodic revision in property valuation should be linked to the consumer price index (CPI) or many other appropriate index. This system should also provide for downward revision of property valuation, if the index leads to that inference.

b. The municipal property valuation committee (MVC) system should be replaced by the circle rate revision undertaken by the Revenue Department of the GNCTD.

c. Municipalities should adopt the policy of self-declaration by the property tax payers like the self-assessment scheme of the Income Tax Department.

d. The MVC may continue to deal with reclassification of colonies and other related matters.

e. Adoption of the MVC recommendations within a month of its submission should be made mandatory.

f. MVC should collaborate with M/s GSDL or any similar agency, for adoption of geo-spatial data as aid to their work.

g. The Fourth and subsequent MVCs should be required to prepare separate reports for each of the MCDs.

(Para 6.135)

Other Taxes and Additional Resource Mobilisation

92. The DCB should impose the electricity tax and transfer duty forthwith, with the targeted receipt of ₹ 20 crore and ₹ 5 crore, respectively, per year.

(Para 6.151 & 6.172)

93. Municipalities should enhance the rate of the electricity tax from the current level of five per cent to six per cent. The additional revenue so mobilised should be utilised for making the roads, streets and lanes, safer and pedestrian friendly.

(Para 6.176)

94. The MCDs should bring down the rate for the collection charge being paid to the DISCOMs from three per cent to one per cent.

(Para 6.184)

95. The DISCOMs should transfer the electricity tax collections to the MCDs within 15 days of the succeeding month and should also pay interest @ 0.25 per cent per week, if such transfer is delayed.

(Para 6.186)

96. The toll tax being levied by the MCDs is not sustainable in the wake of CAA101 and also on the socio-economic considerations and hence should be abolished.

(Para 6.211-6.213)

97. We have factored in the loss of revenue to the MCDs on account of the abolition of toll, in our scheme of devolution. However, so long as a municipality continues to impose this levy, the amount so collected should be deducted from the devolution amounts to the extent of 50 per cent from the BTA and the remaining 50 per cent from the grants for roads.

(Para 6.214)

98. The municipalities should discontinue the levy of theatre tax, but revise the licence fee suitably, to generate adequate proceeds for conducting regular inspection of the premises in and around the theatres for ensuring proper safety, upkeep and maintenance of the infrastructure, services and the surroundings.

(Para 6.228)

99. Our devolution package is based on the premise that the levy of theatre tax stands withdrawn. However, if a municipality continues to collect this tax, then the amount received by such municipality from this source of revenue should be deducted from the tax devolution (BTA) amounts that the municipality would receive otherwise.

(Para 6.229)

100. The annual tax and fee structures for the cycle rickshaws may be revised as part of a policy that would keep the focus on (*a*) promoting cycle rickshaw as an environment friendly mode of public transport, (*b*) promoting switchover to e-rickshaws and (*c*) welfare of the rickshaw pullers.

(Para 6.237)

101. Municipalities should introduce the levy of professions tax at the rate of 1.5 per cent of salary per month, but limited to ₹ 2,500 in a year. The DCB should also revise its rates for professions tax on the same pattern. The GNCTD should facilitate and motivate the municipalities to introduce this levy effective from 1st April 2018.

(Para 6.256-6.271)

102. Municipalities should introduce the levy of education cess at the rate of 10 per cent of property tax, with effect from 1st April 2018. GNCTD should extend matching grant to the municipalities.

(Para 6.282)

103. In case any approval from the GNCTD is required for imposition of professions tax and education cess, GNCTD should accord such approval by 31st December 2017. We have factored in the receipts from the professions tax and education cess in determining the availability of resources for the municipalities. Therefore, if the GNCTD fails to accord such approval, if required, for any reason whatsoever, then it should extend additional grants to the municipality concerned to compensate for the loss of revenue on this count.

(Para 6.271f)

104. State government should extend incentive grant to the municipalities in proportion to the collections from the professions tax and education cess, as per the ratios indicated by us, that is, 50 per cent in 2018-19, 40 per cent in 2019-20 and 30 per cent in 2020-21.
(Para 6.271f & 6.282)

105. We are not recommending further imposition of betterment tax, except wherever it is currently in vogue. At the same time, we also hope that the 4th MVC shall be considering the issue of betterment tax or impact fee in one or the other way.
(Para 6.289-6.290)

106. The collection of water and sewerage charges could be made far more efficient if it were transferred to the municipalities. We would recommend the UD Department to examine further details of this proposition through an expert agency.
(Para 6.296-6.298)

107. Once the new levies of the professions tax and the education cess stabilise over the next 2-3 years, the municipalities should work on introduction of street tax to augment resources for road maintenance.
(Para 6.301)

108. Municipalities should introduce the levy of Senior Citizens' Cess (by reducing professions tax by 10 per cent), Library Cess (@5 per cent of property tax) and Beggary Cess (@3 per cent of property tax). However, the collections from these levies should be transferred to the GNCTD, after deducting one per cent towards collection charges, as it is already operating schemes/ programmes for the welfare of the respective target groups.
(Para 6.302-6.309)

109. The municipalities should introduce incremental on-street parking fee, while balancing the same with the fee for off-street parking.
(Para 6.347)

110. Additionally, the municipalities should develop more parking lots for all types of vehicles.
(Para 6.348)

111. The levy of one-time parking charges upon registration of vehicles, being levied by the MCDs through the State Transport Department, should be withdrawn w.e.f. 1st April 2018. Our devolution package is based on the premise that this levy stands withdrawn. However, if a municipality continues to levy this charge, then the amount received by it from this levy should be deducted from the tax devolution (BTA) share.
(Para 6.359)

112. We are separately recommending for provision of a share of the collections from the environment compensation charge to the municipalities, which will compensate the MCDs for loss of revenue from the abolition of one-time parking charges.
(Para 6.360)

113. The total revenue generated from the environment compensation charge (ECC) should be utilised for development and maintenance of roads, footpaths, drains and cycleways (Part A); and for augmenting the public transport systems (Part B), in the ratio of 75:25. Further distribution of these parts should be as follows:

- Part A should be distributed among the road maintaining agencies in proportion to the lane kilometers of roads maintained by them.
- Part B should be divided into two part, namely, Part B1 (80 per cent) and Part B2 (20 per cent).
- Part B1 should be administered by the State Transport Department for augmenting mass transport systems including the bus based systems, through DTC, DIMTS, etc.
- Part B2 should be assigned entirely to the five municipalities and shared in proportion

to their respective population (2011 Census) and used for developing and maintaining parking facilities for intermediate public transport (IPT) including non-motorised systems such as bicycles, cycle-rickshaws and e-rickshaws.

(Para 6.371, 6.372 & 6.375)

114. If the levy of ECC does not become available to the municipalities for any reason, then the GNCTD should provide equivalent amount to the respective municipalities as ‘Special (ECC) Grant’.

(Para 6.382)

115. GNCTD should introduce a cess on sales of additional FAR permitted under the TOD Policy approved by MoHUA in July 2015. The proceeds should be utilised for meeting the cost of the additional infrastructure required for supporting the higher FAR. Of such proceeds, 20 per cent should be set apart for the MCDs for maintenance of roads in the TOD influence zone. We expect the TOD Cess to be introduced w.e.f. 1.4.2018 and yield about Rs. 104 crore in 2018-19 for the MCDs, and increase by five per cent per year.

(Para 6.383-6.389)

116. If this levy (TOD Cess) does not become available to the municipalities to the extent indicated in our assessment for any reason, then the state government should provide the amount equal to the shortfall to the respective municipalities as ‘Special (TOD) Grant'.

(Para 6.390)

Land Monetisation

117. Municipalities should redevelop their own residential, commercial and other estates on similar footing as has been done by MoHUA in respect of New Moti Bagh, East Kidwai Nagar and Naoroji Nagar residential estates, which would generate one-time capital receipts as well as lasting revenue receipts in the form of property tax and rentals, besides transfer duties, etc.

(Para 6.393)

Investments and Interest Receipts

118 a. No municipality should invest public moneys in long-term fixed deposits. Surpluses, after making provision for sinking funds and other statutory requirements, should be invested in improving the public infrastructure and services.

b. If a municipality certifies that it needs no further investment in the public infrastructure and services, it should bring down the rates of property or other taxes.

c. All municipalities should carefully invest in short-term instruments that are permitted by the government, so that their short-term surpluses, lasting for up to four weeks, give them optimum returns.

(Para 6.364)

Education

119. Municipalities should prepare primary education plans for each zone and ward, with a view to achieving the standards of the Sarva Shiksha Abhiyan (SSA).

(Para 7.43)

120. GNCTD should modify the format of compilation of the educational surveys, including under the U-DISE, to enable projection of data for the municipalities and their zones and wards as well.

(Para 7.44)

121. Municipalities should involve non-government organisations for improvement of the quality and performance of the schools, on the lines of MCD-South.

(Para 7.45)

122. Each municipality should undertake scrutiny of the expenditure on education through independent audit and evaluation.

(Para 7.50)

123. GNCTD’s assistance to the municipalities

for the education sector should comprise two components, a Basic Grant, which would be equal to 80 per cent of the expenditure on education (90 per cent for 2016-17 & 2017-18) and an Incentive Grant, equal to the revenue raised from education cess.

(Para 7.58-7.59)

124. For the NDMC and DCB, we propose no Basic Grant but only Incentive Grants, for education, from 2018-19 onwards.

(Para 7.60)

125. A minimum of five per cent of the budget of each municipality on education should be set apart for maintenance of school buildings and another five per cent on upgradation of infrastructure relating to primary education.

(Para 7.61)

Sanitation and Solid Waste Management

126. Waste must be recycled within each ward or locality, with zero land-fill concept and minimal transportation. Municipalities should sponsor research studies for identifying the possible ways of converting the non-recyclable waste into safe and useful materials, to achieve the objective of zero-landfill.

(Para 7.70, 7.113 & 7.115)

127. Pune, which ranks much higher than the MCDs in Swachh City Ranking, spends much less than the MCDs and has much fewer staff as well. Municipalities should replace manual street sweeping by mechanised arrangements. This should lead to reduction in manpower also. Municipalities should stop recruiting safai karmacharis (SKs) forthwith, including on compassionate grounds. The existing SKs should be retrained and deployed in the mechanised operations.

(Para 7.74, 7.109 & 7.121)

128. Municipalities should approach the GOI with more project proposals under the Swachh Bharat Mission, to secure the entire quota allocated for Delhi.

(Para 7.79)

129. MCDs should make efforts to improve their ranking in the ensuing Swachh Sarvekshan surveys.

(Para 7.81)

130. Municipalities must introduce economy in management of sanitation including solid waste and also get a reasonable cost recovered through user charges. To begin with, such cost recovery may be 10-15 per cent, but should soon reach 25 per cent.

(Para 7.123)

131. NDMC, as also other municipalities, should undertake cost audit of its sanitation operations, to optimise the returns on expenditure.

(Para 7.124)

132. The options of public-private partnership in sanitation management should be further explored, with a view to harnessing the entrepreneurial efficiency of the private sector.

(Para 7.127)

133. For financing the expenditure on sanitation, we have proposed a three-fold scheme, comprising a basic grant, user charges and an incentive grant. Incentive grant from GNCTD would be equal to the collections made by a municipality from the user charges.

(Para 7.133)

134. Municipalities should aim at recovering around 25 per cent of the expenditure on sanitation through user charges. One option is to impose a 15 per cent sanitation cess on property taxes. However, as 75-80 per cent of properties are yet to come in the tax net, we recommend the alternative of user charges on ‘all polluters pay’ principle. Municipalities may consider other options too.

(Para 7.146, 7.148 & 7.150)

135. We recommend a monthly grant of ₹ 10 crore to each of the MCDs effective from 1st April 2018 from the GNCTD, which should continue till the GNCTD formally notifies the State MSW Policy and accords approval to the Byelaws of the respective municipalities (both conditions to be satisfied)

(Para 7.157)

136. Municipalities should also explore further options of resource mobilisation for sanitation, including the Viability Gap Funding (VGF) Scheme of the GOI.

(Para 7.158-7.162, 11.13)

Public Works

137. Any investment in planning, development or maintenance of roads should necessarily take care of the footpaths and drains, as also the avenue plantation, street vending and vehicle parking.

(Para 7.230)

138. We endorse the recommendation of the Fourth DFC for establishing a Road Development and Maintenance Fund by each municipality, but with modifications in its corpus for inflows and scope for utilisation..

(Para 7.281-7.286)

139. The efforts initiated by MCD-North and MCD-South for switch-over to LED-based intelligent street lighting system, should be pursued by all other municipalities also.

(Para 7.301)

140. We recommend for closure of the Head 'Resettlement Colonies' from the budgets of the MCDs. The MCDs should maintain the infrastructure and services in these colonies in the same manner as they do for others. We are subsuming the grants coming from the government on this account into our overall framework of estimation of expenditure and transfers under public works and sanitation, as required.

(Para 7.313 & 7.314)

Debt Relief

141. GNCTD should write off the loans outstanding for the three MCDs at the time of their trifurcation, by way of conversion into grants.

(Para 8.28)

142. GNCTD should extend special incentives grants to the MCDs linked to their collection of professions tax, at the rate of 50 per cent of the collection in 2018-19, which should reduce progressively to 40 per cent in 2019-20 and 30 per cent in 2020-21.

(Para 8.28)

143. This incentive amount should be used by the MCDs entirely to pay off the outstanding loan amounts. Should there be any surplus, the MCD concerned could utilise the same for discharging its other liabilities such as recouping the irregular withdrawals from PF accounts and pension liabilities, etc.

(Para 8.28)

144. GNCTD should reduce the interest rate on the outstanding and fresh loans of MCDs to the same rate as GNCTD is availing loans from GOI.

(Para 8.28)

The Scheme for Devolution

145. Our scheme of transfers aims at retaining surplus level for the Government of Delhi, while obliterating the revenue deficits of the municipalities.

(Para 9.19)

146. Our recommendations cover the entire gamut of fiscal transfers from the GNCTD to the municipalities including the erstwhile Plan component.

(Para 9.80)

147. We have decided to consider DCB as a municipality at par with the NDMC and applied all the ratios and principles for BTA and grants for the DCB accordingly.

(Para 3.39)

148. We have proposed to amend the overarching framework of BTA by making it an entirely untied global tax share to the municipalities and replacing the municipal reforms fund (MRF) concept by a system of Incentive Grants that will be in addition to, and independent of, the BTA. We also propose to raise the ratio for the BTA to six per cent of the net tax collections of the GNCTD.

(Para 9.57)

149. Our scheme for incentivising the municipalities for ARM is as follows:

- Municipalities that levy education cess, shall get incentive grants, equal to 100 per cent of the collections in the case of MCDs and 25 per cent, in case of the NDMC and DCB, in view of the latter's comfortable financial position.
- Municipalities that levy sanitation cess/user charges shall get incentive grants, equal to 100 per cent of the collections in case of the MCDs and 25 per cent, in case of the NDMC and DCB.
- Municipalities that levy professions tax shall get incentive grants, which shall be equal to 50 per cent of the collections in 2018-19, 40 per cent in 2019-20 and 30 per cent in 2020-21, to be utilised for repayment of the outstanding loan dues to the state government.

(Para 9.25)

150. Our framework for the fiscal transfer to the municipalities takes three forms: one is the untied Basic Tax Assignment, which we, in turn, divide into two parts, Part A and Part B. Part A is only meant for meeting the revenue deficit of MCD-East and MCD-North, whereas, Part B is for all the five municipalities. The third form of transfer is the sector-specific grants. We are including the DCB also in this framework, as against an exclusive treatment that it was given by the earlier DFCs.

(Para 9.68)

151. The framework for the Part-A and Part-B of the BTA, shall be as below:

a. The Net Tax Collection (NTC) of the GNCTD in a year shall be equal to 99 per cent of the Gross Tax Collection (GTC) minus the transfer duties and one-time parking charges that the GNCTD Departments collect on behalf of the municipalities. The remaining one per cent of the GTC is the notional component of the collection charges.

b. BTA shall be six per cent of the NTC and shall be made available to the municipalities in two parts, called Part-A and Part-B.

c. The ratio of Part-A and Part-B shall be 70:30 for 2016-17, 60:40 for 2017-18, 50:50 for 2018-19, 40:60 for 2019-20 and 30:70 for 2020-21.

d. Part A shall be distributed between MCD-East and MCD-North in the ratio of 65:35. This ratio shall be maintained for all five years.

e. Part B shall be available to all the five municipalities and distributed among them in each of the five years in the ratio of their respective weighted average of population as per Census 2011 (weight=70 per cent) and Area (weight=30 per cent), which works out as indicated in Table-9.5.

(Para 9.69 & Table-9.5)

152. For estimating the levels of expenditure, we have generally considered the accounts figures for 2015-16 as the base and applied a 12 per cent annual growth. However, we have introduced still higher rates for first one or two years, to provide for 7th CPC arrears and pending bills. For the leter years, we have provided for annual growth of 12 per cent.

(Chapter 7)

153. We have proposed to distribute the grants for public works in the ratio of 20:50:30 among MCD-East, MCD-North and MCD-South,

Table-9.5: Consolidated Share of the Municipalities in the BTA during 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21 (in per cent)

Year	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total
2015-16 (Ac)	18.52	34.28	43.98	3.15	0.07	100
2016-17	51.08	36.18	11.75	0.58	0.40	100
2017-18	46.45	36.57	15.67	0.78	0.53	100
2018-19	41.81	36.97	19.59	0.97	0.66	100
2019-20	37.17	37.36	23.51	1.17	0.80	100
2020-21	32.53	37.76	27.43	1.36	0.93	100

respectively, keeping in view the past trend of distribution.

(Para 9.97)

154. Eighty-five per cent of the grants for public works should be utilised for the improvement and upkeep of the roads, streets, lanes, drains footpaths, cycle-ways, parking facilities for public bicycles and rickshaws, etc.; ten per cent of the grants should be utilised for maintenance of capital assets; and five per cent should be utilised for maintenance and development of horticulture including parks and open spaces including public grounds/ maidans.

(Para 9.98)

155. The grants for sanitation should come through two streams, namely, a basic grant and an incentive grant. The incentive grant would be equal to the collections made by the respective municipalities from user charges.

(Para 9.103)

156. For determining the basic grants for sanitation, we have adopted in the first instance, the allocation for the three MCDs indicated in the GNCTD Budget for 2016-17 (RE) and 2017-18 (BE). For 2018-19, we have proposed a growth over 2017-18 (BE) figures @ 20 per cent for MCD-East, 10 per cent for MCD-North and five per cent for MCD-South, keeping in view their respective financial positions. For 2019-20 and 2020-21, we have proposed a gradual reduction in the growth rate for grants, as we expect the MCDs to take greater recourse to user charges and compression of expenditure and reduce the dependence on GNCTD grants.

(Para 9.104)

157. For projecting the grants for medical relief (hospitals) and public healthcare for the MCDs, we have considered the actual expenditure for 2015-16 reported by the MCDs as base and applied 15 per cent annual growth rate for 2017-18 and 2018-19 to facilitate clearance of arrears of 7th CPC benefits and 12 per cent for other three years, namely, 2016-17, 2019-20 and 2020-21.

(Para 9.122 & 9.125)

158. The state grant for education to the municipalities should comprise a basic grant and an incentive grant. In respect of the MCDs, the basic grant should be equal to 80 per cent of the expenditure on education, while the incentive grant should be equal to the revenue raised from education cess, but limited to 10 per cent of the expenditure on education.

(Para 9.115)

159. In respect of NDMC and DCB, we propose no basic grant but only incentive grant for education, which should be equal to 25 per cent of the revenue raised from education cess.

(Para 9.116)

160. The total transfers from the GNCTD to the municipalities during 2012-13 to 2017-18 (BE),

including the Plan and non-Plan grants, have been of the order of 13 to 16 per cent of the net tax collections. Adding the MRF component @1.5 per cent of NTC, the transfers would be of the order of 15 to 17 per cent in each year.

(Para 9.79)

161. The total transfers proposed by us, inclusive of BTA and grants, amount to Rs. 5,278 crore for 2016-17 and rise gradually to reach Rs. 9,607 crore in 2020-21. However, these figures include the incentive grants also, which would depend on the achievements made by the municipalities in ARM.

(Para 9.132 & Table-9.19B)

162. The scheme of devolution recommended by us leads to a rise in the total transfer from the level of 14.8 per cent of NTC (excluding MRF) in 2015-16, 15.1 per cent in 2016-17 (RE) and 15.2 per cent in 2017-18 (BE) to 16.5 per cent in 2016-17, 17.3 per cent in 2017-18 and 18.1 per cent in 2018-19. However, in subsequent years, it declines to 17.9 per cent in 2019-20 and 17.6 per cent in 2020-21. This decline is on account of scaling down the level of grants for sanitation.

(Para 9.133)

163. The level of the incentive grants recommended by us, being 1.7 per cent of the NTC, compares well with the level of MRF (1.5 per cent) recommended by the 3rd DFC.

(Para 9.133)

164. As per our scheme of devolution, each of the five municipalities would be in surplus on revenue account during all the five years of our award period.

(Para 9.135 & Table-9.20)

165. The Balance on Revenue Account (BRA) for the GNCTD as determined by us is adequate to meet its expenditure liabilities on both, revenue as well as capital accounts even after transfers to the municipalities.

(Para 9.138 & Table-9.21)

Strengthening the DFC

166. The permanent Finance Commission Cell (FCC) in the GNCTD should be restructured, by placing it under a Secretary level officer of the Urban Development Department.

(Para 11.39)

167. The Secretary level officer heading the FCC

Table-9.19B: Transfer of Tax Share and Grants from GNCTD to Five Municipalities- DFC Estimates/ Recommendations for 2016-2021

(₹ crore)

Year	**Net Tax Collections (NTC) of GNCTD**	**Basic Tax Assignment (BTA)**	**Basic Grants***	**Incentive Grants***	**Total transfers (3+4+5)**	**Ratio of BTA to NTC** (3+2) (per cent)	**Ratio of Basic Grants to NTC** (4+2) (per cent)	**Ratio of Incentive Grants to NTC** (5+2) (per cent)	**Ratio of Total Grants to NTC** (4+5)÷(2) (per cent)	**Ratio of Total Transfers to NTC** (6+2) (per cent)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*
2016-17	32076	1925	3354	0	5278	6.0	10.5	0.0	10.5	16.5
2017-18	36791	2207	4162	0	6369	6.0	11.3	0.0	11.3	17.3
2018-19	41885	2513	4356	691	7561	6.0	10.4	1.7	12.1	18.1
2019-20	47796	2868	4860	810	8538	6.0	10.2	1.7	11.9	17.9
2020-21	54659	3280	5404	923	9607	6.0	9.9	1.7	11.6	17.6

*Basic Grants are for five sectors, namely, public works, sanitation, education, medical relief (hospitals) and public healthcare.
** Incentive Grants are for sanitation and education.

**Table-9.20: Projection of Deficit/Surplus of the Municipalities-
with BTA + Grants During 2016-2021**

(₹ crore)

Year	MCD / Unified MCD	MCD-East	MCD North	MCD-South	NDMC	DCB	Total for 5 Municipalities
2015-16 (Ac)	-1255	-548	-626	-81	-5	-30	-1290
2016-17	1501	365	598	538	265	286	2052
2017-18	2080	418	872	791	325	205	2610
2018-19	4598	745	1809	2044	489	278	5365
2019-20	5919	879	2313	2727	612	305	6837
2020-21	7310	1007	2847	3456	749	334	8393

**Table-9.21: Projection of GNCTD's Balance on Revenue Account (BRA)
After Transfer of BTA & Grants to Municipalities**

(₹ crore)

Year/AGR	Tax Revenue	Non-Tax Revenue	Grants from Centre	Total Revenue (2+3+4)	Revenue Expenditure (Excluding Transfers to Municipalities)	Transfers to Municipalities (BTA + Grants)	BRA After Transfer 5-(6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	29026	610	4258	33894	22921	3422	7551
2016-17	32400	700	4514	37614	27505	5278	4831
2017-18	37163	800	4785	42748	29705	6369	6674
2018-19	42308	920	5072	48300	32082	7561	8657
2019-20	48279	1058	5376	54713	34648	8538	11527
2020-21	55212	1217	5699	62127	37420	9607	15100

should automatically become the Secretary of the DFC, whenever constituted.

(Para 11.40)

168. The restructured permanent FCC should have suitable supporting staff.

(Para 11.41)

169. Upon the submission of the report by the DFC and its winding up, the same officer should continue to head the FCC in FD and look after the follow up activities for the DFC Report.

(Para 11.46)

170. Once the FCC is properly set up, the DFC should be assigned one year to submit the report, while state government should take no more than two months to take a decision on the recommendations.

(Para 11.44-11.46)

171. With a view to ensuring timely decisions on acceptance and implementation of the report of the 5th DFC, we suggest the following course of action:

a. The Lt. Governor should constitute a Committee of Secretaries (COS) to examine the Report of the 5th DFC and submit its recommendation to the GNCTD by 30th November 2017. The COS should be chaired by the Principal Secretary (Finance), with Principal Secretary (UDD), Principal Secretary (Education) and Principal Secretary (H&FW) as members. The COS may invite any other officers for consultation, as it might deem fit. The COS should be serviced by the Special Secretary (UDD).

b. The GNCTD should consider the report of the COS and take a decision before 31st December 2017.

c. The GNCTD should convene a special session of the Legislature by the 10th January 2018 to place the explanatory memorandum as to the decision/action taken on each one of the recommendations.

d. The UDD and other Departments concerned should issue the necessary orders/ letters etc., by 20th January 2018.

e. The Municipalities should factor in those decisions in their respective budgets in February 2018, leading to implementation of the same on or before 1st April 2018.

(Para 4.42)

Sudhir Krishna
Chairman

Vishwa Nath Alok
Member

Debolina Kundu
Member

Bal Krishna Sharma
Member

K. R. Kishore Member
Secretary

New Delhi
23rd October 2017

Chapter 2

Introduction

Constitution of the Commission

2.1. The Fifth Finance Commission for the National Capital Territory (NCT) of Delhi (in short, the “5th DFC” or the “Commission”) was constituted vide Order No.13/73/V-DFC/MB/UD/2016/643 dated 26th April 2016 (in short, “the Order”), under the provisions of Section 3 of the Delhi Finance Commission Act, 1994 (Delhi Act 10 of 1994). The Order had nominated Dr. Sudhir Krishna, former Secretary to the Government of India, Ministry of Urban Development, as Chairman and Shri K.R. Kishore, DANICS (retd.), as Member Secretary of the Commission. It had also stated that the Chairman and Member Secretary shall render full-time service and that the name of the other members shall be notified separately. The Order had stated that the Chairman and Members of the Commission should hold office for the period of 18 months commencing from the date of issue of notification constituting the Commission. Copy of the notification is placed at Annexure-2.1. The Order also details the terms of reference for the Commission, which is described in detail in the Part 1.2 of this chapter.

2.2. This notification was followed by another notification dated 12th September 2017 issued under section 107 A of the Delhi Municipal Corporation Act 1957 (66 of 1957) and Section 53 of the New Delhi Municipal Corporation Act (44 of 1994). Copy is placed at Annexure 2.1A.

2.3. By another notification dated 28th April 2017, Prof. Vishwa Nath Alok, Dr. Debolina Kundu and Dr. Bal Krishna Sharma were appointed as members of the Commission. Copy of the notification is placed at Annexure-2.2.

Terms of Reference

2.4. The terms of reference (TOR) for the Commission as described in paragraphs 4 to 17 of the notification (dated 26.4.2016) are reproduced below (renumbered as 1 to 14) and are compared with the TOR for the preceding DFCs in Para 2.7-2.13:

1. The Commission shall review the financial position of the Municipalities and make recommendations as to:

   (a) the principles which should govern-

      (i) the distribution between the Government of National Capital Territory of Delhi and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the government of National Capital Territory of Delhi which may be divided between them,

      (ii) the determination of the taxes, duties, tolls and fees which may be assigned to the Municipalities.

      (iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi, and

   (b) the measures needed to improve the financial position of the Municipalities.

2. In making its recommendations, the Commission shall have regard, among other considerations, to -

   i. the overall resource position of the Government of National Capital Territory of Delhi;

ii. the scope for economy in the municipal administration;

iii. the scope for improvement in resource mobilization by the Municipalities;

iv. tax effort made by the Municipalities;

v. adequate maintenance and upkeep of capital assets including those created or likely to be created under the Plan schemes till the end of March, 2016 (the expenditure provided therefore and the norms, if any, on the basis of which such expenditure is provided for maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored may be indicated),

vi. the requirements of the Municipal bodies for modernization of administration (for example e-governance) and upgrading the standards of services (the details for such expenditure provided for and manner in which this could be monitored may be indicated).

3. The Commission may review the functions assigned to Municipalities keeping in view the availability of resources, and the limitation of capacity especially with regard to the discretionary functions.

4. The Commission may make an assessment of the debt position of Municipalities as on 31st March, 2016 and suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the Government of National Capital Territory of Delhi (GNCTD).

5. The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the National Capital Territory of Delhi, as a special case.

6. The Commission must also focus on the following aspects which are essential for the long term strengthening of the local bodies:

   i. Securing effective linkages between asset creation and asset management, so that infrastructural services created are not only maintained effectively but also become self-sustaining over time;

   ii. Scaling of delivery of civic amenities;

   iii. Introduction of e-governance applications in core functions of municipal bodies;

   iv. Capacity building programmes for better financial management;

   v. Accounting reforms, adoption of double entry system and up-to-date accounting / audit system; and

   vi. e-procurement and development of a well-organized administrative system.

7. The Commission may in the first instance thoroughly analyze the internal and external revenue position of the local bodies for the last 10 to 15 years and then make realistic projections on the basis of some assumptions and additional resource mobilization based on revision of rates of tax and non-tax revenue.

8. The expenditures and revenues of local bodies to be assessed based on actual and normative expenditure needs. While assessing expenditure needs, the differences among the local bodies in fiscal capacity and expenditure need may also be considered.

9. The GNCTD will also furnish their projections of tax revenue and proposed capital investment under Plan on outgoing works and new works after meeting the expenses of GNCTD under non-Plan.

10. A comprehensive approach to the assessment of expenditure needs by taking both Plan and non-Plan expenditure of GNCTD may be adopted by the Commission before

Box-2.1: Article 243Y(1) of the Constitution

243Y. (1) The Finance Commission constituted under article 243-I shall also review the financial position of the Municipalities and make recommendations to the Governor as to–

(a) the principles, which should govern

(i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Municipalities at all levels of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees, which may be assigned to, or appropriated by, the Municipalities;

(iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the State;

(b) the measures needed to improve the financial position of the Municipalities; and

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Municipalities.

recommending the outgo of tax revenue in the form of BTA to local bodies.

11. The Commission may also study the present activities of local bodies and see whether some of their functions, i.e. major hospitals, etc. can be transferred to GNCTD, which may reduce their expenditure.

12. The Commission may also look into the scope for better fiscal management consistent with efficiency and economy in major components of recurring and non-recurring items of expenditure of local bodies.

13. The Commission shall also indicate in its report the basis on which it has arrived at its findings and indicate, as far as possible, the estimates/forecasts of receipts and disbursements for all the Municipalities together as well as separately for each of such bodies.

Box-2.2: Section 107A of the Delhi Municipal Corporation Act 1957

107A. Constitution of Finance Commission

(1) The Administrator 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 Corporation and to make recommendations to the Administrator as to, —

(a) the principles which should govern, —

(i) the distribution between the National Capital Territory of Delhi and the Corporation of the net proceeds of the taxes, duties, tolls and fees leviable by the National Capital Territory of Delhi which may be divided between them;

(ii) the determination of the taxes, duties, tolls and fees, which may be assigned to or appropriated by the Corporation;

(iii) the grants-in-aid to the Corporation from the consolidated fund of the National Capital Territory of Delhi;

(b) the measures needed to improve the financial position of the Corporation; and

(c) any other matter referred to the Finance Commission by the Administrator in the interest of sound finance of the Corporation.

(2) The Legislature of the National Capital Territory of Delhi may by law provide for the composition of the Commission, the qualifications, which shall be required for appointment of members thereof, and the manner in which they shall be selected.

(3) The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the National Capital Territory of Delhi, may, by law, confer on them.

(4) The Administrator shall cause every recommendation made by the Commission under this section together with an explanatory memorandum as to the action taken thereon to be laid before the Legislative Assembly of the National Capital Territory of Delhi.

Box-2.3: Section 53 of the New Delhi Municipal Council Act 1994

53. Constitution of Finance Commission

(1) After the commencement of the Act, the Finance Commission referred to in sub-section (1) of section 107A of the Delhi Municipal Corporation Act 1957(66 of 1957) shall review the financial position of the Council and make recommendations to the Administrator as to,—

(a) the principles which should govern,—

(i) the distribution between the National Capital Territory of Delhi and the Council of the net proceeds of the taxes, duties, tolls and fees leviable by the National Capital Territory of Delhi which may be divided between them;

(ii) the determination of the taxes, duties, tolls and fees, which may be assigned to or appropriated by the Council;

(iii) the grants-in-aid to the Council from the consolidated fund of the National Capital Territory of Delhi;

(b) the measures needed to improve the financial position of the Council;

(c) any other matter referred to the Finance Commission by the Administrator in the interest of sound finance of the Council.

(2) The Administrator shall cause every recommendation made by the Commission under this section together with an explanatory memorandum as to the action taken thereon to be laid before the Legislative Assembly of the National Capital Territory of Delhi.

14. The Commission shall submit its report within 18 months from the date of issue of notification constituting the Commission on each of the matters aforesaid and covering a period of five financial years starting from April 1, 2016.

2.5. A comparison of the TOR for 5th DFC with that of the preceding DFCs (see Para 1.3) indicates that these TORs are broadly in line with the framework for the SFCs mandated in the Constitution vide Article 243Y(1), read with Section 107A of the Delhi Municipal Corporation Act 1957 and Section 53 of the New Delhi Municipal Council Act 1994. These provisions are reproduced in Box-2.1, Box-2.2 and Box-2.3, respectively.

2.6. The tasks for the SFCs stated in clause 1(a) of Article 243Y with all its sub-clauses and clause 1(b), as reflected in the relevant provisions of the DMC Act and NDMC Act, have found full iteration in the TORs for all the 5 DFCs including the present one. However, the task stated in clause 1(c) has been stated with significant elaboration in the TORs of the DFCs. Additionally, the TORs have also indicated the approach that the DFC should adopt in making its analyses and recommendations. This two-pronged elaboration implies that the DFC should, on one hand, assess the overall resource position of the Government of Delhi and, on the other, of the municipalities as well and in doing so, also assess the scope of economy in municipal administration and the scope for improvement in resource mobilisation by the municipalities.

TOR for the Earlier DFCs

2.7. The TOR for the First DFC remains significant inasmuch as it was the first DFC for the NCT and for that reason, we recall the TOR for the 1st DFC as below.

The Commission shall –

(a) Determine the manner, principles and procedure, which should govern:

(i) the distribution between the National Capital Territory of Delhi and the Municipalities, of the net proceeds of the taxes, duties, tolls and fees leviable by the National Capital Territory of Delhi which may be divided between them;

(ii) the determination of the taxes, duties, tolls and fees, which may be assigned to or appropriated by the Municipalities;

(iii) the grants-in–aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi and

(b) The measures needed to improve the financial position of the Municipalities. While making its recommendation, the Commission shall have regard, among other considerations, to-

(i) the overall resource position of the Government of the National Capital Territory of Delhi;

(ii) the scope for economy in the Municipal Administration;

(iii) the scope for improvements in resource mobilisation by the Municipalities; and

(iv) the tax efforts made by the Municipalities.

The Commission shall make its report available by 31 March, 1996 on each of the matters aforesaid and covering a period of five financial years commencing from the 1st April, 1996. It shall also indicate in the report the basis on which it has arrived at its findings and state, as far as possible, the estimates/ forecasts for all the Municipalities together, as well as separately for each of such bodies.

2.8. The TOR for the First DFC were not only in broad consonance with the constitutional provisions and intent, but also laid the framework for the future DFCs.

2.9. For the Second DFC, the TOR added a few new sub-themes, namely, to consider the requirement to assess the costs of maintenance of capital assets, and for modernisation of administration, and make recommendation on the debt position of the municipalities. It also required the DFC to make recommendations on the devolution for the Delhi Cantonment Board out of the Consolidated Fund of the NCT. These additions have continued to remain a part of the TORs for the subsequent DFCs.

2.10. The TOR for the Third DFC retained the items stated in the TOR for the preceding DFC. However, it added the issue of computerisation of records along with modernisation of administration as an issue for examination in respect of the municipalities. A significant addition to the TOR for the 3rd DFC was the requirement to review the functions assigned to the municipalities, keeping in view the availability of resources, especially in regard to their discretionary functions. The TOR also required the 3rd DFC to assess the debt position of the municipalities and suggest corrective measures.

2.11. The TOR for the Fourth DFC also required it to focus on the need for avoiding duplication of responsibilities between the state government and the municipalities. It also required the DFC to evolve rational resource allocation principles that emphasise the deficit of infrastructure, services and amenities between different zones of the municipalities. It also required the DFC to focus on the accountability of the municipalities in relation to their agency functions, that is, functions performed by the municipalities on behalf of the state government.

2.12. For the Fifth DFC, the aforesaid aspects were retained in the TOR and, in some respects, made more elaborate. For example:

a. The requirement of the municipalities for modernisation (including e-governance and e-procurement) of administration and upgrading of standards of services should be assessed, along with a framework for monitoring of such expenditure.

b. Securing effective linkages between asset creation and asset management to ensure self-sustainability.

c. Scaling of delivery of civic amenities.

d. Accounting reforms (including adoption of double entry accounting system).

e. Capacity building programmes for better financial management.

2.13. Most of the items listed in the preceding paragraph had appeared in one or the other form in the TOR of the earlier DFCs also. All the same, we still feel that the evolutionary approach to the TOR has made the task for the present DFC quite comprehensive.

Composition of the Earlier DFCs

2.14. Pursuant to the enactment of the 74th amendment to the Constitution, states were required to constitute State Finance Commission every five years. The NCT of Delhi has so far constituted five Delhi Finance Commissions (DFCs). The details of the composition, dates of constitution and of submission of the report and the period covered in respect of the previous and the present DFCs are presented in Annexure-2.3.

2.15. We have examined the issues relating to timely constitution of the DFCs, submission of their reports and action taken thereon, in the next chapter.

Design of the Report

2.16. While designing the layout of our report, we took a close look at the template for the SFC Reports proposed by the 13th Finance Commission. We have broadly adopted that template with some changes to meet the requirements of our concerns. Our chapter scheme is described in brief as below.

2.17. Chapter 1 gives a summary of our recommendations. Chapter 2, titled ‘Introduction’, states the facts about the constitution of the Commission and its terms of reference (TOR). It also analyses the evolution of the TORs for the successive DFCs and describes the design of our report. Chapter 3, titled ‘Issues and Approach’, presents the status of the municipalities in Delhi through an evolutionary analysis based on legal, administrative, economic, and demographic frameworks. This chapter sets up the contours for addressing the issues stated in the TOR and the approach to be followed for the purpose.

2.18. Chapter 4 is titled as ‘Recommendations of Previous Finance Commissions' and examines the action taken on recommendations of the First to Fourth DFCs. Chapter 5, titled as 'Finances of Government of Delhi' undertakes a review of state finances over a period of 10-15 years, covering the receipts and expenditure on capital and revenue accounts and Plan and non-Plan accounts. It also examines the trends in fiscal transfers to municipalities through tax sharing, grants and loans.

2.19. Chapter 6 is titled as 'Receipts of the Municipalities' and deals with the trends in the mobilisation of revenue by the municipalities from various sources, including the tax and non-tax sources and also explores the possibilities of additional resource mobilisation through the existing and the possible new sources. Chapter 7 deals with the expenditure of the municipalities under different sectors, with further examination in respect of the core functions of the municipalities, namely, education, sanitation, medical relief, healthcare and roads.

2.20. Chapter 8 examines the debt position of the municipalities and proposes a sustainable framework for the future. Chapter 9 is titled as 'Assessment of the Finances of the Municipalities and Scheme of Devolution' and presents a consolidated assessment of the resource gaps of the municipalities in financial terms and our scheme for devolution. It also explains the impact of our scheme of devolution on the state finances.

2.21. Chapter 10 examines the issues relating to ‘Accountability, Audit and Oversight', while Chapter 11 discusses the issues relating to ‘Governance Reforms and Capacity Enhancement’ and are titled as such, respectively. Chapter 12 describes some of the ‘Best Practices of the Municipalities’ in Delhi in financial management and in delivery of services.

2.22. While we have presented certain financial and other information in the tables under various chapters, detailed background datasheets have been placed as Annexures after Chapter 12 followed by the references of the information sources used.

Chapter 3

Issues and Approach

Evolution of the Administrative Status of Delhi

3.1. The National Capital Territory (NCT) of Delhi is a city state with a large population of about 1.68 crore, settled in a relatively compact area of 1,484 square kms. There are no panchayats in the NCT and the entire area is covered by the five municipalities, namely, the Municipal Corporation of Delhi (MCD)-East, MCD-North, MCD-South, New Delhi Municipal Council and Delhi Cantonment Board.

3.2. Delhi was constituted as the Chief Commissioner's Province in 1911, when the capital of the British India was transferred from Kolkata to Delhi. To begin with, this province comprised the Delhi Tehsil and Mehrauli Thana, taken from the Lt. Governor's Province of Punjab. In course of time, some areas of the then United Province were added to the Chief Commissioner's Province of Delhi. The status of Delhi as a centrally administered territory continued through the enactment of the Government of India Acts of 1919 and 1935, which determined the administrative status of the provinces, among other matters.

3.3. In the Constitution of the independent India adopted in 1950, Delhi was included in the category of Part 'C' states. Subsequently, a law titled as the Government of Part 'C' States Act 1951 was enacted, which provided for constitution of a Legislative Assembly for Delhi with power to legislate on all matters contained in the State and Concurrent Lists, but with the exception of certain matters such as public order, police, utilities such as water supply, drainage, electricity and transport, municipal corporations, lands and buildings of the Union, etc. for which the legislative powers were assigned to the Parliament. The Legislative Assembly of Delhi was constituted accordingly on 17th March 1952.

3.4. Pursuant to the Constitution (Seventh Amendment) Act 1956, which provided for re-organisation of states, Delhi, along with other Part 'C' states, was converted into a Union territory (UT) with no legislature and the Chief Commissioner was re-designated as the Administrator. Consequently, the Legislative Assembly of Delhi, which was first constituted on 17th March 1952 under the Government of Part 'C' States Act, 1951, was abolished on 1st October 1956.

3.5. Subsequently, the Constitution (Fourteenth Amendment) Act 1962 provided for creation of Legislatures and Councils of Ministers in the Union territories of Himachal Pradesh, Manipur, Tripura, Goa, Daman & Diu and Puducherry broadly on the pattern of the scheme which was in force in some of the Part 'C' States before the reorganisation of the states. However, Delhi was excluded from the arrangements relating to creation of Legislatures and Councils of Ministers and was administered directly by the Union Government through the Administrator.

3.6. In June 1966, Parliament enacted the Delhi Administration Act, 1966, which provided for constitution of Metropolitan Council for Delhi, with 56 members directly elected from respective constituencies and five non-official members nominated by the Union Government. The Metropolitan Council was to elect two members to be Chairman and Deputy Chairman, respectively. The functions of the Council were limited to discussing and making recommendations to the Lt. Governor on various matters enumerated in the State List or the Concurrent List.

3.7. The governance structure of Delhi underwent another major change through the Constitution (Sixty-ninth Amendment) Act 1991, and the Government of National Capital Territory of Delhi Act 1991. Both these Acts came into effect from 1st February 1992. These enactments declared the Union territory of Delhi to be formally known as National Capital Territory of Delhi, the Administrator as the Lieutenant Governor and also enabled the re-establishment of the Legislative Assembly for the NCT in the year of 1993. On the legislative side, these laws empowered the Legislative Assembly of Delhi to make laws with respect to any of the matters enumerated in the State List or in the Concurrent List insofar as any such matter was applicable to Union territoriesexcept the matters with respect to public order, police and land of the State List.

3.8. The Government of National Capital Territory of Delhi Act, 1991 also provided for establishment of the Consolidated Fund of the National Capital Territory of Delhi, which would comprise all revenues received in the Capital by the Government of India or the Lieutenant Governor in relation to any matter with respect to which the Legislative Assembly has power to make laws, and all grants made and all loans advanced to the Capital from the Consolidated Fund of India and all moneys received by the Capital in repayment of loans. The Act also provided for establishment of a Contingency Fund for the NCT, like in all other states. However, the Public Account of the NCT continues to be maintained by the Government of India.

Trends in the Demographics of the NCT

3.9. The geographical area of Delhi is 1,484 sq. km. which is just about 0.05 per cent of the country's total geographical area of 32,87,469 sq. km. However, Delhi has a population of 1.675 crore, which is about 1.38 per cent of the country's population (Census 2011). The decennial figures of population and growth rates for Delhi and India are presented in the Table- 3.1.

3.10. We can draw some inferences from Table-3.1. *First*, the decadal growth rate of population has come down very significantly for Delhi, from a high of 90 per cent in 1941-1951,the decade which had seen the influx of migrants of partition and around 50 per cent during the period of next five decades, that is, 1951-2001, to 21.60 per cent in the decade of 2001-2011. *Second*, India's overall population growth too has declined, from the levels of 21-25 per cent during 1961-2001 to below 18 per cent in 2001-2011. *Third*, for India as a whole, the decadal growth of even the urban population has also declined, from the level of 36 to 46 per cent during 1941 to 1991 (with the exception of 1951-1961), to the level of 31 per cent during 1991-2011, which is higher than the population growth of Delhi for 2001-2011. *Fourth*, the share of Delhi in India's total population has grown continuously from 0.17 per cent in 1901, reaching the level of 1.38 per cent in 2011.

Table-3.1: Population Trends of Delhi vis-à-vis India during 1901 to 2011

Census	Population-NCT	Decadal Growth in %	Population-India	Decadal Growth in %	Share of Delhi in India (%)	Population-India (Urban)	Decadal Growth in %
1901	4,05,819	-	23,83,96,327	-	0.17	2,58,51,873	-
1911	4,13,851	2.00	25,20,93,390	5.75	0.16	2,59,41,633	0.35
1921	4,88,452	18.00	25,13,21,213	-0.31	0.19	2,80,86,170	8.27
1931	6,36,246	30.30	27,89,77,238	11.00	0.23	3,34,55,989	19.12
1941	9,17,939	44.30	31,86,60,580	14.22	0.29	4,41,53,297	31.97
1951	17,44,072	90.00	36,10,88,090	13.31	0.48	6,24,43,709	41.42
1961	26,58,612	52.40	43,92,34,771	21.64	0.61	7,89,36,603	26.41
1971	40,65,698	52.90	54,81,59,652	24.80	0.74	10,91,13,977	38.23
1981	62,20,406	53.00	68,33,29,097	24.66	0.91	15,94,62,547	46.14
1991	94,20,644	51.40	84,64,27,039	23.87	1.11	21,76,11,012	36.47
2001	1,37,82,976	46.30	1,02,87,37,436	21.54	1.34	28,61,19,689	31.48
2011	1,67,53,235	21.60	1,21,01,93,422	17.64	1.38	37,71,05,760	31.80

Source: Census of India, various years.

3.11. It would be interesting to note that the Technical Group on Projection of Population for India and the States for 2001-2026, constituted by the National Commission on Population, Ministry of Health & Family Welfare, had projected the population of Delhi for 2011 as 184.51 lakhs, which was adopted by the Census Commissioner of India. The Master Plan for Delhi-2021 prepared by the Delhi Development Authority had projected a figure of 182 lakh for the population of Delhi for 2011. However, the final count of population as per Census 2011 declared it as 167.53 lakh only, which was short of the projections by almost 9 per cent.

3.12. The decline in the decadal growth rate of population during the last census decade was not unique for Delhi only, as the other mega cities of Kolkata and Mumbai witnessed the same trend, as may be seen in Table-3.2.

Table-3.2: Decadal Growth Rate of Population in Mega Cities of Delhi, Kolkata and Mumbai vis-à-vis all Cities in India

City	1991-2001	2001-2011
Mumbai	30.5	12.1
Delhi	47.0	21.0
Kolkata	19.6	6.9
All Cities	27.4	31.8

Source: Census of India.

3.13. Thus, while urbanisation is growing for India as a whole, the mega cities are seeing a decline in their growth rates. This trend would need to be noted by urban and regional planners and city managers.

3.14. We can still surmise that Delhi continues to remain important for the country and keeps attracting people, even though the growth rate of population has declined during recent years (2001-2011). Accordingly, all institutions, including the municipalities, will have to remain prepared to meet the challenges of providing services to the ever-growing population of the NCT.

Gender Ratio

3.15. Skewed gender ratio has remained a matter of concern for the country as a whole as also for the NCT. The all India ratio of females per 1,000 males showed improvement from 933 in 2001 to 940 in 2011, while for the Urban India, it rose from 900 to 926. However, for Delhi, though it rose from 821 to 866, it still remains well below the national average and still lower when compared to the high-urbanised states such as Karnataka (968), Kerala (1.084), Mizoram (975), Tamil Nadu (995) and Puducherry (1,038). Details for all States/UTs may be seen in Annexure-3.1.

3.16. It is desirable for the state government, and the municipalities, to take note of the situation of a highly skewed gender ratio in the NCT and focus their policies and programmes to address the issue.

Economic Scenario of Delhi

3.17. Even though the NCT is smaller than any of the 29 Indian states in terms of geographical area and smaller than most of the states in terms of population, its stands significantly apart in comparison with most of the states in many of the economic terms. For instance, its per capita income (at current prices) for 2016-17 at ₹ 3,03,073 is three times the all India average of ₹ 1,03,818, while the corresponding figures at constant prices stood at ₹ 2,40,318 and ₹ 82,112, respectively. A comparative picture of the per capita income of all states and UTs is available only till 2014-15 and for that year, the per capita income (current prices) for Delhi was ₹ 2,49,004, which was the highest among all states and UTs. Furthermore, despite having less than 0.05 per cent of the area and only 1.38 per cent of the population of India, Delhi's gross state domestic product (GSDP) for 2016-17 (advance estimates) at ₹ 6,22,385 crore is 4.08 per cent of the All India GDP figures of ₹ 1,52,51,028 crore[1].

3.18. The economy of Delhi is driven mainly by the tertiary sector, which contributed 82.26 per cent of gross state value added (GSVA) for 2016-17 (advance

[1]Estimates of the State Domestic Product of Delhi 2016-17, Directorate of Economics & Statistics, Delhi, March 2017.

estimates at current prices), followed by the secondary sector (14.84 per cent) and primary sector (2.90 per cent). In the tertiary sector, the largest contribution came from real estate and professional services (29.81 out of 82.26 per cent), followed by financial services (14.83 per cent), transport, storage and communication (12.07), trade, hotels & restaurants (11.69) and trade and repair services (10.69). In the secondary sector, manufacturing contributed 8.41 per cent of GSVA[2].

3.19. Even though the NCT represents only about 1.38 per cent of the total population of the country, its contribution to the GDP is not only much higher, but has also improved over the years, as the data in Table-3.3 indicate.

3.20. As we see, in 2004-05 Delhi contributed 3.38 per cent to the GDP of the country, the ratio of which improved to 3.95 per cent in 2013-14 and further, to 4.08% in 2016-17. The per capita income (NSDP) at current prices for Delhi was ₹ 63,877 in 2004-05, which was 2.65 times the All India figure of ₹ 24143. In 2013-14, this ratio went up to 2.90, and in 2016-17, to 2.92, with Delhi's per capita income for 2016-17, being ₹ 3.03 lakh, against the All India figure of ₹ 1.04 lakh.

Growth Rate for GDP

3.21. We have compared the GSDP data for Delhi with the GDP data for All India for the period 1999-2000 to 2016-17 (at current prices), which is presented in Table-3.4.

3.22. It is apparent that the GSDP for Delhi has been growing faster than the GDP for the country as whole. This should be a good news for the state government for resource mobilisation and we have tried to make it a good news for the municipalities as well, through our scheme for fiscal reforms and resource sharing.

Composition of Delhi's Economy

3.23. Delhi's economy was dominated by the tertiary sector (services) in 2005-06 and it continues to be so even now, as may be seen in comparison with rest of the country in Table-3.5.

Evolution of the Municipal Bodies in Delhi

3.24. Even though Delhi became the seat of the Government of India only in 1911, the local government system, somewhat similar to the present arrangements, had continued to evolve for decades even prior to that. A Delhi Municipal Commission was established in 1862 under the Improvement in Towns Act, 1850 (Act 26 of 1850). This Act authorised the provincial governments to introduce provisions for constructing, repairing, cleaning, lighting or watering of any public streets, drains or tanks for the prevention of nuisances or for improving the town. The Delhi Municipal Commission so constituted covered an area of 3.2 square kilometers and population of 1.21 lakh. It was renamed as Delhi Municipal Committee in 1883. During the years that followed, many other local authorities were set up in the vicinity of the Delhi Municipal Committee under the provisions of the Punjab District Boards Act 1883 (2 of 1883) and the Punjab Municipal Act 1911 (3 of 1911).

Table-3.3: Comparison of Delhi with All India for GDP and Per capita Income at Current Prices

Sl. No.	Indicator	2004-05 @	2013-14 @@	2016-17 @@
1	All India GDP- ₹ crore	29,71,464	1,12,36,635	1,52,51,028
2	GSDP-Delhi- ₹ crore	1,00,325	4,43,783	6,22,385
3	Ratio of (2) to (1)	3.38%	3.95%	4.08%
4	Per capita Income- All India (₹)	24,143	79,146	1,03,818
5	Per capita Income- Delhi (₹)	63,877	2,29,518	3,03,073
6	Ratio of (5) to (4)	2.65	2.90	2.92

Source: DES, Delhi, March 2017.
@ 2004-5 series; @@2011-12 series.
Note: 2016-17 data are as per advance estimate.

[2]Ibid.

Table-3.4: Gross State Domestic product (GSDP) of Delhi Vs Gross Domestic Product (GDP) of All India (At Current Prices)

(₹ Crore)

A. GSDP (Delhi) Vs GDP (All India) with base year 1999-00						
	1999-2000	2000-01	2001-02	2002-03	2003-04	AAGR
GSDP (Delhi)	55220	60125	65027	71361	79468	9.41
Growth over previous year (%)	–	8.88	8.15	9.74	11.36	
GDP (All India)	1786526	1925017	2097726	2261415	2538170	9.02
Growth over previous year (%)	–	7.75	8.97	7.80	12.24	

B. GSDP (Delhi) Vs GDP (All India) with base year 2004-05								
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	AAGR
GSDP (Delhi)	100325	115374	135584	157947	189533	217619	252753	16.92
Growth over previous year (%)	–	15.00	17.52	16.49	20.00	14.82	16.14	
GDP (All India)	2971464	3390503	3953276	4582086	5303567	6108903	7248860	15.96
Growth over previous year (%)	–	14.10	16.60	15.91	15.75	15.18	18.66	

C. GSDP (Delhi) Vs GDP (All India) with base year 2011-12							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	AAGR
GSDP (Delhi)	343767	391238	443783	492424	551963	622385	12.44
Growth over previous year (%)	–	13.81	13.43	10.96	12.09	12.76	
GDP (All India)	8736329	9944013	11233522	12445128	13682035	15183709	11.54
Growth over previous year (%)	–	13.82	12.97	10.79	9.94	10.98	

Source: GSDP (Delhi) & GDP (All India) from C.S.O, Ministry of Statistics & Programme Implementation, GOI, Published on 23.8.2017

3.25. In 1957, the Municipal Corporation of Delhi (MCD) was constituted under the provisions of the newly enacted Delhi Municipal Corporation Act 1957 (66 of 1957), by amalgamating 10 such local bodies namely, (1) The Municipal Committee, Delhi; (2) The Notified Area Committee, Civil Station; (3) The Notified Area Committee, Red Fort; (4) The Municipal Committee, Delhi-Shahdara; (5) The Municipal Committee, West Delhi; (6) The Municipal Committee, South Delhi; (7) The Notified Area Committee, Mehrauli; (8) The Notified Area Committee, Najafgarh; (9) The Notified Area Committee, Narela; and (10) The District Board, Delhi, leaving out only the New Delhi Municipality and the Delhi Cantonment Board (DCB) areas. The newly enacted MCD Act, 1957 also provided for amalgamation of three major service agencies created under different statutes to merge into the MCD. These were the Delhi State Electricity Board, the Delhi Road Transport Authority, and the Delhi Joint Water and Sewage Board. The idea was to have a unified body to administer the municipal government of Delhi.

3.26. Thus the NCT was divided among three local bodies, namely, the MCD, the NDMC and the DCB. In February 2012, the MCD was trifurcated into MCD-East, MCD-North and MCD-South, taking the number of municipalities in Delhi from three to five. The area and population details of these five municipal bodies are presented in Table-3.6.

Table-3.5: GSDP/ GSVA (Delhi) Vs GDP/GVA (All India) at Current Prices

(₹ crore)

Sl. No.	Sector	2005-06				2010-11				2015-16			
		GSVA (Delhi)	%	GVA (All India)	%	GSVA (Delhi)	%	GVA (All India)	%	GSVA (Delhi)	%	GVA (All India)	%
1	Primary	1115	1	732234	22	2363	1	1524552	21	14234	3	2471800	20
2	Secondary	20489	18	859410	25	35971	14	1763584	24	69234	14	3392873	27
3	Tertiary	93770	81	1798859	53	214418	85	3960723	55	397368	83	6593969	53
4	Total	115374	100	3390503	100	252753	100	7248860	100	480836	100	12458642	100

Source:
1. GDP/GVA (All India) from Central Statistics Office, Govt. of India.
2. GSDP/GSVA (Delhi) from Directorate of Economics & Statistics (DES), GNCTD

Notes:
1. Estimates for the year 2015-16, as released through the Press Note dated 31.01.2017 on First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation have been updated due to incorporation of new series of IIP and WPI with base year 2011-12, released in May 2017.
2. Primary: Agriculture, fishing, mining etc.; Secondary: Manufacturing, utility, construction; Tertiary: Services.
3. Base year for 2005-06 and 2010-11 data is 2004-05; and for 2015-16 data, 2011-12.

3.27. The data in Table-3.6 indicate that (*a*) the three MCDs make up to as much as 97.81 per cent of the area and 94.23 per cent of the population of the NCT, (*b*) MCD- North and MCD-South are almost equal in terms of area and population, (*c*) MCD-East is about 2/3 in terms of area vis-à-vis MCD-North and MCD-South, and (*d*) Population density of MCD-East being 37,281 persons per sq. km. is almost four times that of MCD-North and MCD-South and six times that of NDMC and higher than that of Mumbai, which is 31,700.

3.28. The demographic and related data for the five municipalities of Delhi, as compiled from the basic database of the Directorate of Census Operations, Delhi, give some more information about the comparative status of the municipalities, as may be seen in Table-3.7.

Table-3.6: Area and Population of the Municipal Bodies in Delhi

Municipal Body[3]	Area		Population-2011		Population Density	Number of wards
	Sq. km.	Share in NCT (in %)	Persons (in Lakhs)	Share in NCT (in %)	Persons per sq. km.	
MCD- East	105.98	7.14	39.51	23.53	37281	64
MCD- North	636.37	42.85	62.55	37.26	9829	104
MCD- South	656.91	44.24	62.14	37.01	9459	104
MCD (Combined)	1399.26	94.23	164.20	97.81	11735	272
New Delhi Municipal Council (NDMC)	42.74	2.88	2.58	1.54	6036	-
Delhi Cantonment Board (DCB)	42.97	2.89	1.10	0.66	2560	-
Total (NCT)[4]	1484.97	100.00	167.88	100.00	11305	-

Source: Area details from the Municipalities concerned. Population data constructed by the 5th DFC from the Census 2011 data for the unified MCD.

[3]Data for the three MCDs has been reconstructed by the 5th DFC from the database of Census 2011.
[4]The geographical area of Delhi is shown in some documents as 1,483 sq. km., whereas the aggregate of the geographical area of the individual municipalities adds up to 1,484.97 sq. km.

Table-3.7: Gender Ratio, Share of SC in Population and Literacy Ratios in the Municipalities of Delhi as per Census 2011

S. No.	Municipality	No. of females per 1000 males	Share in Female Population of Delhi	Share in SC Population	Literacy Ratio- All	Literacy Ratio- Female	Ratio of Worker (Main+Marginal) Population to Total Population
1	MCD-East	885	23.8	23.3	75.0	70.3	31.4
2	MCD-North	866	37.2	43.1	74.9	70.1	33.3
3	MCD-South	863	36.9	31.3	77.1	72.2	33.9
4	DCB	731	0.6	0.6	79.5	74.1	41.6
5	NDMC	838	1.5	1.7	82.1	77.9	41.6
6	Total- NCT	868	100	100	75.9	71.1	33.3
7	India	943			74.0	65.5	

Source: Census 2011.

3.29. The data in Table-3.7 indicate that the five municipalities are fairly similar in terms of gender ratio which is equally poor in all, though worse in DCB, and literacy rate for females. The distribution of the population of the Scheduled Castes is more or less on the same pattern as of the overall population.

Status of the Delhi Cantonment Board

3.30. The issue of tax sharing for the Delhi Cantonment Board (DCB) has remained a matter of special discussion in the reports of each of the earlier DFCs. We summarise the same in the following paragraphs.

3.31. The TOR for the 1st DFC did not make any specific mention about DCB. However, the 1st DFC still deliberated on the matter, presumably because the DCB was already in receipt of certain transfers from the state government. The 1st DFC felt that the DCB did not qualify as a 'municipality' as it did not meet the criteria laid down in Part-IXA of the Constitution. It also stated that the transfers for the DCB could be met by separate grants over and above the devolution recommended by it for the MCD and the NDMC. In the explanatory note as to the action taken, the GNCTD did not discuss the issue of fiscal transfers to the DCB.

3.32. The TOR for the 2nd DFC made a specific mention about DCB, stating that the Commission may make recommendations on the financial devolution to the DCB as a special case. The Commission recommended that the devolution to DCB may continue as per the current practice, retaining the rate of 66 per cent of eligible expenditure on education, as grant-in-aid for DCB, but did not include DCB in the global tax sharing. In the explanatory note as to the action taken, the GNCTD stated acceptance of the recommendations of the 2nd DFC regarding devolution to the DCB.

3.33. The TOR for the 3rd DFC also made a specific mention about DCB, stating that the Commission may make recommendations on the financial devolution to the DCB as a special case. The 3rd DFC stated as follows:

> "It is our considered view, as noted by the first Finance Commission that the Delhi Cantonment Board does not qualify as a municipality because it does not meet the criteria laid down in Part IX A of the Constitution. It is a body functioning directly under the control of the Ministry of Defence. For historical reasons GNCTD may consider continuing some non-plan transfers and phase out the transfers over this award period. The amount of the transfer in the first year of the award period to the DCB may be Rupees 5 crore on an adhoc basis. This shall be subject to decrease of one crore every year for the remaining years of the award period. This will be a lump-

sum amount in lieu of all non-plan transfers including compensation, assignments and non-plan grants being released presently. Further, the DCB shall be required to spend at least 50 per cent of the annual amount in villages falling in the jurisdiction of the Board."

3.34. In the explanatory note as to the action taken, the GNCTD did not accept the recommendations of the 3rd DFC and, instead, decided that (*a*) to continue to pay to the DCB grant-in-aid equivalent to 70 per cent of the eligible expenditure on primary education at par with NDMC and MCD and, in addition, an amount equivalent to 0.07 per cent of the government's net tax revenues by way of tax assignment.

3.35. The TOR for the 4th DFC did not make any specific mention about DCB and the 4th DFC too in its report did not make any specific recommendations about DCB. In the explanatory note as to the action taken, the GNCTD did not make any specific mention about DCB.

3.36. The TOR for the 5th DFC states "The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the National Capital Territory of Delhi, as a special case." We have examined the issue of status of the DCB as a municipality and its entitlement for tax share and grants, in some details, though we admit that a more detailed inquiry would be helpful, not only in relation to the DCB, but also to all other cantonments in the country.

3.37. Section 10 of the Cantonments Act 2006 states that every Cantonment Board shall be deemed to be a municipality under Clause (*e*) of article 243P of the Constitution for the purposes of receiving grants and allocations and implementing the Union government schemes for social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education. However, the Cantonments Act does not make any reference to the State Finance Commission, which is available in most of the State Municipal and Panchayat Laws and we have cited the Delhi Municipal Laws already.

3.38. The Director General Defence Estates agreed to examine the issue of amending the Cantonments Act 2006 so as to include a reference to the State Finance Commission (SFC), to define the relation between the SFCs and the Cantonment Boards, unequivocally. Meanwhile, we have also noted that the DCB has got a better democratic structure than the NDMC, inasmuch as the DCB has elected ward councilors, while the NDMC has none.

3.39. After examining the various aspects of the TOR in relation to the DCB, this Commission has decided to consider DCB as a Municipality at par with the NDMC and applied all the ratios and principles for BTA and grants for the DCB accordingly.

Information Sources Utilised

3.40. A variety of data sources have been used for our analysis. This included the budget documents, finance accounts, annual reports, audit reports, memoranda and other information made available to us by the municipalities, authorities and organisations concerned. We also made use of many other official documents available on the website and in print. Considerable information has also been secured by way of letters and emails from the municipalities and government departments/organisations, wherever we needed supplementary information. We also secured substantial information, for clarity on issues, in the series of meetings that we conducted. Some of these meetings were convened in the backdrop of the studies commissioned by us, while many other meetings were convened for our own requirements of information and clarification. We have cited such information sources at relevant places in our report. Representatives of all municipalities participated in most of our meetings.

Web Portals of Departments and Organisations

3.41. At the very outset of our functioning, we advised all the line departments and municipal bodies, on 23rd June, 2016, to nominate senior officers as nodal officer for interaction on the issues relevant for our work. We also advised them to place the following information on their respective websites:

a. Annual budget for the last 10 years (2005-06 to 2015-16) & for 2016-17.

b. Annual accounts for the last 10 years (2005-06 to 2015-16).

c. Annual and special (if any) audit reports for the last 10 years (2005-06 to 2015-16).

d. Departmental manuals, notifications, orders, etc. relevant for the themes.

e. Guidelines, progress reports, evaluation reports, etc. in respect of schemes/programmes.

f. Study reports relevant to the themes.

g. Reports of any Legislature/Council Committees/ Sub-Committees.

h. Any other information/document that they would consider useful.

A large number of departments followed our advice and that helped us secure the data and also enabled us to make use of the same, in a faster manner.

Newspaper Advertisement and Meetings with Institutions

3.42. We decided to elicit response from the people at large including experts and all other interested persons/ institutions, by way of issuing an advertisement, which was published in leading newspapers in the four languages, namely, Hindi, English, Urdu and Punjabi. A copy each of these advertisements is placed at Annexures 3.2 to 3.5.

3.43. The Commission held meetings with some professional associations, notably, M/s Geo-Spatial Delhi Ltd., the Institute of Chartered Accountants of India (ICAI) and M/s Tally Solutions Pvt. Ltd., for securing information relating to the potential for property taxation, municipal accounting reforms and impact of GST on state and municipal finances.

Memoranda from the Public, Municipalities and the State Government

3.44. We had expected to receive memoranda from the public, municipalities and the state government departments. In response to our advertisement, we received one memoranda from the public, that is from Shri MS Jain, r/o Dwarkapuri, Navin Shahdara, Delhi dated 1st August 2016, in which he made certain suggestions regarding enhancement of revenues of the municipalities. We advised the municipalities and the state government, vide letters (dated 25.7.2016, 29.7.2016 and 2.8.2016) to submit memoranda to us and to facilitate them structure the same, we suggested a format as well. Copies of these letters are placed at Annexures-3.6 to 3.8, respectively. The memoranda that we received are listed in the Annexure-3.9.

3.45. We designed the framework for submission of the memoranda to us and communicated the same to the various departments in July 2016. The Chief Secretary in his circular (dated 22.9.2016) reiterated this. As per the framework, the memorandum from the respective departments/organisations should have included both, factual information as well as views on the issues contained in the TOR for the 5th DFC. The memoranda of the municipalities and a few other departments/organisations such as DUSIB, have been fairly comprehensive, on both the aspects. However, the memoranda from many of the other organisations were largely in the nature of providing factual data, but without offering views on the issues contained in the TOR for the 5th DFC. All the same, we have made use of whatever information has come from the numerous communications received from the various organisations.

Information from other Departments/Organisations

3.46. In addition to the memoranda from the departments of the state government and the municipalities, we had received information from various other agencies/organisations too, as listed in Annexure-3.10.

Meetings with the Municipalities and the State Government

3.47. A number of meetings were held with the municipalities and the state government on different occasions for exchange of information on issues relating to our TOR. These meeting supplemented and also clarified on the various views, information and ideas presented by the municipalities and several state authorities in their memoranda and other communications. We felt particularly benefitted by the depositions made by the Hon'ble Mayors and Commissioners of the three MCDs, the Chairman, NDMC, the Director General Defence Estates, the CEO, Delhi Cantonment Board, the Principal Secretary (Finance, Planning & Home), the Principal Secretary, PWD, Principal Secretary, H&FW, the Principal Secretary (Urban Development) and various other senior officers of different departments of the GNCTD.

3.48. The list of meetings held by the Commission with the state government, municipal bodies and other authorities may be seen in Annexure-3.11.

Visits and Interaction with other Authorities/ Commissions

3.49. We had the privilege of welcoming a high level Ethiopian Delegation, led by Hon'ble Ms. Firweyeni Gebregziabher, Secretary General, House of Federation, Ethiopia with eight other delegates, in December 2016. We were also privileged with the visit of the Fourth State Finance Commission of Karnataka led by its Chairman Shri C.G. Chinnaswamy, in April 2017. We also welcomed Shri G.S. Patnaik, IAS (retd.) Chairperson and Smt. Shipra Maitra, Member, the Fourth Municipal Valuation Committee for the MCDs, in May 2017. We were also privileged to have Shri Nand Kishore Mishra, Chairman, Jharkhand State Finance Commission visit us in August 2017. The details about the visit of these delegations to our office are given in Annexure-3.12.

Impact of the Constitution (101st Amendment) Act 2016

3.50. The Constitution (101st Amendment) Act, 2016 (in short, 'CAA101'), which came into effect from 8th September 2016, has impacted taxation powers of the state and local governments enlisted in the List-II (State List) of the Seventh Schedule by omitting some of the entries and modifying some others, in respect of the Entry 52 (entry tax/octroi), Entry 54 (sales tax/ value added tax), Entry 55 (taxes on advertisements) and Entry 62 (taxes on luxuries, entertainments, amusements, betting and gambling). Details are stated in Table-3.8.

3.51. Section 19 of the CAA101 states that "….any provision of any law relating to tax on goods or services or on both in force in any State immediately before the commencement of this Act, which is inconsistent with the provisions of the Constitution as amended by this Act shall continue to be in force until amended or repealed by a competent Legislature or other competent

Table-3.8: Impact of the Constitution (101st Amendment) Act 2016 on the Taxation Powers of the State and Local Governments

Entry of List II	Pre-CAA101 status (wording)	Impact of CAA101
52	Taxes on the entry of goods into a local area for consumption, use or sale therein.	Entire entry is omitted. This would include entry tax, octroi and any other tax emanating from this entry.
54	Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of Entry 92A of List I.	Entry 54 is substituted by the following Entry, namely: "54. Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods."
55	Taxes on advertisements other than advertisements published in the Newspapers and advertisements broadcast by radio or television.	Entire Entry is omitted.
62	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.	Entry 62 is substituted by the following Entry, namely: "62. Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council."

authority or until expiration of one year from such commencement, whichever is earlier."

3.52. Accordingly, the relevant laws governing the levy of the taxes imposed under the aforesaid entries would have to be repealed or modified suitably before 8th September 2017. Pursuantly, the Commission identified the following issues for examination and referred the same to the Finance and Urban Development Departments for a quick examination and advice:

a. *Amendment/ Repeal of laws governing the levy of certain State and Municipal taxes:* The state and municipal taxes that would be impacted by the CAA101 and the nature of the impact (amendment, repeal, etc.).

b. *Levy of Tolls by the Municipalities:* "Tolls" come under Entry 59 of the List-II of the 7th Schedule and this entry has not been disturbed by the CAA101. However, whether the toll levied by the MCDs fall in the category of the levy of "octroi" / "entry tax (Entry 52)", or whether the MCD tolls would be in the same category as the "Tolls" levied by NHAI under Entry 59, needs to be clarified.

c. *Advertisement Tax:* Whether in the wake of the complete deletion of the Entry 55 from List II of the 7th Schedule, the MCD/NDMC/ DCB would be required to drop this levy altogether, along with deletion of relevant provisions of the DMC Act, the NDMC Act and the Cantonments Act.

3.53. We got considerable information from the Department of Trade & Taxes and the municipalities on the assessment of the impact of the GST regime on the finances of the GNCTD and the municipalities. We also held interaction with the Institute of Chartered Accountants Association of India on this issue. These interactions helped us make our own assessment in the matter, which we have made use of at appropriate places.

3.54. While the main objective of the CAA101 was to bring in the goods and services tax (GST) in all states and UTs, it imparted to the NCT of Delhi a special dispensation, in fiscal terms, vis-à-vis the other States. This is so because this Amendment has modified the definition of "state" with reference to Articles 246A, 268, 269, 269A and article 279A, to include "a Union territory with Legislature". Thus the NCT would now be able to introduce the tax on goods and services and retain its share therefrom, at par with all other states.

3.55. Hitherto, service tax was levied and collected by the Union, but shared with the states only, as per the award of the Union Finance Commission (FC) but the NCT of Delhi was deprived of that share. Now, this fiscal resource of service tax is available to the NCT in the matter of course, without allusion to the FC Awards. As service sector dominates the economy of the NCT, it stands to benefit from the CAA101. Pursuant to this, along with other states, the NCT has also enacted the Delhi Goods and Services Tax Act, 2017, which was published in the Gazette on 14th June 2017.

3.56. We have examined in further details the fiscal impact of this Amendment for the state government and the municipalities in the NCT in the chapter on state finances.

Merger of Plan and Non-Plan Classification

3.57. The Government of India had introduced the concept of 'Plan' component of government expenditure since 1st April 1951. Accordingly, the remaining expenditure was called 'Non-Plan'. This classification got deeply settled in the financial management of the GOI and got percolated to all other levels of government, including the state governments, panchayats, municipalities, etc. The Plan component of public finance was led by the Planning Commission at the Union level, with replica organisations at the state level, usually called the State Planning Boards, etc., though the practices vary among the states.

3.58. It would be interesting to note that the Constitution has classified government expenditure only in terms of 'revenue' and 'capital' vide Articles 112, 202 and 275. The terms 'Plan' and 'non-Plan' do not find any mention in the Constitution and have come into vogue as per the executive instructions of the GOI, duly adopted and propagated by the state governments. This classification further led to four classes of government expenditure, namely, Plan-revenue, Plan-capital, non-Plan revenue and non-Plan capital, bringing in considerable complexity in management of government finances, on both counts, receipts and expenditure.

3.59. In the recent years, this classification of 'Plan' and 'non Plan' became a subject of scrutiny and debate. While this debate was going on, the GOI abolished the Planning Commission in 2014 and replaced it with the National Institution for Transforming India (NITI). However, the GOI felt comfortable to add the term 'Aayog' to the NITI, for unexplained reasons. Thus the NITI Aayog was formed in 2014. However, the 'Plan - non Plan' classification continued for another two years, until the GOI notified the complete merger of the two w.e.f. 2017-18[5]. GOI conveyed this O.M. to all the states and, accordingly, the GNCTD too has adopted it.

3.60. This development has a very significant impact on the functioning of the Finance Commissions at both, Union and state levels. Until now, the Union and State Finance Commissions were handing only the non-Plan component of government finances at the Union and state levels, leaving the Plan component to be handled largely by the Union and State Planning Commissions/ Boards. However, now that the 'Plan' and 'non-Plan' components have got merged, Union and State Finance Commissions would have to deal with the government receipts and expenditure in totality.

3.61. In the scenario described above, we would be dealing with the receipts and expenditure of the government and the municipalities in totality. While doing so, we have taken note of the trends of the receipts and expenditure of the government and the municipalities on the Plan and non-Plan accounts as these developed in the past, but have converged the same into a singular classification of revenue and capital for our award period.

Population Projection of Delhi

3.62. The Commission required year-wise population figures of Delhi during the intervening period of Census 2001 and 2011 as well as for the period of 2011 to 2021 for the purpose of analysis of data. As the Registrar General of India (RGI) was yet to make population projections based on the population data of Census 2011, the Commission has adopted the population projections of Delhi for 1st October 2011 to 1st October 2021 as communicated by the Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, Government of India to the Directorate of Economics & Statistics (DES), Government of Delhi for the purpose of working out the per capita income of Delhi by DES. The Commission has treated the 1st October population as the mid-year population for the financial year starting with the year to which the figure relates.

3.63. As regards population projections for the period prior to 2011, the Commission has extrapolated the mid-year population of each financial year in the intervening period of two population Censuses of 2001 and 2011 by calculating the 1st October population of each year using the method of monthly exponential growth based on the annual exponential growth rate of 2001-11. Accordingly, the Commission has adopted the population projections as presented in Table-3.9.

3.64. We have, however, preferred to use the population data of Census 2011 for the per capita analysis because we could not generate population data series for individual municipalities for the preceding years, as the trifurcation of MCD was effected in 2012, i.e. after the last Census was conducted. In the absence of the data for earlier years and the figures for migration, it was extremely difficult to make projections for each municipality individually. Even for 2011, the Director of Census Operations, Delhi has not published the municipality-wise data. Therefore, we worked out the Census-2011 data for the trifurcated MCDs in collaboration with the Geo-Spatial Delhi Limited (GSDL) and Director of Census Operations,

[5]O.M. No. F.1(16)-B(AC)/2011 dated 23.8.2016 of the D/o Expenditure of M/o Finance.

Table-3.9: Population Projections Determined by the 5th DFC

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Population (Figures in Crore)	1.40	1.43	1.46	1.48	1.51	1.54	1.57	1.60	1.63	1.67
Year	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Population (Figures in Crore)	1.70	1.73	1.76	1.80	1.83	1.87	1.90	1.94	1.98	2.01

Delhi (DCO) by utilising the ward-wise data of Census 2011 and rearranging the same for the three MCDs.

3.65. Having done that, we referred the same to the GNCTD for validation and formal publication. We could not undertake this exercise for the preceding Census, as it was not found feasible, given the limitation of time and resources. However, we would recommend GNCTD to set up a special team in the GSDL to work out the population data for Census 2001 and 2011, for each of the three MCDs using the ward-wise data, in collaboration with the DCO. This should not only be published, but also analysed by a team led by the Director of Economics & Statistics, in collaboration with the municipalities.

Projection of Gross States Domestic Product (GSDP) of Delhi

3.66. Similarly, the Commission required the projections of gross state domestic product (GSDP) of Delhi for the purpose of its study and analysis. The Commission has adopted the figures of GSDP of Delhi (at current prices) for the years 2011-12 to 2015-16, with 2011-12 as the base year, as published by the Directorate of Economics & Statistics (DES), Government of Delhi in March 2017. The Commission also required the back-series data of GSDP of Delhi (at current prices) linked to base year 2011-12 as well as the projections of GSDP (at current prices) for the period 2016-17 to 2020-21 with the same base year, i.e. 2011-12.

3.67. As the DES, Government of Delhi was yet to make the back-series projections of GSDP of Delhi linked to the base year 2011-12, the Commission has made its own projections for the same, pertaining to the years 2004-05 to 2010-11 linked to base year 2011-12, by using splicing technique with the GSDP series 2004-05 to 2011-12 available with base year 2004-05 to have a continuous and comparable data for the prior period up to 2004-05.

3.68. As regards projections of GSDP (at current prices) of Delhi for the period 2016-17 to 2020-21 (with base year 2011-12), the Commission has arrived at the same by taking a growth rate of 13.65 per cent and base GSDP figure of ₹ 5,51,963 crore for 2015-16 (at current prices) as published by the DES, Delhi Government for the projections made by the Commission. Here, the growth rate of 13.65 per cent represents the geometric mean of the growth rates of previous GSDP series of Delhi (at current prices) viz. (*i*) 17.54 per cent for the period 1993-94 to 1999-2000 with base year 1993-94, (*ii*) 9.41 per cent for the period 1999-2000 to 2004-05 with base year 1999-2000, (*iii*) 16.92 per cent for the period 2004-05 to 2011-12 with base year 2004-05 and (*iv*) 12.49 per cent for the period 2011-12 to 2015-16 with base year 2011-12.

3.69. Accordingly, the Commission has used the figures indicated in Table-3.10 for projections of GSDP of Delhi (at current prices) for the purpose of its analyses. We have, however, used the trend growth rate and buoyancy coefficient figures for making the projections for receipts and expenditure in most cases.

Estimation of the Growth Rate of Fiscal Data

3.70. The Commission requires the growth rate in respect of time series data both for the purpose of

Table-3.10: Projections of GSDP of Delhi (at Current Prices) by the Commission

(₹ crore)

Year	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
GSDP (at Current Prices)	120123	138143	162341	189118	226937	260565	302633	343767	391238
Year	**2013-14**	**2014-15 (RE)**	**2015-16 (RE)**	**2016-17 (AE)**	**2017-18 (Proj.)**	**2018-19 (Proj.)**	**2019-20 (Proj.)**	**2020-21 (Proj.)**	
GSDP (at Current Prices)	443783	492424	551963	627306	712934	810249	920848	1046544	

comparison and forecasting for the future, particularly, relating to fiscal variables, like receipts and expenditure during the reference period of the Commission (2016-17 to 2020-21).

3.71. We computed the average growth rate of a series is the trend growth rate (TGR), which is based on the model $Y_t = Y_{O} e^{bt}$

Where, Y_t = the value of the series at the final year

Y_O = the value of the series at the initial year

b = $(1/Y_t)(dY_t/dt)$, i.e. instantaneous rate of growth of Y at time t.

t = denotes time

3.72. This method does not suffer from the bias of simply averaging arithmetically the Y-o-Y growth rates of a series to find its average growth rate or simply considering the extreme values of a series to find the CAGR. Here, the trend growth rate (TGR) of the series is arrived at by using the regression method, which is based on the principle of minimising the fluctuations of whole data in a series around the curve assumed to determine the trend growth rate of the series. The TGR can readily be computed by using the statistical functions available in Microsoft Excel 2007 and above.

3.73. The first, second and third DFCs in their reports have considered the method of trend growth rate (TGR) for the purpose of finding the average growth rate of a series of fiscal data. We noted the limitation of short period of data available in some cases particularly for a period of four/five years in case of three MCDs, which came into existence from 2012-13. Accordingly, we have adopted the method of TGR for finding the average growth rate of a series of data for the purpose of analysis and forecasting. We are using the terms TGR and average annual growth rate (AAGR) with the same meaning.

Chapter 4

Recommendations of Previous Finance Commissions

Introduction

4.1. The National Capital Territory of Delhi has so far had four DFCs preceding the present one. The terms of reference for the Delhi Finance Commissions (DFCs) have, by and large remained similar, being in line with the constitutional provisions and the related provisions of the DMC Act and NDMC Act. However, recommendations of the successive DFCs have shown an evolutionary trend in respect of the schema for devolution. The response of the state government and the municipalities to the recommendations has generally been positive, as most of the core recommendations of the earlier DFCs (except the fourth) relating to devolution were accepted and implemented, whereas, some others were either not accepted or, though accepted, not put into implementation with full vigour. However, there were many recommendations relating to governance reforms put forward by these DFCs, on which the explanatory memoranda have made no specific comments on acceptance or otherwise. In the succeeding paragraphs, the major recommendations of the first to fourth DFCs and the response of the state government on their acceptance, as recorded in the respective explanatory memoranda, are presented.

First DFC (1996-2001)

4.2. The First DFC was constituted on 3rd April 1995 and submitted its report on 31st December 1997 for the five-year period commencing 1st April 1996 (1996-2001). This DFC proposed a radical departure for devolution by replacing the itemised tax sharing provisions with a global tax sharing one, for both, the basic tax assignment (BTA) and the non-Plan grants, totalling to 9.5 per cent of the tax revenues of the GNCTD. The First DFC made recommendations regarding incentives to the municipalities in terms of additional transfer of up to 1.5 per cent of the GNCTD's tax revenues for achieving improvements in revenue mobilisation, as well as for economy in expenditure. The Commission also made certain other recommendations relating to fiscal management reforms.

4.3. In the explanatory memorandum as to the action taken on the recommendations of the First DFC (dated 28.09.1998), the state government indicated its acceptance of majority of the recommendations, while not accepting some and deferring a decision on a few others. A very significant modification made by the GNCTD in acceptance of the 1st DFC recommendations was that it broke the global sharing ratio of 9.5 per cent into two parts, i.e. basic tax assignment (BTA) of 5.5 per cent and non-Plan grants of up to 4 per cent, respectively, of the tax revenues of the GNCTD. The Delhi government accepted, with some modifications, the recommendation of the DFC relating to additional transfer of up to 1.5 per cent of the tax revenues of the GNCTD on municipalities' achievement in improving revenue mobilisation. However, GNCTD did not accept the recommendation of the DFC relating to another additional transfer of up to 1.5 per cent of the tax revenues of the GNCTD on achievement by the municipalities in economising and savings in expenditure, citing 'practical reasons'.

4.4. Details of the major recommendations of the First DFC and acceptance by the state government are presented in Table-4.1.

4.5. The recommendations made by the First DFC in respect of financial devolution were not only a paradigm change from the framework of fiscal transfers for the municipalities being followed till then, but it also became a basic framework for the subsequent DFCs to work upon.

Table-4.1: Major Recommendations of the 1st DFC and Action Taken by the GNCTD as per the Explanatory Memorandum dated 28.9.1998

Recommendation	Action Taken by the GNCTD
1(a)a basic annual fiscal transfer of 9.5 per cent of GNCTD's tax revenue to MCD and NDMC;	1(a) Accepted with the modification that the global sharing ratio of 9.5% would be bifurcated into two parts, that is, basic tax assignment (BTA) of 5.5% and non-plan grants of up to 4%, respectively, of the tax revenues of the GNCTD.
(b) A further annual transfer, on matching basis, subject to a maximum of 1.5 per cent of GNCTD's tax revenue equivalent to excess of revenue over and above the amounts projected by and taken into account by the Commission for the respective years of the award period; and	Accepted, with the modification that, for this purpose, the additional resource mobilization shall also be taken into account.
(c) Another transfer, on matching basis, subject to a maximum of 1.5 per cent of GNCTD's tax revenue equivalent to savings in expenditure against projections made by the Commission for the respective years of the award period.	Not accepted, citing "practical reasons".
2. In the alternative, transfers under (b) and (c) above could be brought under one criterion - that of surplus on non-Plan account that MCD or NDMC or both generate for financing capital expenditure in each year. The transfer can then be made on a matching basis, subject to an overall ceiling of three per cent of GNCTD's tax revenue in that year.	2. This recommendation was not discussed in the explanatory memorandum of the GNCTD.
3. The division of 70 per cent of the amounts arrived at as above between MCD and NDMC may be on the basis of the ratios of the population living in their respective areas and the remaining 30 per cent in the ratio of the physical area under their jurisdiction.	3. This ratio of 70:30 was accepted by the GNCTD for the BTA component amounting to 5.5% of the tax revenues of the GNCTD. As regards the second part of 4%, grants would continue in the same manner and on the same basis as hitherto.
4. As regards DCB, the Commission are precluded from making any recommendations; as the amounts involved are tiny, these could be met by separate grants over and above the devolution recommended above.	4. This recommendation was not discussed in the explanatory memorandum of the GNCTD.
5. GNCTD may consider ways of ensuring that the amount of ₹ 588 crore provided for O&M is so utilised and not spent on personnel or diverted to any other use.	5. Not accepted, citing practical reasons.
6. Debt Relief (a) MCD's loan as on 1.4.1996 may be consolidated into a single loan of 20 year duration with fresh rate of interest at 2% lower than the weighted average interest rate of loans so consolidated; and (b) Interest arrears may be recovered in 20 annual installments.	6(a) & (b) Accepted.
7. The medical relief (curative health) function consisting of a chain of hospitals, dispensaries, maternity homes etc. may be withdrawn from MCD as this relates to State function. This will result in a saving of ₹ 58 crore a year to MCD.	7. Decision was deferred.
8. A permanent Finance Commission Division on the lines of one in the Govt. of India may be set up to service as also to act as a memory/data bank for the subsequent Delhi Finance Commissions.	8. Accepted.

Second DFC (2001-2006)

4.6. The Second DFC was constituted on 9th January 2001 and submitted its report on 30th April 2002 for the five-year period commencing 1st April 2001 (2001-2006). This Commission continued with the BTA at 5.5 per cent of the tax revenues of the state government, to be distributed between MCD and NDMC in a ratio with 70 per cent weight to population and 30 per cent to the area. However, for grants-in-aid, it raised the ceiling to five per cent as against four per cent. It also made recommendations for incentivising the municipalities for enhancing their revenue mobilisation. Besides, it recommended debt restructuring measures to relieve the municipalities, particularly the MCD, of its burden of debt servicing.

4.7. Details of the major recommendations of the Second DFC and response of the state government for their acceptance or otherwise, as stated in the explanatory memorandum placed in the Legislature, are presented in Table-4.2.

Third DFC (2006-2011)

4.8. The Third DFC was constituted on 21st October 2004 and submitted its report on 5th April 2007 for the five-year period commencing 1st April 2006 (2006-2011). This DFC reduced the BTA share to four per cent but also proposed the reduced share of 1.5 per cent to be made available to the municipalities through a new facility mooted by it, named as the municipal reforms fund (MRF). The DFC proposed a set of criteria that related to improved revenue mobilisation and expenditure compression by the municipalities, for accessing the MRF. For the ratio for *inter se* share of the MCD and NDMC in the BTA, the 3rd DFC continued with the principle of giving 70 per cent weight to population (1991 Census) and 30 per cent to the geographical area.

4.9. The state government, in the explanatory memorandum (dated 23.12.2007) indicated its acceptance of the recommendations relating to reduction of BTA to four per cent and also to the criteria for *inter se* sharing based on population and area. It also accepted the DFC recommendation for creation of the MRF. However, it decided to link the releases from MRF to the improvement achieved by the municipalities in their overall balance of current revenues (surplus/deficit on non-Plan revenue account), instead of the elaborate framework mooted by the DFC, citing the reason of simplicity.

4.10. Details of the major recommendations of the 3rd DFC and response of the state government for their acceptance or otherwise, as stated in the explanatory memorandum placed in the Legislature, are presented in Table-4.3.

Non-financial Recommendations of the First, Second and Third DFCs

4.11. All the earlier DFCs made several recommendations relating to governance reforms, which were not directly attributable to fiscal devolution but were nonetheless relevant for improving the finances of the municipalities directly or indirectly, besides improving the delivery of services by the municipalities. The explanatory memoranda of the state government have, by and large, not made specific mention of the acceptance or otherwise of most of the non-financial recommendations. However, some of the recommendations of this nature seem to have got acceptance in the normal course. All the same, it would be useful to recall those recommendations, particularly the more significant ones.

4.12. The First DFC recommended that the municipalities, in particular the MCD, may consider setting up a Board of Internal Revenue at the apex, under the Commissioner, in place of the present system of an Additional Commissioner (Taxes), assisted by an Assessor and Collector. It also recommended that the GNCTD could also examine the setting up of an experts' group on economy and efficiency measures in the municipalities for achieving higher quality civic services in a cost-effective manner leading to far greater citizen satisfaction. It also recommended for setting up a permanent Finance Commission Division on the lines of one in the GOI to service as also to serve as the memory/data bank for the subsequent Delhi Finance Commission.

4.13. The Second DFC recommended that the system of property tax assessment be replaced by the Unit Area Method of assessment and combined with computerisation of property tax administration and adoption of a passbook approach, which would lead to greater efficiency and fewer complaints. The Commission noted with concern the erratic revenue realisation by MCD from Delhi Vidyut Board (DVB) and recommended that the MCD should take up this matter in right earnest with DVB for actual realisation of electricity lax collected by DVB from the consumers

Table-4.2: Major Recommendations of the 2nd DFC and Action Taken by the GNCTD as per the Explanatory Memorandum dated 22.3.2004

Recommendation	Action Taken bythe GNCTD
(a)(i)Devolution to MCD and NDMC be continued on the system of global sharing of the tax revenues of GNCTD with the municipalities in lieu of scheduled or itemized tax sharing through assigned taxes and statutory grants-in-aid. The Commission recommends that the basic annual fiscal transfer of 5.5 per cent of tax Revenues of GNCTD continue to be provided to MCD and NDMC, to be divided as per recommendation in para (b) below, together with additional amounts as detailed below	Accepted.
(a)(ii) Devolution for DCB may continue as per the current practice.	Accepted.
(b) For the basic devolution of 5.5 per cent of tax revenues of GNCTD, the division of 70 per cent of the amounts arrived at between MCD and NDMC may be on the basis of the population living in their respective areas and the remaining 30 per cent in the ratio of the physical area under their jurisdiction.	Accepted.
(c) The Commission also recommends that the 4 per cent ceiling on grant-in-aid may be raised to 5 per cent.	Accepted.
(d) (i) Grant-in-aid be provided at the rate of 70 per cent of eligible net non-Plan revenue expenditure incurred by MCD on education in lieu of the present 60 per cent . (ii) NDMC be allowed reimbursement at the rate of 66 per cent of eligible expenditure on education to maintain parity with DCB.	(i) Accepted. (ii) Accepted, but raised to 70 per cent.
(e) Grant-in-aid in respect of reimbursement of expenditure on resettlement colonies and mid-day meals be allowed as per the provisions of the original terms and conditions as drawn by Govt. of Delhi in this respect prior to the implementation of the recommendations of First DFC.	Accepted.
(f)(i) Of the tax assignment to MCD and NDMC, 5 per cent be earmarked for maintenance of their capital assets.	Accepted.
(f)(ii) Of the Grant-in-aid to be provided to MCD for Education, 5 per cent be earmarked for maintenance of school buildings.	Accepted.
(g)(i) Both MCD and NDMC should immediately levy the following taxes: 1) Tax on professions, trades, callings and employment. 2) Tax on increase in urban land values. 3) Review of rates of fees/fines/rents.	Government decided to refer to the MCD and NDMC for action.
(g)(ii) an incentive amount of 2 per cent in respect of collections from new taxes, operative after the expiry of the first year of the levy of such taxes .	Accepted.
(g) (iii) An incentive amount of 33 per cent for higher collections from existing tax sources if the amount of collection during each of the years of the award period is greater than two per cent over the forecasts made by the Commission.	Accepted with the modification that the incentive payment be staggered as 11 per cent in the first year, 22 per cent in the second year and 33 per cent in the third year onward.
(h)(i) The restructuring of debt worked out by the First Commission may continue and Delhi government may consider allowing a three years moratorium in respect of fresh loans.	Accepted.
(h)(ii) The rate of interest charged on fresh loans to local bodies should not be higher than the rate of interest presently being charged from DVB, DTC, and DJB etc. (h)(iii) Govt. of Delhi should consider reduction in the interest rate on the funds given to local bodies, whether for Plan purposes or by way of ways and means advanced in the present regime of lowinterest rates.	Accepted.

and utilise the electricity lax thus realised for providing street lighting.

4.14. The 2nd DFC also recommended downsizing the MCD, which suffered from a rather high manpower ratio at 11 per 1000 of population and, simultaneously, improve the productivity of its staff. It also recommended for improved asset management and treasury management by the municipalities, improving the budgetary systems as also of financial management systems, implementing productivity improvement schemes, and contracting out services to the private sector where it is shown to result in cost savings.

Table-4.3: Major Recommendations of the 3rd DFC and Action Taken by the GNCTD as per the Explanatory Memorandum dated 23.12.2007[1]

Recommendation	Action Taken by the GNCTD
54. The share of the local bodies in the net tax proceeds of the state government be reduced from the existing 5.5 per cent to 4 per cent.	Accepted.
55. (a) The amount of 1.5 per cent of the net tax proceeds of the state government as reduced (Recommendation No. 54) from the assignment should constitute a Municipal Reform Fund (MRF).	Accepted.
(b) The MRF should be administered by the newly proposed Standing City Development & Reforms Committee (SCDRC).	Recommendation for creation of SCDRC not accepted on the grounds of proliferation and multiplicity of agencies.
56. Forty per cent of the total grants and assigned amounts should be transferred directly to the 12 zones of the MCD against plans based on an assessment of the zonal level infrastructure and amenities deficit.	Not accepted, on the grounds of (a) not being in line with the constitutional mandate and (b) the possibility of leading to serious inter-zonal distortions, especially in the matters of grants-in-aid.
57. The non-Plan grants component, which, as per the recommendations of the Second Finance Commission stands at 5 per cent of the net proceeds of tax revenue, should remain unchanged.	Accepted.
20. State government should (a) accord approval, at the earliest, to MCD's proposal for revising fees, charges and rates as also recommended by the Second Commission, (b) meanwhile, till approval is accorded, the state government should provide the MCD with a fixed compensatory grant of ₹ 100 crore for the loss of revenue with effect from the financial year 2004-2005 till approval is accorded. However, if the actual realizations are less than ₹ 100 crore annually, the excess over the actual collections should be adjusted against future releases.	State government did not accept the recommendation for payment of ₹ 100 crore per annum as grant to MCD for the delay in approving the proposal for augmentation of tax rates on the ground that the government could not be faulted for the delay.
59. The amount of the transfer in the first year of the award period to the Delhi Cantonment Board (DCB) may be ₹ 5 crore on an ad hoc basis. This shall be subject to decrease of ₹1 crore every year for the remaining years of the award period. This will be a lump-sum amount in lieu of all non-Plan transfers including compensation, assignments and non-Plan grants being released presently. Further, the DCB shall be required to spend at least 50 per cent of the annual amount in villages falling in the jurisdiction of the board.	Not accepted, on the ground that the Commission had not given any basis for disrupting the dispensation being made for DCB since long. Instead, government decided to continue to pay to the DCB an earmarked grant equivalent to 70 per cent of its eligible non-Plan expenditure on primary education, as in the case of MCD and NDMC. In addition, government also decided to pay to the DCB an amount equivalent to 0.07 per cent of the government's net tax revenues by way of tax assignment.

4.15. The 2nd DFC made certain recommendations for reverse decentralisation of functions by way of transfer of functions from the municipalities to state government, in respect of the following, for the sake of reducing the burden on the municipalities, avoidance of duplication of efforts, better programme management, uniformity across Delhi and enhanced coordination in the efforts:

- Old age pensions.
- All hospitals with more than 100 beds capacity.
- Construction and maintenance of rest houses, poor houses, infirmaries, children's homes, houses for the deaf & dumb and for disabled and handicapped children, shelters for destitute and disabled persons and asylums for persons of unsound mind.
- Issue of factory licenses.

[1]Placed on the Table of the Legislature on 28.12.2007.

- Food licences for eating establishments.

4.16. The 2nd DFC also recommended that computerisation of public dealing departments of MCD, viz. property tax department, licensing department and registration of births and deaths, should be carried out on top priority basis and Government of Delhi should provide an amount of ₹10 crore to MCD and ₹ one crore to NDMC. It also recommended that the function relating to construction and maintenance of cattle ponds should be transferred from discretionary to obligatory functions of both MCD and NDMC.

4.17. The 3rd DFC also made a number of non-financial recommendations. The major recommendations included constitution of certain overarching committees, starting with the Standing City Development and Reforms Committee (SCDRC) to draw up a comprehensive Municipal Reforms Program. The SCDRC should be empowered to approve the infrastructure projects of the state government and the municipalities and also monitor utilisation of grants by the municipalities. It also recommended for setting up of a Financial (Expenditure) Reforms Commission with jurisdiction over relevant issues for the state government as well as the municipalities. The Commission also recommended for constitution of a metropolitan planning committee (MPC) with or without transfer of the subject of land. In addition, it recommended for setting up a project management unit and an economic intelligence unit, in the finance department.

4.18. The 3rd DFC recommended decentralisation of powers from Government of India to GNCTD stating that while the Union government may have to retain a say in matters related to the NDMC, it can be requested to empower the state government in the exercise of all statutory powers in matters relating to the MCD.

4.19. The 3rd DFC also made certain recommendations in relation to functions of the municipalities, which were in the nature of reverse decentralisation, namely:

- The 27 major hospitals under the municipalities (25 with MCD and 2 with NDMC) should be transferred to the jurisdiction of the state government.
- Social welfare schemes involving transfer payments, such as old age pension and marriage of daughters of widows should be the exclusive responsibility of the state government.
- The operation and maintenance (O&M) responsibility of industrial estates in the administrative control of the DSIIDC should be transferred to the DSIIDC and initially an amount equal to 33 per cent of the property tax revenues sourced to the industrial estates should be deducted from the share of assigned taxes of the MCD and transferred directly to the DSIIDC for discharge of this responsibility.

4.20. For the sake of introducing greater transparency in the schema of devolution, the 3rd DFC recommended for introducing a definition of the phrase ‘net proceeds’ and for specifying the authority whose word shall be final for certification thereof. It also recommended for introduction of a Fiscal Responsibility and Budget Management Act, to be applicable to state government as well as to the municipalities.

Acceptance and Implementation of the Non-financial Recommendations of the First, Second and Third DFCs

4.21. The explanatory memorandum of the state government on the action taken on the recommendations of the 1st to 3rd DFCs cover some, but not all, of the major non-financial recommendations of the DFCs. From the state government, the explanatory memoranda placed before the Legislature have remained the major source of information for us, as we could not get detailed and updated status from the urban development department (UDD). The municipalities have, however, given more up-to-date status in the matter, as narrated in their respective memoranda. The status in the matter, as noted in the explanatory memoranda of the state government and the memoranda of the municipalities is described in the paragraphs below.

Response of the State Government

4.22. In regard to the recommendations for transfer of the major hospitals from the municipalities to the state government, which was recommended by all the three DFCs, the state government stated in respect of 1st DFC that the decisions would be taken in due course, whereas in respect of the 2nd DFC and the 3rd DFC, the state government averred that such transfer was not considered necessary.

4.23. As for the recommendation for setting up a permanent Finance Commission Division made by the 1st DFC and reiterated by the 3rd DFC, the state government noted its acceptance.

4.24. In regard to reverse decentralisation proposals made by the 2nd DFC, pertaining to transfer of the old age pensions, construction and maintenance of rest houses, houses for poor, infirmaries, children's homes, houses for the deaf & dumb and for disabled and handicapped children, shelters for destitute and disabled persons and asylums for persons of unsound mind and issue of factory and food licenses, the state government not only indicated its disinclination to accept the same, but also expressed its resolve to ensure avoidance of duplication of efforts.

4.25. As for the creation of certain overarching institutions mooted by the 3rd DFC, the state government agreed for creation of the Metropolitan Planning Committee (MPC), but not for the standing city development and reforms committee (SCDRC) and the related arrangements of municipal reforms committee and of city development fund, stating that these would lead to avoidable multiplicity of agencies, particularly in the wake of formation of the MPC.

4.26. The GNCTD can be credited with accepting the major recommendations relating to fiscal devolution and many of the other related issues, in respect of the First, Second and Third DFCs.

Response of the MCD-North

4.27. The MCD-North, in their memorandum, has stated that as in the case of First DFC, the incentive based-devolution (of two per cent of GNCTD's taxes) recommended by the 2nd DFC also did not materialise and that many of the major changes recommended by Second DFC such as introduction of new taxes, review of rents/rated fines, transfer of hospitals from municipalities to GNCTD, discontinuance of old age pension by municipalities, transfer of licensing of factories and eating joints to GNCTD have remained unimplemented/not accepted till date. However, the unit area method recommended by it was implemented from 2004-05[2].

4.28. In respect of the Third Delhi Finance Commission, MCD-North have provided the status on specific recommendations, which is summarised below[3]:

- MCD-North has passed and forwarded increased new tariffs for advertisement tax, theatre tax, etc. for the approval and notification by the government, which is awaited.
- Survey of property tax has been initiated using the data received from GSDL. The exercise to identify new properties is also in progress through unique property identification method.
- Review of property tax collection is regularly being done.
- MCD-North has initiated special drive to recover arrears of revenues by declaring an amnesty scheme in 2016-17.
- MCD-North takes regular steps to recover service charges from government properties.
- The preparation of budget is done on the basis of actual trend growth in revenue

[2]Memorandum of MCD-North (April 2017), Para 3.12.
[3]Ibid, Annexure to Chapter 3.

and the revenue expected to accrue owing to new measures by the Commissioner, which are subject to ratification by elected representatives.

- Initiatives have been taken recently to transfer old age pension programme to the state government, as per the orders of Delhi High Court.
- MCD-North has, on its own, taken steps to control its manpower to deal with the unprecedented financial crunch.
- Expenditure of discretionary nature has been curtailed to one-fourth of the actual budget allocation.
- Projects on PPP mode are being undertaken by MCD-North.
- Clear instructions stands issued to all departments to categorise the municipal assets, the work is under progress.
- Encroachments removal actions are being carried out regularly.
- MCD-North has not taken up any activity under the private initiative sales.
- Potential of advertisement revenue from roadside sites and tree guards, etc. are being tapped. A detailed study on 'Municipal Asset Management' is underway.
- The development works in rural areas have been assigned to Rural Development Board.
- The O&M responsibility of industrial estates in the administrative control of the DSIIDC is being discharged by the DSIIDC.
- Many of the bye-laws have been amended in accordance with the Constitutional Amendment Acts and subsequently notified.
- State government have not yet implemented the recommendations of the 3rd DFC for making suitable amendments in the Delhi (Distribution of Proceeds of Taxes) Act, 2002 in the light of the provisions of Article 243X and also for introducing a definition of the phrase 'net proceeds', and specify the authority, whose word shall be final for certification thereof.
- State government have not yet implemented the recommendations of the 3rd DFC for introducing a Fiscal Responsibility and Budget Management Act for the state government as well for the municipalities.
- State government have not yet implemented the recommendations of the 3rd DFC for setting up a Financial (Expenditure) Reforms Commission for the state government as well the municipalities.

Response of the MCD-South

4.29. MCD-South has presented the status of implementation of the recommendations of the Third DFC, which is summarised as below[4]:

- MCD-South is in not in a position to implement the recommendation relating to drawing up medium and long term development and investment plans due to the gap between its revenue and expenditure.
- MCD-South has passed and forwarded increased new tariffs for advertisement tax, theatre tax, etc. for the approval and notification by the government, which is awaited.
- State government have not conveyed any decision in regard to the recommendation that (a) the municipalities should take steps to levy the tax on professions and trades as recommended by the Second DFC, and (b) MCD should invoke the provision for betterment levies as per section 113 of DMC Act, 1957 and the NDMC Act, as per the corresponding sections in its statute.

[4]Memorandum of the MCD-South, Chapter III.

- Survey of property tax has been initiated using the data received from GSDL. The exercise to identify new properties through unique property identification method is being implemented.
- Review of property tax collection is regularly being done by MCD-S.
- Survey of property tax has been initiated using the data received from GSDL
- MCD-S has initiated special drive to recover arrears, innovative reforms are put in place. MCD-S also introduced UPIC for enhancing the property tax revenue.
- The recommendations regarding rationalisation of property tax rates would be considered after completion of Unique Property Identification programme.
- Special efforts are being made by the MCD-S to recover tax revenue from government properties.
- MCD-S is taking up the matter with GNCT to transfer old age pension scheme to GNCTD.
- Certain departments have been merged to rationalise manpower requirements so that the excess manpower could be used elsewhere.
- Only essential manpower is deployed. No new posts are being created. Posts falling vacant on account of retirements/resignations are not being filled up. Staff requirements are being re-examined. Approximately 30 per cent posts are held vacant for financial economy.
- Expenditure of discretionary nature has been curtailed to one-fourth of the actual budget allocation.
- Projects on PPP mode are being considered to enable savings.
- Clear instructions stands issued to all departments to categorise municipal assets. The work is under progress.
- Regular encroachments removal drives are being carried out.
- The recommendation relating to private initiative sales is being examined.
- Potential of advertisement revenue from roadside sites and tree guards, etc. is being tapped.
- A detailed study on municipal asset management is underway.
- Funds under the Municipal Reform Fund are not being released to MCD-S though it qualifies for such release.
- The area under DSIIDC is maintained by DSIIDC.
- Many of the byelaws have been amended and notified in accordance with the Constitutional Amendments.
- MCD-S has already initiated steps on budget management and financial discipline.
- The process to switch over to double entry system is underway.

4.30. We find that while majority of the recommendations of the 1st to 3rd DFC were given serious attention by the GNCTD as well as the municipalities, yet there were quite a few recommendations that remained only as assurances or whose implementation was quite slow. We would recommend the state government to develop an institutional mechanism in the Directorate of Local Bodies to ensure expeditious implementation of not only our recommendations but also of all the earlier DFCs.

Fourth DFC (2011-2016)

4.31. The Fourth DFC was constituted on 14th October 2009 and submitted its report on 5th April 2013 for the five-year period commencing 1st April 2006 (2011-2016). While the DFC itself took almost three and a half years to submit its report, the state government placed the explanatory memorandum on its decisions in respect of the various recommendations made by the DFC in the Legislature on 2nd December 2015, which was hardly four months away from the end date of the award period for the 4th DFC.

4.32. The Fourth DFC made several recommendations in relation to the policies and practices adopted by the Union government for administration of the NCT, besides making recommendations for the state government and the municipalities. The state government, in its explanatory memorandum, classified the recommendations of the Fourth DFC into three categories, namely:

a. Recommendations for the Government of India.

b. Recommendations for the Municipal Corporations.

c. Recommendations for the State Government.

4.33. The major recommendations in respect of these three categories are as below.

a. Recommendations for the Government of India

1. Ensure that Ministry of Urban Development, GOI, does not deal with matters relating to constitution and powers of the municipalities and other local authorities of the UT of Delhi.
2. Display its commitment towards the 73rd and 74th Amendment Acts of the Constitution by starting the process of enforcing these in letter and spirit beginning with transfer of control over other local authorities such as the Delhi Development Authority (DDA) and the Competent Authority appointed under the Slum Areas (Improvement and Clearance) Act, 1956.
3. Should hold the DDA responsible for infrastructure deficits for municipal services befitting the national capital and compensate the municipalities for being forced to provide infrastructure deficits out of their resources.
4. Appreciate that the provisions contained in Article 243W do not empower the government to either take back existing empowerment or enact a law establishing a local authority to perform functions reserved for municipal governance apropos Article 243ZF.
5. Provisions of municipal laws which are not in line with the provisions contained in Part IXA of the Constitution be omitted or amended, particularly those in Section 28 of the Delhi Police Act, 1978 to the extent that these relate to matters reserved for municipal governance being against the provisions of Article 243ZF.
6. Recuse from framing of building byelaws for regulating the construction of buildings in Delhi.
7. Direct the Commissioner of Police to refrain from framing or enforcing of regulations that impede implementation of the municipal laws enacted by the Parliament.
8. Recognise that its current fiscal policy in relation to the Union territories with Legislature is contrary to the explicit provisions of Article 367(1) of the Constitution.
9. Consider releasing the share of the NCT of Delhi in the taxes and duties in the Union List at par with other states.
10. Permit the GNCT of Delhi to collect and appropriate stamp duties and duties of excise on the medicinal and toilet preparation included in the Union List and taxes on services levied by the GOI at par with other states under Articles 268 and 268A of the Constitution, respectively.
11. Not deny the GNCT of Delhi to enjoy benefit of assignment of proceeds of tax on sale or purchase of goods and on consignment of goods levied and collected by the GOI at par with other states under Article 269.
12. Government to include—the net proceeds of taxes collected by the GOI in respect of

matters for which the Legislative Assembly of NCT of Delhi has powers to enact laws and also the share of the UT of Delhi— in the net proceeds of the taxes and duties in the Union List.

b. Recommendations for the Municipal Corporations

(1) The municipalities should carry out the core municipal functions, which would also improve their financial health and should start exercising economy in expenditure on non-core functions, i.e. which are beyond the scope of the Twelfth Schedule of the Constitution. For example, even though providing education at school level is not a municipal function, the municipalities in Delhi continue to spend funds in providing primary education.

(2) The municipalities have an implicit obligation to integrate their Public Health Services with the overall state health policy.

(3) Less than 25 per cent of the stock of the buildings and vacant lands are paying property tax on voluntary basis. There is a need to widen the tax base. Each municipality should:

(a) Impose liability to pay license for using the rights of the municipalities in respect of land under and along the pavements/streets/roads.

(b) Review the number of properties that are currently exempted from paying property tax.

(c) Set up their own Municipal Valuation Committees and grading of colonies has to be municipality specific.

(d) Ensure recovery of tax arrears by enacting a special law to validate the right of each of the municipalities to recover past arrears of tax dues and to make assessments in areas based on territorial jurisdictions of properties.

(e) Impose electricity tax and to enforce system of assessment and collection of electricity tax.

(f) Build paid bus stops for the buses operating under the contract carriage permit scheme.

(g) Earn revenue from proposed tourist facilitation services and granting of permission to open temporary food courts in open areas.

(4) Prevention of dangerous diseases and vaccination inoculation. The government should consider taking over of Infectious Diseases hospitals and Hindu Rao Hospital, which need massive investment for improving the health delivery infrastructure.

(5) Each municipality should commence ambulance service within their respective territorial limits on the pattern of the central accident and trauma service (CATS)

(6) Each municipality to consider framing of byelaws to regulate the specifications for types of ambulances.

c. Recommendations for the Government of NCT of Delhi

1. Of the taxes, duties, fees and tolls collected by the GNCTD during the financial years 2012-13 onwards, 12.5 per cent should be kept in the divisible pool.

2. For determining the percentage share of the municipalities the net proceeds of motor vehicle tax and the entertainment and betting tax shall not be included because these stand assigned to the municipalities. (Section 113 of Delhi Municipal Corporation Act).

3. Government to include the net proceeds of taxes collected by the GOI in respect of matters for which the Legislative Assembly

of NCT of Delhi has powers to enact laws and also the share of the UT of NCT of Delhi in the net proceeds of the taxes and duties in the Union List.

4. Existing formula of sharing of funds amongst the municipalities from the divisible pool that is population and area (in the ratio of 70%: 30%) to be changed as it has adversely affected financial health of at least two of the four municipalities for a long time.

5. In the new scheme, 50 per cent of the funds in the divisible pool shall be distributed amongst all the municipalities with reference to existing principle based on population and area in the ratio of 70:30.

6. The residual 50 per cent funds to be distributed keeping in view the comparative financial health of each municipality and the infrastructure deficit judged with reference to the quality of four specific municipal services namely (*a*) right of way of the human and vehicular traffic (*b*) the public health (*c*) regulation of buildings, and (*d*) maintenance of parks and conveniences.

7. New Delhi Municipal Council and the South Delhi Municipal Corporation have a fairly robust financial health and possess a better infrastructure as compared to other two municipalities. Accordingly, North Delhi Municipal Corporation and the East Delhi Municipal Corporation alone qualify for getting transfer payment under this sub-head. Fifty per cent of the remaining available funds in the divisible pool be distributed in the ratio of 34:66 for the financial years 2012-13 onwards between North Delhi Municipal Corporation and East Delhi Municipal Corporation.

8. To ensure that transfer payments received by the municipalities are not utilised for fungible (interchangeable) activities.

9. The government while releasing the funds to the municipalities should specify the purpose for release of those funds and the conditions under which such funds may be utilised by the municipalities.

   (a) Until such time the GNCTD is able to convince the Central Government to disburse the amounts of revenue collected by it in respect of subjects for which the Legislative Assembly is empowered to enact laws and releases the withheld share of the Union Territory of the NCT of Delhi in the net proceeds of taxes and duties in relation to the Union List and makes allocation of funds to strengthen the Consolidated Fund of the NCT of Delhi, the Government should compensate the municipalities to the extent of 50% of the loss suffered by them due to lack of action on the part of the Government.

   (b) The net proceeds of the Delhi Motor Vehicle Taxation Act, 1962 and the Delhi Entertainment and Betting Tax Act, 1996 should be assigned to the municipalities being adjunct to the item bearing numbers (b) & (c) of sub section (1) of section 113 Delhi Municipal Corporation Act, 1957 and item bearing numbers (b) & (c) sub section (1) of section 60 of the New Delhi Municipal Council Act, 1994.

11. Need to integrate Public Health Policy of the National Capital.

   (a) Government to replace the Delhi Nursing Home Registration Act, 1953.

   (b) Government to consider having its own law regulating the registration of establishments rendering treatment to the sick.

Response of the State Government

4.34. The Government of Delhi, in the explanatory memorandum (dated 2.12.2015) stated that it would accept the recommendations of Fourth DFC in totality in the following sequence:

1. The Government of India to accept the 12 recommendations of the Fourth DFC.
2. Only after the GOI implements the aforesaid recommendations, the GNCTD would then implement the 11 recommendations of the Fourth DFC relating to the GNCTD.
3. Municipalities to implement the recommendation of the Fourth DFC.

Current Status of Implementation of the 4th DFC Recommendations

4.35 The GOI, in their reply vide Lr.No 14011/28/2015-D-II dated 12.4.2016 to the Chief Secretary, GNCTD, informed that the contention of the GNCTD that only after the GOI implements the recommendations meant for the GOI, the GNCTD will then implement its part of recommendations, was erroneous. A copy of the GOI letter is placed at Annexure-4.1. However, the UDD, in their letter No. 13(172)/V-DFD/MB/UD/2017/1791-93 (dated 28.4.2017), informed us that the Fourth DFC Report was yet to be implemented by the state government vide their letter No. 13(172)/V-DFC/MB/UD/2017/ 1791-93 (dated 28.4.2017), confirmed that the Fourth DFC Report was yet to be implemented by the state government.

4.36. Some of the recommendations relating to taxation powers of the GNCTD need, however, to be reviewed, in the wake of the Constitution (101st Amendment) Act, 2016, which has converged many Central and state taxes and duties into the goods & services tax (GST). All the same time, we have taken note of the in-principle acceptance by the state government of the recommendation made for it by the Fourth DFC, as stated in the explanatory memorandum.

4.37. It is also important to note that the state government has, as stated in the explanatory memorandum, accepted the recommendations that were made by the 4th DFC for implementation by the municipalities. Accordingly, we had asked the UDD and the municipalities to provide an update on implementation of the same. We got reply from the municipalities, which we have explained in the respective chapters dealing with various issues related to receipts and expenditure of the municipalities.

Timeliness in Submission and Implementation of DFC Reports

4.38. The DFCs are not a permanent institution and are constituted once in five years. They take time of one year to three years to submit their report. State government is required to take a decision on the SFC recommendations and place the same on the Table of the State Legislature. We may see the duration of the time taken by the DFCs to submit their reports and the time taken by the state government to place their action taken note (explanatory memorandum) before the Legislature, in Table-4.4.

4.39. As may be seen in Table-4.4, the time taken by the DFCs to submit their reports had varied between one and a half years (2nd DFC) to three and a half years (4th DFC). In the case of the 5th DFC, though the initial notification was issued in April 2016, it gave us 18 months to submit our report, but the second notification nominating the three members was issued only after one year, in April 2017, giving us effectively much shorter time.

4.40. Another fact that comes out of the details given in Table-3.2 is that each of the earlier four DFCs submitted their reports after the commencement of their respective award periods. Furthermore, by the time the state government submitted their action taken note, half of the award period was already over. For the 4th DFC, the explanatory note of the state government was submitted just three months before the conclusion of the award period. In case of the 5th DFC, the date of constitution itself was sometime into the award period.

Table-4.4: Time taken by the DFCs and the State Government

Sl. No.	Particulars	First DFC	Second DFC	Third DFC	Fourth DFC	Fifth DFC
1.	Date of Constitution	3.4.1995	9.1.2001	21.10.2004	14.10.2009	26.4.2016/ 26.4.2017
2.	Date of Report Submission	31.12.1997	14.3.2001 (Interim) 30.4.2002 (Final)	5.4.2007	5.4.2013	-
3.	Award Period	1996 to 2001	2001 to 2006	2006 to 2011	2011 to 2016	2016 to 2021
4.	Date of the Explanatory Memorandum of the State Government	28.9.1998	22.3.2004	23.12.2007	2.12.2015	-
5.	Time taken by the DFC to submit its final report (2-1)	2 years 9 months	1 year 4 months	2 years 6 months	3 years 6 months	1 year 6 months
6.	Time taken by the State Government for submission of Explanatory Memorandum (4-2)	9 months	1 year 11 months	6 months	2 years 6 months	-

4.41. Simultaneously, the time taken by the state government to place their action taken note (explanatory memorandum) before the Legislature has also varied between six and a half months (3rd DFC) to two and a half years (4th DFC). This is not a happy situation. DFCs need to be assigned one and a half years to submit their report while state government should take no more than two months to take a decision on the recommendations.

4.42 With a view to ensuring timely decisions on acceptance and implementation of the report of the 5th DFC, we suggest the following course of action:

a. The Lt. Governor should constitute a Committee of Secretaries (COS) to examine the Report of the 5th DFC and submit its recommendation to the GNCTD by 30th November 2017. The COS should be chaired by the Principal Secretary (Finance), with Principal Secretary (UDD), Principal Secretary (Education) and Principal Secretary (H&FW) as members. The COS may invite any other officers for consultation, as it might deem fit. The COS should be serviced by the Special Secretary (UDD).

b. The GNCTD should consider the report of the COS and take a decision before 31st December 2017.

c. The GNCTD should convene a special session of the Legislature by the 10th January 2018 to place the explanatory memorandum as to the decision/action taken on each one of the recommendations.

d. The UDD and other Departments concerned should issue the necessary orders/ letters etc., by 20th January 2018.

e. The Municipalities should factor in those decisions in their respective budgets in February 2018, leading to implementation of the same on or before 1st April 2018.

Chapter 5

Finances of Government of Delhi

Overview of State Finances

5.1. Delhi has traditionally been a revenue surplus state, particularly in the recent times. This is reflected in its fiscal indicators including the Balance on Revenue Account. The state's surplus on revenue account was ₹ 5,142 crore in 2007-08 and ₹ 8,656 crore in 2015-16. Table-5.1 indicates the receipts, expenditure, and surplus on revenue account for the years 2005-06 to 2017-18 (BE).

Table-5.1: Balance on Revenue Account of GNCTD

(₹ crore)

Year	Revenue Receipts	Revenue Expenditure	Revenue Surplus (2-3)
(1)	*(2)*	*(3)*	*(4)*
2005-06	10844	6515	4328
2006-07	12194	7755	4438
2007-08	14912	9771	5142
2008-09	16352	11763	4590
2009-10	20451	13901	6550
2010-11	25024	14382	10642
2011-12	22393	17965	4428
2012-13	25561	20659	4902
2013-14	27981	22367	5614
2014-15	29585	23509	6075
2015-16	34999	26343	8656
2016-17 (RE)	36922	32076	4846
2017-18 (BE)	42216	38427	3789

Source: Finance accounts / budget documents of GNCTD.

5.2. Our terms of reference also require the GNCTD to furnish to us their projections of tax revenue and proposed capital investment under Plan on ongoing works and new works after meeting the expenses of GNCTD under non-Plan. While we awaited these details from the Finance Department, we could get some idea from our interaction with the officers of the various line departments, for both, the revenue as well as the expenditure items.

Fiscal Position of the GNCTD

5.3. Fiscal deficit is an indicator of net requirement of loan by a government during a year. It is determined by the excess/shortfall in non-debt receipt (comprising total revenue receipts and recovery of loan) of the government over its net total expenditure (i.e. excluding loan repayment). The status of fiscal surplus/deficit during 2005-06 to 2017-18 (BE) is presented in Table-5.2.

5.4. The position of fiscal surplus/deficit of a government is affected either by increase/decrease in its non-debt receipt or excess/shortfall in its net total expenditure or due to both. GNCTD had fiscal surplus of ₹ 729.6 crore in 2010-11 as compared to the fiscal deficit of ₹ 3,350 crore in 2009-10, because its total expenditure of ₹ 25,524.3 crore in 2010-11 had a marginal growth of 2.4 per cent as compared to the growth of 22.4 per cent in the previous year, on the other hand, its revenue receipts had a substantial growth of 22.4 per cent in the same year. The reduced growth in total expenditure during 2010-11 was mainly due to the reduction in Plan expenditure from ₹ 11,128.24 crore in 2009-10 to ₹ 10,544.24 crore in 2010-11. This resulted in a fiscal surplus of ₹ 729.6 crore in 2010-11. However, during 2011-12, Delhi's fiscal deficit sharply increased to ₹ 2,545.1 crore as compared to the fiscal surplus of ₹ 729.6 crore in 2010-11, because, its revenue receipts registered a negative growth of 10.5 per cent over the previous year, although, on expenditure side it had also a marginal growth of 3.4 per cent over 2010-11.

Table-5.2: Fiscal Deficit/Surplus of GNCTD

(₹ crore)

Year	Revenue Receipts	Recovery of Loans	Loan Repayment by Government Servants	Loan Repayment/ Pre-payment to GOI	Total Expenditure	Fiscal Deficit (1+2+3+4-5)	Fiscal Deficit as % of GSDP
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	10844	315	5	224	11142	245	0.18
2006-07	12194	225	4	134	12966	-410	-0.25
2007-08	14912	228	3	975	18160	-2041	-1.08
2008-09	16352	796	3	386	20361	-2824	-1.24
2009-10	20451	315	3	606	24926	-3550	-1.36
2010-11	25024	434	3	793	25524	730	0.24
2011-12	22393	374	2	1088	26402	-2545	-0.74
2012-13	25561	723	2	1288	29859	-2285	-0.58
2013-14	27981	801	2	1325	34052	-3943	-0.89
2014-15	29585	225	2	1347	30940	219	0.04
2015-16	34999	82	1	1435	35196	1322	0.24
2016-17 (RE)	36922	159	2	1655	41200	-2462	-0.39
2017-18 (BE)	42216	397	3	1682	48000	-3702	-0.52

Source: Finance Account of GNCTD from 2005-06 to 2015-16 (Ac) & budget document of GNCTD for 2017-18.
Note**:** 1. (-) denotes deficit.
2. Delhi had fiscal surplus of ₹ 219 crore in 2014-15 which was 0.04% of its GSDP in the year in comparison to all states'fiscal deficit of 2.6 % of GDP in the year (2014-15).
3. The 14th Union Finance Commission suggested a ceiling for states' gross fiscal deficit at 3% of GSDP for its award period (2015-20).

5.5. The fiscal deficit of GNCTD was the highest at ₹ 3,942.7 crore in 2013-14 because the GNCTD had made one-time payment of electricity dues to the Central PSUs amounting to ₹ 3,326.35 crore payable by the erstwhile Delhi Vidyut Board (DVB). It is also mentioned here that the same amount of non-Plan loan of ₹3,326.35 crore was released by the Government of India (GOI) to GNCTD to enable it to discharge the above said electricity dues of erstwhile DVB to Central PSUs.

5.6. The GNCTD had a fiscal surplus of ₹ 218.8 crore in 2014-15 because almost entire net expenditure of the government was met out of its revenue receipts during the year. Similarly, it had a fiscal surplus of ₹ 1,321.9 crore in 2015-16 because its revenue receipts exceeded by 3.7 per cent over its total net expenditure of ₹ 33,760.3 crore during the year.

5.7. All in all, the fiscal deficit of the GNCTD has remained well within the limit of three per cent of GSDP that was prescribed by the 14th Union Finance Commission.[1]

5.8. The herald of the GST regime is expected to further improve the fiscal position of the state government. In this scenario, we examine the trends of receipts and expenditure of the state government on the revenue account as also the status of loans and debt, etc. in the succeeding paragraphs.

Contribution of Tax and Non-Tax Sources and Grants

5.9. The own revenues of GNCTD come almost entirely from tax sources, vis-à-vis non-tax sources, as may be seen in Table-5.3, which also indicates the grants-in-aid and contribution from the GOI for 2015-16.

[1]Report of the 14th Finance Commission, Para 14.64.

Table-5.3: Broad Composition of the Total Revenue of GNCTD during 2015-16

Sl. No.	Item	Amount (₹ crore)	Share in Total (%)
1	Own Tax Revenue (OTR)	29026.3	85.9
2	Grant-in-Aid and Contribution from the Centre	4258.3	12.6
3	Own Non-Tax Revenue	515.4	1.5
	Total (1+2+3)	33800	100

Source: Finance Account of GNCTD.
Note: OTR excludes taxes collected on behalf of the municipalities, namely, transfer duties and one-time parking charges on registration of new vehicles.

5.10. Although we could have presented the relative contribution of the tax and non-tax sources to the total revenues of GNCTD in a time-series, we avoided doing that mainly because of two reasons: one is that the interest receipts used to be of the order of ₹ 2,500 crore to ₹3,000 crore till a few years ago, when the GNCTD changed its policy of accounting for such incomes on receipt side and showing equivalent amount as non-Plan loans given to the PSUs concerned. This brought down the interest receipts to almost 10 per cent, that is, around ₹ 250 crore to ₹ 300 crore a year. Therefore, the data of the recent years, typically, 2015-16, give a more realistic picture and reflect the nominal ratio of the contribution of the non-tax sources in the recent years. Even so, we are presenting a review of the non-tax sources in a later part.

5.11. The second reason is the introduction of the GST, effective from 1st July 2017. As we would be presenting in detail later, GST would push the tax revenues of the GNCTD to a new high, with good buoyancy. GST also subsumes some of the second rung (in terms of contribution) indirect taxes such as the luxury and entertainment taxes. Thus, the GST is poised to become the most buoyant source of revenue.

Approaches of the Earlier DFCs

5.12. The First DFC had adopted a general principle of buoyancy/elasticity-based growth in projecting the tax revenue and revenue expenditure items, fixing it at 1.05. The Second DFC did not exactly specify the principles adopted by it for the purpose, but mentioned that the growth rates indicated by the Planning Commission for the Tenth Five Year Plan period were being adopted by it for projecting the figures of revenues and expenditure for the award period. The rates adopted by the Third DFC for the revenue receipts of the state government for various items for its award period are indicated in Table-5.4.

Table-5.4: Growth Rates for Revenue Receipt Items Adopted by the 3rd DFC for its Award Period 2006-2011

Item	Growth rate (%)
Sales Tax	11
State Excise	10
Stamp & Registration	12
Tax on Vehicles	7
Other Taxes & Duties	10
Non-Tax Revenues	4

5.13. The actual performance of the NCT in tax revenues during the award period of the 3rd DFC, that is, 2006-07 to 2010-11 had been much better than the projections made by the 3rd DFC, with the sole exception of 2008-09, as may be seen in Table-5.8. The same table also indicates that the trend growth rate for state's own tax revenues for the past 11 years (2005-2016) has been 12.59 per cent. However, the buoyancy of the tax revenues for this period was only 0.87, which indicates that the tax revenue growth could have been even higher.

5.14. The earlier DFCs had adopted the historical trend growth rate (TGR) cum buoyancy method for projecting the receipts from various taxes. We propose to adopt the same approach, but modulate it with the changing course of the economy and other relevant factors for each type of tax. For the purposes of analysis of state revenues, we have skipped the collections on account of the transfer duties and the one-time parking charges, which the GNCTD collects on behalf of the municipalities and transfers the same to these bodies. We have also noted the growing significance of service sector in the GSDP of Delhi. Keeping these factors in view, we have generally considered the default growth rate for the taxes to be around the same as that of the GSDP in nominal terms, which we have assumed to be 12 per cent.

Own Tax Revenues

5.15. The own tax revenue of state comprises value added tax (VAT), state excise duties, stamp duty and registration fee, motor vehicle tax, and other minor taxes. The data for the revenue receipts of GNCTD during 2015-16 is presented in Table-5.5.

5.16. Of the taxes mentioned in Table-5.5, the ones at 5(a) to (d) are subsumed in the GST and, therefore, we have not analysed the future potential of these taxes individually. The year-wise details of the revenue collected from the remaining taxes and duties are presented in Table-5.6, and the relative share of each tax in the respective years, in Table-5.7.

5.17. We derive two more inferences from the time-series figures of the revenues from state taxes. One is that the potential of revenue collection needs to be exploited still better, as the buoyancies are much less than 1, particularly for the value added tax (VAT) and on land and property transactions (stamp duties). The other is the very large year-on-year fluctuation in the tax receipts. The state government needs to strengthen its tax administration to identify the root cause behind this situation with a view to bringing in greater stability and growth in tax receipts.

5.18. The annual and trend growth rates for revenues for the various taxes are presented in Table-5.8, while we examine the same for each tax thereafter.

Stamp Duties

5.19. Stamp duties contribute about seven per cent to 11 per cent of the tax revenues of the state government and are the third largest source of revenue after VAT and state excise. This status of stamp duties as the prime revenue source is generally true in most other states as well. Stamp duties are levied, along with the registration fee, at the time of registration of properties that are being acquired by way of sale deed/conveyance deed/gift deed, etc. and also on a variety of other documents.

Table-5.5: Composition of the Tax Revenue of GNCTD during 2015-16

Sl. No.	Item	Amount (₹ crore)	Share (%)
1	VAT	20246	69.75
2	State Excise	4238	14.60
3	Stamp Duties and Registration Fees (excludingtransfer duties to municipalities)	2341	8.06
4	Taxes on Vehicles(excludingone time parking charges to municipalities)	1501	5.17
5	Other Taxes & Duties on Commodities and Services (Total 5 (a) to 5 (e)) of which,	701	2.41
5(a)	Entertainment Tax	147	0.51
5(b)	Betting Tax	19	0.07
5(c)	Luxury Tax	440	1.52
5(d)	Cable T.V. Tax	94	0.32
6	Other receipts	0.03	0.00
	Total	29026	100.00

Source: Finance Account of GNCTD.

Table-5.6: Composition of the Tax Revenues of GNCTD during 2005-06 to 2017-18

(₹ crore)

Year	Stamp Duties @	State Excise	VAT	Taxes on Vehicles#	Other Taxes*	Total (2 to 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2005-06	828	1025	6501	299	288	8939
2006-07	918	1133	7366	363	376	10156
2007-08	1318	1301	8310	420	432	11783
2008-09	788	1421	9152	419	401	12181
2009-10	930	1644	10126	463	286	13448
2010-11	1356	2027	12069	708	319	16478
2011-12	2240	2534	13751	1049	398	19972
2012-13	1854	2870	15804	1170	420	22118
2013-14	2066	3152	17926	1308	463	24914
2014-15	1692	3422	18289	1452	553	25410
2015-16	2341	4238	20246	1501	701	29026
TGR	11.10	15.67	12.57	19.83	5.87	12.95
TGR (GSDP)	14.91	14.91	14.91	14.91	14.91	14.91
Buoyancy	0.74	1.05	0.84	1.33	0.39	0.87
2016-17 (RE)	1913	4700	22000	1653	882	31148
2017-18 (BE)	2338	5200	26500	1885	967	36890

Source : 1. Financial data from Finance Accounts / Budget Documents of GNCTD.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Government of Delhi dated March, 2017.
3. GSDP for 2005-06 to 2010-11 (back series at current prices linked to base year 2011-12) as compiled by the Commission considering the previous GSDP series with base year 2004-05 by using splicing method.
@ Stamp duties and registration fees (excluding transfer duties to the municipalities).
# Excluding one-time parking charges to municipalities.
* Including entertainment tax, betting tax, luxury tax and cable TV tax and 'other'.
** Trend Growth Rate (TGR) of GSDP is given for the years for which data have been shown in the Table.

5.20. Stamp duties and registration fees collected by the state government under the head of account '0030' comprise four components, namely, stamp duties on non-judicial instruments, stamp duties on judicial instruments, registration fees and the transfer duty that the state government collects along with the stamp duty on behalf of the municipalities. The receipts from transfer duty are shown in the Finance Account as part of non-judicial stamp duties. While making assessment of the receipts from stamp duties, we have omitted the transfer duty component, which we obtained from the expenditure side of the budget

Table-5.7: Relative Share of Various Sources in the Tax Revenues of GNCTD during 2005-06 to 2017-18

Year	Total Tax Revenue (₹ crore)	Share of VariousTaxes & Duties (in %)					
		Stamp Duties etc.@	State Excise	VAT	Taxes on Vehicles#	Other Taxes*	All Taxes & Duties
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2005-06	8939	9.3	11.5	72.7	3.3	3.2	100
2006-07	10156	9.0	11.2	72.5	3.6	3.7	100
2007-08	11783	11.2	11.0	70.5	3.6	3.7	100
2008-09	12181	6.5	11.7	75.1	3.4	3.3	100
2009-10	13448	6.9	12.2	75.3	3.4	2.1	100
2010-11	16478	8.2	12.3	73.2	4.3	1.9	100
2011-12	19972	11.2	12.7	68.9	5.3	2.0	100
2012-13	22118	8.4	13.0	71.5	5.3	1.9	100
2013-14	24914	8.3	12.6	71.9	5.2	1.9	100
2014-15	25410	6.7	13.5	72.0	5.7	2.2	100
2015-16	29026	8.1	14.6	69.7	5.2	2.4	100
2016-17 (RE)	31148	6.1	15.1	70.6	5.3	2.8	100
2017-18 (BE)	36890	6.3	14.1	71.8	5.1	2.6	100

@ Stamp duties and registration fees (excluding transfer duties to municipalities).
#excluding one time parking charges to municipalities.
*includes entertainment tax, betting tax, luxury tax, cable TV tax and 'other'.

documents. Though the transfer duties were collected along with the stamp duties for long, it was only from 2012-13 that the transfer duties got routed through and reflected in the budget documents of GNCTD.

Growth rate for stamp duties

5.21. For stamp duties, the historical growth rate was 11.10 per cent, with a buoyancy of only 0.74. The annual growth rates have seen a large fluctuation, with sudden spurt of growth seen in the years 2007-08, 2010-12, 2013-14 and 2015-16. In other years, the annual growth has usually been low or even negative. The growth in revenue from stamp duties depends on the number and value of transactions. Of these two factors, the 'value' part depends to a considerable extent on the officially notified rates, called the 'Circle Rates'. We will discuss the 'number' part in para 5.25. There seems to be a direct correlation of the growth of revenue from stamp duties to the revision of the circle rates, which were revised in 2007, 2011, 2012 and 2014. The revisions and the percentage increase are shown in Table-5.9.

Table-5.8: Annual Growth Rates (AGR) of the Tax Revenues of GNCTD during 2005-06 to 2017-18

(in %)

Year	AGR of GSDP	Stamp Duties @	State Excise	VAT	Taxes on Vehicles#	Other Taxes	Total of All Taxes (3 to 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	-	-	-	-	-	-	-
2006-07	17.52	10.9	10.6	13.3	21.5	30.8	13.6
2007-08	16.49	43.6	14.8	12.8	15.8	15.0	16.0
2008-09	20.00	-40.2	9.2	10.1	-0.3	-7.4	3.4
2009-10	14.82	18.0	15.7	10.6	10.4	-28.7	10.4
2010-11	16.14	45.8	23.3	19.2	52.9	11.6	22.5
2011-12	13.59	65.2	25.0	13.9	48.3	24.7	21.2
2012-13	13.81	-17.2	13.3	14.9	11.5	5.6	10.7
2013-14	13.43	11.4	9.8	13.4	11.8	10.3	12.6
2014-15	10.96	-18.1	8.6	2.0	11.0	19.5	2.0
2015-16	12.09	38.3	23.8	10.7	3.4	26.7	14.2
TGR	14.91	11.10	15.67	12.57	19.83	6.21	12.95
TGR (GSDP)	14.91	14.91	14.91	14.91	14.91	14.9	14.91
Buoyancy	1.0	0.74	1.05	0.84	1.33	0.42	0.87
2016-17 (RE)	13.65	-18.3	10.9	8.7	10.1	25.8	7.3
2017-18 (BE)	13.65	22.2	10.6	20.5	14.0	9.6	18.4

5.22. Table-5.9 indicates sharp increases at the interval of few years, in case of certain categories and nominal increase in case of other year. We feel that the revision of rates for any tax or user charge, be it by the state government or the municipalities, if notified at an interval of 2-3 years or more, reduces the credibility and acceptability of the revision among the taxpayers. The state government should standardise the procedure for annual revision of circle rates, which should now be undertaken more conveniently owing to computerisation of the registration processes. Government should also be willing to accept and notify even a downward revision, if the facts call for.

5.23. The revision of circle rates by the Revenue Department covers all lands and immoveable properties in Delhi. This being so, these rates should be adopted by the municipalities as equivalent to the MVC Report. We recommend that the Circle Rates Committee of the Revenue Department should replace the Municipal Valuation Committee. Otherwise, there would be two sets of rates, leading to disputes and

Table-5.9: Minimum Rates (Circle Rates) for Valuation of Land and Properties for Residential Use for Purpose of Registration under the Registration Act, 1908 in Delhi

(₹ per Sq. mtr)

Category of the Locality	GNCTD Notification Dated								
	2007*	Feb. 2011*	% Increase	Nov. 2011*	% Increase	2012*	% Increase	2014*	% Increase
A	43000	86000	100	215000	150	645000	200	774000	20
B	34100	68200	100	136400	100	204600	50	245520	20
C	27300	54600	100	109200	100	133200	22	159840	20
D	21800	43600	100	87200	100	106400	22	127680	20
E	18400	36800	100	47840	30	58400	22	70080	20
F	16100	32200	100	38640	20	47200	22	56640	20
G	13700	27400	100	31510	15	38500	22	46200	20
H	6900	13800	100	15870	15	19400	22	23280	20

*Dates of Notification: 18.7.2007, 4.2.2011, 15.11.2011, 4.12.2012 & 22.9.2014, respectively.
Source: Website of Revenue Department, accessed on 30.8.2017.

litigation. The circle rate revision should be based on consumer price index (CPI) and undertaken on an annual bases mandatorily, like the revision of dearness allowances of the employees.

5.24. Similarly, the GNCTD should direct the municipalities and state utilities (DJB, DTC, etc.) to notify annual revision of all types of taxes including property taxes as well as user charges. The circle rate revision should be based on consumer price index (CPI) and undertaken on an annual bases mandatorily, like the revision of dearness allowances of the employees.

5.25. As regards the number of transactions, in the past, property transactions in Delhi were usually at rather subdued levels, owing to the large restrictions on land development by the non-government, i.e. non-DDA, sector. Now, with the herald of the land pooling and transit oriented development (TOD) policies and a series of redevelopment projects launched by the largest land-owning agency of Delhi, the Ministry of HUA, we expect much better buoyancy in the stamp duty revenues.We also note the enthusiasm among the municipalities for undertaking similar redevelopment projects for commercial activities including for car parking spaces. Even though the estimates of revenue growth from stamp duties for 2016-17 (RE) indicate a negative growth rate of (-) 18.3 per cent over the previous year, we are hopeful that the number and values of property transactions would improve in the coming years, owing to the factors mentioned before.

5.26. Keeping all these aspects in view, we propose to adopt a progressively increasing AGR of seven per cent for 2018-19, 8.5 per cent for 2019-20 and 10 per cent for 2020-21, retaining the budget figures indicated in Table-5.6 for 2016-17 (RE) and 2017-18 (BE).

5.27. The receipts of transfer duties for the municipalities are intertwined with the receipts of the stamp duties for the state government. In respect of the projections for the receipts from transfer duties of the municipalities, we have adopted a set of AGRs that is differential among them, keeping in view the past trends, whereas the yearly rates for each municipality have been kept unchanged for the sake of simplicity of computation. We have discussed this matter in further details in chapter 6.

Rationalisation of the Registration Fees

5.28. Registration fee used to be a nominal source of revenue till 2009-10 and began contributing substantially from 2010-11, owing to its raising to the level of one per cent of the consideration amount, vide Revenue Department notification (dated 1.7.2010).

This, in a way, partially neutralised the concept of reduction of stamp duty to below five per cent level that was mandated under the JNNURM reforms. Registration fee of the order of one per cent in conjunction with stamp duty of three per cent and an equivalent transfer duty makes the transaction costlier by seven per cent (5% in case of women vendees).

5.29. A 'fee' is levied mainly to cover the cost of administration and is not expected to become a significant source of revenue, particularly when the transactions are obliged to suffer a major tax burden. In respect of transactions that incur stamp duties (including transfer duty) of the order of four to six per cent of the cost of transaction, imposition of registration fee of the order of one per cent of the cost of transaction amounts to raising the stamp duty by another percentage point, and is not justified. It, therefore, seems appropriate to reduce the registration fee to nominal levels. Moreover, registration fee should not be related to the cost of transaction, but should be in terms of per page of the document and other rational bases.

5.30. Accordingly, we recommend that the registration fee being levied in the NCT under the Registration Act 1908 (Act 16 of 1908) should be reduced to a nominal level, which should be enough to cover the administrative cost of transactions and not be treated as a buoyant source of revenue for the government. Revenue buoyancy should be achieved in this sector by way of rationalising the circle rates and the rates of stamp duties. GNCTD should set up a committee chaired by the Revenue Secretary to work out the rational rates for the registration fee, which lead to recovery of the administrative expenses only.

State Excise

5.31. State Excise duties contribute about 11 per cent to 15 per cent of the state’s own tax revenues and are the second largest contributor in that regard. These include the excise duties levied by the state government under Delhi Excise Act 2009 on the wholesale liquor licencees for Indian, foreign and country liquor and retail liquor licencees on hotels/clubs/restaurants and vends of government undertaking and private vends. In addition, the state excise department also collects excise duties from the wholesale and retail traders of medicinal and toiletry preparations like hospitals, nursing homes, etc. under the Medicinal & Toilet Preparations Act, 1955.

5.32. For analysing the trends of the revenue receipts from excise duties, we use the information given in Tables-5.6, 5.7 and 5.8. The annual growth rate (AGR) for the excise revenues has shown a very significant YoY fluctuation, ranging between 8.6 per cent and 25 per cent, during 2005-06 and 2015-16. The trend growth rate for this 11-year period works out to 15.7 per cent and gives a buoyancy ratio of 1.05. For 2015-16, the AGR over the preceding year was 23.8 per cent, whereas the state budget has assumed an AGR of 10.9 and 10.6 per cent for 2016-17 (RE) and 2017-18 (BE).

5.33. Keeping in view the general policies of non-proliferation of liquor consumption unduly on one hand and the growing personal income levels, on the other, we propose to adopt the RE and BE figures indicated in the state budget 2017-18 for 2016-17 and 2017-18, respectively and, for the subsequent years, AGR of 11 per cent, 12 per cent and 13 per cent, respectively.

Excise duties and the GST

5.34. There does not seem to be any good reason to keep the state excise duties out of the purview of GST, though it would need a broader consensus among states. Whatever is the justification for bringing other goods under GST would hold very well for the liquors as well. Accordingly, we recommend that liquors and other commodities that are currently exempted from GST should be brought in the fold of the GST. Delhi being a major consuming state, should take lead in initiating a dialogue on this issue among the states.

Taxes on Motor Vehicles

5.35. Motor vehicles have come to define a city in many ways and have become a determinant of many social, environmental, and economic issues relating to the cities. As against 32 lakh motor vehicles in Delhi in 2001, currently there are almost 90 lakh vehicles and the number is increasing at the rate of around 1,000 vehicles per day. The number of driving licences is also as high as nine lakh and is growing at 250 to 300 licences per day.

5.36. The Department of Transport, through the Commissioner for Transport, Delhi, collects the following revenues for the GNCTD:

(a) Taxes on motor vehicles under the Delhi Motor Vehicles Taxation Act 1962.

(b) Fees for issue and renewal of driving licences for MVs and various other fees and fines prescribed under the Central Motor Vehicles Act 1988.

(c) One-time parking fee being collected on behalf of the MCDs[2].

These levies have been kept out of the ensuing GST regime.

5.37. The annual revenues collected from the taxes on motor vehicles (MV), mainly under the Delhi Motor Vehicle Taxation Act 1962, is of the order of ₹ 1,500 crore, which amounts to about five per cent of the state's total tax collections. As was seen in Table-5.8, the annual growth rate for the revenues from MV taxes was, in three recent years (2012-13, 2013-14 and 2014-15) around 11 per cent. In two preceding years, however, the AGR was very high, being 52.9 per cent in 2010-11 and 48.3, in 2011-12. This spurt is attributable to the lifetime tax payment system, introduced in 2011. In 2015-16, it came down to 3.4 per cent. This indicates high fluctuation in the collections from MV taxes.

5.38. The growth of revenue from the taxes on motor vehicles would depend mainly on the twin factors of the increase in the number of 'taxable' vehicles and the rates of tax. The public policies in respect of urban transport aim at promoting, and rightly so, switch over from personalised transport systems such as cars and motorcycles/scooters to public transport systems such as buses and metro rail, which should lead to reduction of MV tax receipts. However, the personal human fancy and convenience of owning a car or two-wheeler cannot be wished away, particularly in the wake of the growing per capita incomes and this factor would maintain the rise in MV tax receipts. As for the rates of tax, it would be difficult to recommend any increase owing to the apprehension of shifting of the sales of vehicles from Delhi to the neighbouring states.

5.39. Even though the average growth rate of receipts from MV taxes for the period 2005-06 to 2015-16 is 19.8 per cent with a buoyancy of 1.3, it is not desirable to adopt the same for the future also in view of the reasons of abnormal spurt experienced in 2010-11 and 2011-12, as mentioned in para 5.37. The state budget has projected an AGR of 10.1 for 2016-17 (RE) and 14.0 per cent for 2017-18 (BE). We take AGR of 13.2 per cent, for our forecast period, which translates into buoyancy of about 1.1.

Entertainment Tax, Betting Tax, Luxury Tax and Cable TV Tax

5.40. Other revenue sources like the entertainment tax, betting tax, luxury tax and cable TV tax are getting subsumed in the GST and the GOI has assured, by way of underwriting, of a minimum 14 per cent annual growth over 2015-16 base year figures. The annual collection under these taxes and the growth rates for the same are presented in Tables-5.10 & 5.11, respectively.

5.41. Each of these taxes exhibits a generally erratic trend of annual growth rates. However, we expect a more stable trend of collections from these sources under the GST regime, which we discuss in the succeeding paragraphs.

Taxes on Goods & Services (VAT and GST)

5.42. India has entered into a fiscal revolution of sorts, by switching over to the regime of Goods & Services Tax (GST), effective from 1st July 2017. In respect of state taxes, GST has replaced the value added tax (VAT) on goods and certain services, which were the single largest contributor to tax revenues of all state governments including the GNCTD. In Delhi, VAT itself is a relatively recent tax, introduced in the NCT through the Delhi VAT Act 2004 (DVAT Act), which

[2]The component of one-time parking charges is examined in the Chapter 6.

Table-5.10: Collections from Entertainment Tax, Betting Tax, Luxury Tax, Cable TV Tax and Other Receipts Subsumed under GST

(₹ crore)

Year	Entertainment Tax	Betting Tax	Luxury Tax	Cable T.V. Tax	Other Receipts	Total (2 to 6)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	34.2	3.4	245.9	3.9	–	287.4
2006-07	36.1	4.5	327.6	7.8	0.06	376.0
2007-08	45.3	5.9	372.6	8.6	–	432.5
2008-09	45.4	4.8	340.2	10.2	–	400.6
2009-10	46.7	5.9	224.0	9.0	–	285.6
2010-11	53.4	6.3	249.5	9.5	–	318.7
2011-12	67.1	6.9	299.8	23.7	–	397.5
2012-13	87.1	8.3	294.2	30.3	–	419.8
2013-14	88.7	10.1	306.8	57.4	–	463.0
2014-15	92.8	9.9	331.0	58.0	–	491.7
2015-16	147.4	19.3	440.0	93.8	0.03	700.5
2016-17 (RE)	200.0	30.0	550.0	100.0	–	880.0
2017-18 (BE)	230.0	35.0	600.0	100.0	–	965.0

Source: Budget documents of GNCTD.

had replaced four other Acts, namely, the Delhi Sales Tax Act 1975, the Delhi Sales Tax on Works Contract Act 1999, the Delhi Tax on Entry of Motor Vehicles into Local Areas Act 1994 and the Delhi Sales Tax on Right to Use Goods Act 2002. The DVAT Act 2004, which came into force in 2005, has been administered, along with the Central Sales Tax Act 1956, by the Department of Trade and Taxes (DTT), who would administer the GST now.

5.43. The GST subsumes many Union and state taxes, as listed in the Table-5.12.

5.44. As the GST is to be administered by both, the Union and the states, both have enacted separate laws, though the provisions of both the set of laws are quite similar, and for good reasons. The Central Goods and Services Tax Act, 2017 (the CGST Act) was notified on 12th April 2017, while the Delhi GST Act 2017 (the DGST Act), on 14th June 2017. Both, the CGST Act and the DGST Act, were brought into force from 1st July 2017.

5.45. In terms of tax administration, dealers with annual turnover of up to ₹ 1.50 crore would be administered by the GNCTD and GOI in the ratio of 90:10, whereas in respect of the dealers with annual turnover in excess of ₹ 1.50 crore, this ratio shall be 50:50.The GST would subsume, besides the value added tax, the luxury tax, the entertainment tax, the cable TV tax and the betting tax. The wings of the Excise Department of GNCTD dealing with these subsumed taxes stand abolished, though a skeleton staff would remain to handle the pending issues of litigation, etc. The revenue from the CGST and state GST would be shared between the Union and the respective states in the ratio of 50:50.

5.46. The rates of GST for various goods and services would be determined by the GST Council. In general, the GST Council has tried to introduce rates that would not burden the taxpayer with additional tax liability, though there are some exceptions on either side. However, service tax rates have generally gone up from 14 per cent (15% after adding education cess and Swachh Bharat cess) to 18 per cent (no additional

Table-5.11: Growth Rates for Collections from Taxes Subsumed in GST (other than VAT items)

(in %)

Year	Entertainment Tax	Betting Tax	Luxury Tax	Cable T.V. Tax	Other Receipts	Total (2 to 6)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	-	-	-	-	-	-
2006-07	5.3	34.1	33.2	99.2	0.06	30.8
2007-08	25.7	29.9	13.8	10.6	–	15.0
2008-09	0.2	-18.7	-8.7	18.2	–	-7.4
2009-10	2.9	23.7	-34.1	-12.0	–	-28.7
2010-11	14.3	7.5	11.3	6.1	–	11.6
2011-12	25.7	9.5	20.2	148.3	–	24.7
2012-13	29.7	19.7	-1.9	28.1	–	5.6
2013-14	1.9	21.5	4.3	89.5	–	10.3
2014-15	4.6	-2.2	7.9	1.1	–	6.2
2015-16	58.8	95.1	32.9	61.7	0.03	42.5
TGR	14.36	14.35	2.18	34.65	–	5.75
TGR (GSDP)	14.91	14.91	14.91	14.91	–	14.91
Buoyancy	0.96	0.96	0.15	2.32	–	0.39
2016-17 (RE)	35.7	55.6	25.0	6.6	–	25.6
2017-18 (BE)	15.0	16.7	9.1	0.0	–	9.7

Source: Derived from the data in Table-5.10.

Table-5.12: Central and State Taxes Subsumed under GST w.e.f. 1.7.2017

Central Taxes	State Taxes
• Central Excise Tax • Additional Excise Duties • Service Tax • Countervailing Duty • Additional Customs Duty • Central Sales Tax • Surcharges • Cess (on goods & services covered under GST)	• Value Added Tax (VAT) • Entertainment Tax including cable TV Tax (except where levied by a local body) • Luxury Tax • Taxes on Lottery and gambling (including Betting Tax) • State Cesses and Surcharges on the subsumed taxes • Entry Tax • Purchase Tax • Advertisement Tax

cess) under the GST regime. The GST, service tax is coming to the taxation powers of states including the GNCTD for the first time. The total collection from service tax by the GOI was ₹2.11 lakh crore in 2015-16, ₹ 2.48 lakh crore in 2016-17 (RE) and ₹ 2.75 lakh crore in 2017-18 (BE)[3]. As per the information gathered by DTT from the Commissioner of Service Tax, GOI, the number of registered assessees under service tax in the NCT in 2016-17 was 3,65,762 who paid a revenue of ₹ 22,843 crore in that year.

[3] http://indiabudget.nic.in/glance.asp (accessed on 30.9.2017).

Submission of the Department of Trade & Taxes

5.47. The Department of Trade & Taxes (DTT) in their references dated 30th March 2017 and 1st May 2017, stated that they foresee a positive impact of the GST on the revenue mobilisation, in view of the fact that the economy of Delhi is driven predominantly by the tertiary (services) sector, which contributes 82 per cent of the state income, whereas, the secondary and the primary sectors contribute only 15 per cent and three per cent, respectively. Moreover, the land prices being high in Delhi, big farmers are selling off their land to real estate developers and after receiving huge compensation, shifting to either secondary or tertiary sector. The DTT has stated that it is constantly introducing reforms in VAT administration, including digitisation and self-assessment of the periodic returns filed by the dealers, which have improved tax compliance. The DTT has also stated that approximately 3,000 dealers registered under the entertainment and luxury taxes would now be registered under the GST Act, in addition to the 3.94 lakh dealers registered under DVAT.

5.48. DTT has further stated that the non-subsumed goods currently contribute approximately 21 per cent (16% for petroleum products and 5% for liquor) to the total VAT collections. We have examined this statement in greater detail in para 5.54. DTT expects a big spurt in the total revenue collection in 2017-18 owing to the migration to GST and thereafter the growth might be steady at the annual rate of 15 per cent. The DTT has indicated its estimation of collection from VAT for 2016-17, VAT/GST for 2017-18 and GST for 2018-19 to 2021-22, as per the trends observed in the past 10 years, as shown in Table-5.13.

5.49. There seems to be some inaccuracy in the above figures submitted by the DTT for 2019-20 estimates, while computing a 15 per cent growth over the figure for 2018-19. However, we have made due corrections on this score.

Table-5.13: Estimates of VAT/GST Collections Indicated by DTT for 2016-2021

Year	Targeted Tax Collection (₹ crore)	Growth Rate (Percentage)
2016-17	22,000	8.66
2017-18	26,500	20.45
2018-19	30,500	15
2019-20	39,500	15
2020-21	45,500	15

Source: Department of Trade & Taxes Letters No. A-11029/02/2012/R&S/CT&T/3291-92 dated 30th March 2017 and No. A-11029/02/2012/R&S/CT&T/3299 dated 1st May 2017.

Impact of GST on State Finances

5.50. Petroleum and petroleum products[4] and liquor are currently kept outside the purview of GST and would continue to be administered by the existing Union and state taxes including the VAT. The collection of GNCTD from VAT in 2016-17 was ₹ 21,144 crore, of which the contribution from dealers excluding petroleum products and liquor was ₹ 17,100 crore. Adding to this the figures for collection from other subsumed taxes, we would get the picture of the tax revenues of the GNCTD relatable to GST, as given in Table-5.14.

Table-5.14: Revenue Profile of Indirect Taxes of GNCTD & GOI for 2016-17 Subsumed in GST in Respect of the NCT of Delhi

Sl. No.	Tax Head	Collection (₹ crore)
1	VAT + CST (excluding petroleum products & liquor)	17,100
2	Entertainment & Luxury Taxes	679
3	Central Excise	2134
4	Service Tax	22,843
5	Total	42,756

Source: D/o Trade & Taxes, GNCTD.

[4]Includes petroleum crude,high-speed diesel, motor spirit (petrol), natural gas, and aviation turbine fuel.

[5]₹ (21,378 – 17,780 = 3,598)/17,780 = 20.23%.

5.51. As the states would share 50 per cent of the GST receipts, the GNCTD would, for example, have received half of ₹ 42,756 crore, that is, ₹ 21,378 crore. Against that, the actual collection from VAT and entertainment and luxury taxes was ₹ 17,780 crore. Thus the state stands to gain about 20 per cent from introduction of GST.[5]

Assured Revenue Growth under the GST regime

5.51a. The 101st Constitutional Amendment Act has specifically provided for enactment of a law by the Parliament for extending compensation to the states for loss of revenue arising on account of implementation of the GST for a period of five years. Pursuantly, the Parliament enacted the Goods and Services Tax (Compensation to States) Act, 2017, in April 2017. As per this Act, each state would be assured of a minimum growth rate of 14 per cent over the base year 2015-16 collections made by the state and its local bodies from the taxes subsumed under the GST including the cess thereon, if any.

5.52. The DTT has informed us that during 2016-17, in Delhi, the number of dealers registered under VAT was 4.11 lakh, whereas the number of dealers registered under the service tax was 3.66 lakh. In addition, the number for entertainment & luxury tax was 2,685 and 3,492 for central excise duties. All these dealers, numbering 7.83 lakh, have been permitted to automatically migrate to GST. In addition, many new dealers are getting registered under the GST. During our meeting with the officers of DTT on 11th August 2017, we were informed that from 1st July 2017 to 11th August 2017, a total of 5,747 new dealers were registered under the GST while as many as 14,000 dealers could not migrate to GST. However, this is the initial phase, and we expect that the number of taxpayers under the GST would be higher than that under the VAT and service tax put together. However, more than the number of taxpayers, it is the total taxable turnover that would count for growth of revenue received under the GST.

Fluctuation in VAT Receipts

5.53. The YoY growth under VAT has been fluctuating significantly, for which we could get some idea during our discussions with the officers of the DTT on 11th August 2017. For instance, the AGR for 2016-17 was much less than even 10 per cent, which was on account of a drive, on court directions, for clearing the pending tax refunds amounting to ₹ 827 crore in that year alone. This drive is continuing in 2017-18 too. Again, in 2014-15, the AGR over 2013-14 was 2.03 per cent only. Such fluctuations are not relatable to market dynamics or economic environment and lead us to consider the trend growth rate over a longer period. We also expect the revenue receipts to exhibit a better stability under the GST regime.

Projections for VAT on the Non-Subsumed Goods

5.54. The non-subsumed goods, namely, the petroleum products and liquor, contribute about 21 per cent to the total VAT collections, as the data for the recent years show in Table-5.15.

5.55. We accept the ratio of 79:21 for the subsumed and non-subsumed components of goods, etc. that are currently under VAT, as proposed by Commissioner, VAT. We then add the revenue figures for 2015-16 in respect of the other subsumed taxes (entertainment tax, betting tax, luxury tax and cable TV tax) to the GST component of VAT, to arrive at the base year figure for GST for 2015-16.

Projections by GNCTD for Tax Receipts

5.56. The GNCTD has submitted their projection for the tax receipts[6], which is presented in Table-5.16. While submitting the above estimates, the GNCTD have also stated that VAT, entertainment tax, betting tax and luxury tax are subsumed in GST w.e.f. 1st July 2017 and the GOI have assured the states and UTs for compensation @14 per cent over 2015-16 receipts for next five years should actual revenue receipts fall short. GNCTD have also submitted that they would like to project the receipts from excise duty and stamps and

[6]Or. No. 22(6)/2015-16/Plg/Monit/5744 dt 29.8.2017 from Planning Dept. GNCTD.

Table-5.15: Collection of VAT during 2009-10 to 2016-17 from Items Subsumed and Items Not Subsumed in GST

Year	Total VAT Collection (₹ crore)	Collection from Non-Subsumed Items (₹ crore)					Collection from Subsumed Items	
		Petroleum Products	Liquor	Total (3+4)	Share in Total VAT Revenue (%)	AGR (%)	Amount (₹ crore)	AGR (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2009-10	10126	1628	558	2187	22	-	7939	-
2010-11	12069	1913	646	2558	21	17.0	9511	19.8
2011-12	13751	2388	747	3135	23	22.6	10616	11.6
2012-13	15804	2505	874	3379	21	7.8	12424	17.0
2013-14	17926	2850	960	3810	21	12.8	14115	13.6
2014-15	18289	2917	1004	3921	21	2.9	14368	1.8
2015-16	20246	3093	1089	4181	21	6.6	16064	11.8
2016-17(Pre-Ac)	21144	3645	1087	4733	22	13.2	16411	2.2
TGR %	10.9	11.0	10.3	10.9	21.6*	10.9	11.0	11.0

Source: For Col. 2, for 2016-17, DTT; for earlier years, Finance Account of GNCTD; For Col. 3&4, DTT.

*Average share.

Table-5.16: Projections by GNCTD for own Tax Receipts

(₹ crore)

Tax Head	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Actual	BE	Projection	Projection	Projection
VAT/GST	20852	21817	27465	31024	35387	40368
Excise	4238	4251	5200	5669	6179	6736
Stamp Duties	3434	3146	4035	4270	4518	4781
MV Taxes	1607	1809	2000	2314	2678	3099
Cable TV Tax	94	116	-	-	-	-
Total Tax Revenue	30225	31140	38700	43276	48763	54984

Source: Planning Department, GNCTD Lr. No. 22(06)/2015-16/Plg/Res/5744 dt 29.8.2017.

registration based on the compound average growth rate (CAGR) during 2011-2017 and motor vehicle tax on CAGR during 2007-2017. However, GNCTD has not explained the justification for their assumptions regarding CAGR. Anyhow, we have worked out the AGRs for different tax sources as adopted by the GNCTD from the revenue estimations stated by them, and present the same in Table-5.17.

5.57. For GST receipts, as against the AGR of 14 per cent mooted by the GNCTD, we have proposed AGR of 15 per cent, as has been indicated to us by the Commissioner of Trade & Taxes, Delhi. In view of the built-in efficiency of the GST system, we feel assured that an AGR of 15 per cent for the GST is very much feasible.

Summary of Projections for Tax Receipts

5.58. We summarise our projection for the AGR for the various tax sources for the GNCTD for our award period in Table-5.18 and indicate the corresponding figures in absolute numbers for tax receipts in Table-5.19.To facilitate comparison, we have also indicated the 2015-16 (actual), 2016-17 (RE) and 2017-18 (BE) figures as reported in the GNCTD Budget 2017-18 in these tables.

Table-5.17: Annual Growth Rates for Projection of Tax Receipts Adopted by GNCTD

(in %)

	2016-17	2017-18	2018-19	2019-20	2020-21
VAT/GST	4.6	25.4	12.9	14.0	14.0
Excise	0.3	22.3	9.0	9.0	9.0
Stamp Duties	-8.4	28.3	5.8	5.8	5.8
MV Taxes	12.6	10.6	15.7	15.7	15.7
Cable TV Tax	23.4	-	-	-	-
Total Tax Revenue	3.0	24.3	11.8	12.7	12.8

Source: Derived from the data in Table-5.16.

Table-5.18: Projections of Growth Rates for State Taxes for the Award Period

(%)

Year	Stamp Duties, etc.	State Excise	GST	VAT	Taxes on Vehicles	Other Taxes	All Taxes
As per State Budget-							
2015-16 (Ac)	38.3	23.8		10.7*	3.4	26.7	14.2
2016-17(RE)	-18.3	10.9		8.7*	10.1	25.8	7.3
2017-18 (BE)	22.2	10.6		20.5*	14.0	9.6	18.4
As per 5th DFC Projections-							
2016-17	As per State Budget 2017-18		15	15	13.2	-	10.0
2017-18			15	15	13.2		13.3
2018-19	7.0	11	15	15	13.2	-	13.9
2019-20	8.5	12	15	15	13.2	-	14.2
2020-21	10.0	13	15	15	13.2	-	14.4

*Includes the subsumed component of VAT, Entertainment Tax, Betting Tax, Luxury Tax & Cable TV Tax

Table-5.19: Projections for Receipts from Own Taxes of GNCTD

(₹ crore)

Year	Stamp Duties, etc.	State Excise	GST	VAT	Taxes on Vehicles	Other Taxes	All Taxes
As per State Budget-							
2015-16 (Ac)	2341	4238		20246	1501	701	29026
2016-17 (RE)	1913	4700		22000	1653	880	31148
2017-18 (BE)	2338	5200		26500	1885	965	36890
As per 5th DFC Projections-							
2015-16			16765	4181			
2016-17	1913	4700	19280	4809	1699	0	32400
2017-18	2338	5200	22172	5530	1923	0	37163
2018-19	2502	5772	25497	6359	2177	0	42308
2019-20	2714	6465	29322	7313	2465	0	48279
2020-21	2986	7305	33720	8410	2790	0	55212

The above growth rates translate into tax receipt figures in absolute numbers in Table-5.19.

5.59. Our estimation of the tax receipts are, in the overall, marginally higher than those made by the GNCTD, though we have adopted a framework for projecting the growth of different taxes somewhat differently. We would recommed that the GNCTD should aim not only at growth, but also stability in the receipts from own tax revenues, which would help in better planning and administration of the development and welfare programmes.

Non-Tax Revenues

5.60. Non-tax revenues of the GNCTD are classified under five broad categories, namely, interest receipts, dividends and profits, general services, social services and economic services. Non-tax revenues contribute around ₹ 500 crore to ₹ 600 crore a year to the state consolidated fund. The composition and year-wise receipts from non-tax revenues are presented in Table-5.20.

5.61. The major contributor to the non-tax revenues used to be the interest receipts, contributing up to around ₹ 2,000 crore to ₹ 4,000 crore annually, till 2010-11. From 2011-12 onwards, this amount came down to less than ₹ 400 crore a year. The reason for this sharp decline was the change in the policy of converting the interest dues from the PSUs into non-Plan loans.

5.62. The *inter se* ratio for the contribution from different components of non-tax revenues is presented in Table-5.21.

5.63. The major sub-components of the five components of non-tax revenues indicated in Table-5.20 and Table-5.21 are as follows:

- *Interest receipts:* from PSUs, municipalities and others.
- *Dividends and Profits:* from the investments made in the PSUs and co-operatives.
- *General services:* receipts of the jails, public

Table-5.20: Receipts from Own Non-Tax Revenues of GNCTD

(₹ crore)

Year	Interest Receipts	Dividends and Profits	General Services	Social Services	Economic Services	Total (2 to 6)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	1254.2	38.6	49.1	31.6	25.5	1399.0
2006-07	1285.0	22.2	62.2	31.9	62.3	1463.6
2007-08	1634.8	31.2	85.2	37.5	28.1	1816.7
2008-09	2101.4	29.9	64.9	54.5	49.9	2300.7
2009-10	3236.6	41.6	93.4	56.1	39.7	3467.4
2010-11	3869.8	46.6	101.8	61.6	109.1	4188.9
2011-12	174.1	33.0	128.6	79.5	45.7	460.9
2012-13	340.0	26.3	143.1	87.2	30.3	626.9
2013-14	379.4	12.0	133.2	95.5	39.1	659.1
2014-15	350.5	12.9	130.4	93.8	44.9	632.5
2015-16	82.5	12.3	135.4	164.4	120.7	515.4
TGR	-23.7	-9.7	10.8	16.3	6.2	-13.5
TGR (GSDP)	14.9	14.9	14.9	14.9	14.9	14.9
Buoyancy	-1.6	-0.7	0.7	1.1	0.4	-0.9
2016-17 (RE)	120.0	15.0	155.8	116.9	48.3	456.0
2017-18 (BE)	400.0	15.0	175.0	123.4	86.5	800.0

Source : 1. Financial data from Finance Accounts / Budget Documents of GNCTD.
2. GSDP at current Prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Government of Delhi dated March, 2017.
3. GSDP for 2005-06 to 2010-11 (Back series at current prices linked to Base year 2011-12) as compiled by the Commission considering the previous GSDP series with base year 2004-05 by using splicing method.

Table-5.21: Share of Various Components in the Own Non-Tax Revenue of GNCTD

(in %)

Year	Interest Receipts	Dividends and Profits	General Services	Social Services	Economic Services	Total (2 to 6)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	89.7	2.8	3.5	2.3	1.8	100.0
2006-07	87.8	1.5	4.3	2.2	4.3	100.0
2007-08	90.0	1.7	4.7	2.1	1.5	100.0
2008-09	91.3	1.3	2.8	2.4	2.2	100.0
2009-10	93.3	1.2	2.7	1.6	1.1	100.0
2010-11	92.4	1.1	2.4	1.5	2.6	100.0
2011-12	37.8	7.2	27.9	17.2	9.9	100.0
2012-13	54.2	4.2	22.8	13.9	4.8	100.0
2013-14	57.6	1.8	20.2	14.5	5.9	100.0
2014-15	55.4	2.0	20.6	14.8	7.1	100.0
2015-16	16.0	2.4	26.3	31.9	23.4	100.0
2016-17 (RE)	26.3	3.3	34.2	25.6	10.6	100.0
2017-18 (BE)	50.0	1.9	21.9	15.4	10.8	100.0

works, police and Public Service Commission, elections and other administrative services (fines, forfeitures, fees, etc.)

- *Social services:* education, sports, arts and culture, medical and public health, housing, urban development, information and publicity, labour and employment, social security and welfare, etc.
- *Economic services:* crop and animal husbandry, fisheries, forestry and wild life, irrigation, power, industries, mining, tourism, and civil supplies, etc.

5.64. Individually, each sub-component yields relatively small revenue, as compared to the total receipts of the government on non-tax revenue account. However, a close scrutiny of each of the sources of non-tax receipts is called for, because these also normally entail expenditure. We would recommend the GNCTD to undertake a detailed cost-return analysis of each source of non-tax receipts. For instance, the fee structure for the Delhi Subordinate Services Selection Board (DSSSB) can be revised to meet the cost of conducting the examinations on a 'no-profit no-loss' basis. On the other hand, receipts from the jails may be deployed to improve the facilities in the jails.

Investments by GNCTD in PSUs

5.65. Returns on the equity and shares of the PSUs and co-operatives are yet another source of non-tax receipts for GNCTD. Over the years, the GNCTD has been making investments, mostly in the equity and shares, in 23 PSUs and co-operatives. The total investment in these entities has reached the level of ₹ 18,492 crore by the end of 2015-16. Entity-wise details of investment made by the GNCTD and the amount of dividend received, is presented in Table-5.22.

5.66. The details in the Table-5.22 also indicate that against an investment of ₹ 18,492 crore, the GNCTD received dividend of ₹ 12.32 crore, which amounted to a return of 0.07 per cent. Moreover, this return was received from only three entities out of 23 entities in which GNCTD has remained invested. We recommend the GNCTD to undertake a thorough examination of the operations of the PSUs, etc. in which it has made equity investments to the tune of Rs, 18,492 crore (by 2015-16), but getting only nominal dividends of much

Table-5.22: Details of Investments by GNCTD in PSUs upto the End of March, 2016

(₹ crore)

S. No.	Name of the Agency	Total Amount Invested upto the End of March 2016	Percentage of GNCTD Investment to the Total Paid up Capital	Amount of Dividend received by the GNCTD	Amount of Dividend received as % of Total Investment upto the End of March 2016
1	Delhi Cooperative Housing Finance Society Limited	30.26	96.31	3.83	12.66
2	Other Cooperative Societies (321) (Industrial Coop. Society)	0.37	—	—	—
3	Labour Cooperative Society	0.02	—	—	—
4	Consumer Cooperative Society (192)	0.93	—	—	—
5	Delhi State Cooperative Bank Ltd.	0.74	—	—	—
6	Poultry Cooperative Societies (10)	0.001	—	—	—
7	Joint Farming Coop. Societies (9)	0.02	—	—	—
8	Marketing Coop. Societies (5)	0.02	—	—	—
9	Agriculture Credit Societies (158)	0.14	—	—	—
10	Indraprastha Medical Corporation Ltd.	23.83	26	4.29	18.00
11	Delhi Financial Corporation	18.05	51.99	—	—
12	Delhi State Civil Supplies Corporation Ltd.	7.00	100	—	—
13	Delhi State Industrial & Infrastructure Development Corporation	22.15	98.68	—	—
14	Delhi Scheduled Caste Financial Development Corporation	38.13	26	—	—
15	Delhi Tourism & Transportation Development Corporation Ltd.	6.28	99.99	—	—
16	Delhi Metro Rail Corporation Ltd.	9241.22	50	—	—
17	Delhi Transport Corporation	1984.19	100	—	—
18	Indraprastha Gas Ltd.	7.00	55	4.20	60.00
19	DIMTS Ltd.	5.00	—	—	—
20	Indraprastha Power Generation Co. Ltd.	596.54	*	—	—
21	Delhi Transco Ltd. (Delhi Power Supply Co. Ltd.)	3691.00	*	—	—
22	Delhi Power Co. Ltd.	745.05	100	—	—
23	Pragati Power Corporation Ltd.	2074.19	100	—	—
	Total	18492.15		12.32	0.07

Source:- Finance Account of GNCTD, 2015-16.

*The share of GNCTD in paid up capital is well over 75%, though the exact figures could not be ascertained.

less than even one per cent, and work out a framework for securing returns by way of dividends.

5.67. Of the total investment of GNCTD in the equity/shares of PSUs, etc. almost 50 per cent is made in the Delhi Metro Rail Corporation (DMRC), which does not give any dividend. GNCTD should insist on getting a minimum of, say, eight per cent dividend from DMRC and invest an equivalent amount as additional equity in the DMRC. This would bring in greater discipline in financial management of the PSU. Similar policy may be adopted in respect of the power companies and DTC, etc.

Projection of Receipts from Non-Tax Sources

5.68. The GNCTD has submitted their estimation of the receipts from non-tax sources, as shown in Table-5.23.

5.69. GNCTD have stated that the BE for 2017-18 is ₹ 800 crore, but is likely to be reduced to ₹ 450 crore expecting default in payment of interest by the MCD-East and MCD-North. We find the focus of the GNCTD in recovery of loans and interest is largely on the MCDs and quite low in respect of the PSUs and co-operatives even though the share of the MCDs in the total outstanding loans issued and equity investments made by the GNCTD is less than five per cent. We would recommend a thorough review of the situation by the GNCTD.

5.70. We summarise our impression regarding the possibilities in relation to the non-tax revenues for the GNCTD, stated at various places in this chapter, as below:

- The sources for non-tax revenues may be classified into 'commercial' and 'services'.
- Commercial non-tax receipts would include the returns on the investment of GNCTD to the tune of ₹ 20,000 crore in the equity of PSUs, etc. which should yield annual return of at least one per cent, that is ₹ 200 crore. It would also include the investments in DMRC.
- Another component of commercial non-tax receipts would be the interest on loans outstanding extended by the GNCTD to various entities, that stand of the order of ₹ 60,000 crore. These loans should yield at least one per cent return by way of interest. Even after converting part of it into grants, including the ones for municipalities, the yield of interest on the remaining loans should be of the order of ₹ 500 crore a year.
- The 'services' component of non-tax receipts, which would include various fees, service charges, fines, etc. also need a thorough review, to ensure that the structures of fees, service charges, fines, etc. aresuitably revised to meet the costs of services.
- A committee chaired by the Principal Secretary (Finance) and comprising Secretary (Administrative Reforms) and the Secretary in-charge of respective departments should undertake a review of the non-tax receipts from various sources and complete it in two months, that is, by December 2017.

5.71. Keeping all the considerations mentioned above in view, we propose to adopt the BE figures of ₹ 800 crore for 2017-18 (BE) for the non-tax receipts of the GNCTD and project a 15 per cent growth for the subsequent years. To us, this appears a very modest target and GNCTD should aim at exceeding it by a comfortable margin.

Table-5.23: Projection of Non-Tax Revenue Receipts Submitted by GNCTD[7]

(₹ crore)

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Actual	Actual	Estimate	Projection	Projection	Projection
515	381	450	475	500	525

Source: Planning Department, GNCTD Lr. No. 22(06)/2015-16/Plg/Res/5744 dt 29.8.2017.

[7]Source: Lr. No. 22(6)/2015-16/Plg/Monit/5657 dt 25.8.2017 from Planning Department, GNCTD.

Grants from Union Government

5.72. Besides the own tax and non-tax revenue, the revenue receipts of the GNCTD have another component, which is the 'Grant-in-Aid and Contribution from the Centre'. Typically, the amount received on this account for 2015-16 was ₹ 4,258 crore, which amounted to 12.6 per cent of the state's total receipts on own revenue account. The major components of these receipts were the non-Plan grants, Plan grants and grant for centrally sponsored schemes (CSS). The non-Plan grants include a fixed amount of ₹ 325 crore per year as grant-in-lieu of share in Union taxes and varying amounts towards compensation on account of implementation of VAT and phasing out of Central Sales Tax. Plan grants include block grant under Central Plan assistance, grants from the central road fund (CRF), which is a kind of state's entitlement in the CRF, besides other Plan grants. Details in respect of these componenrts for the years 2005-06 to 2017-18 (BE) are given in Table-5.24.

5.73. We expect this trend of grants-in-aid, etc. from the Centre to continue even after convergence of the Plan and non-Plan categories of transfers, even tough the nomenclature for Plan grants would change. Considering the spate of urban development programmes launched by the GOI, we would have normally expected the annual growth rate for the transfers from GOI to be around 12 per cent. However, we have taken note of the projections submitted by the GNCTD, which is as indicated in Table-5.25.

5.74. We understand that the grants from the GOI towards compensation on account of implementation of VAT and phasing out of Central sales tax are not likely to continue after a year or two, in view of the switchover to GST. Keeping such considerations in

Table-5.24: Grants-in-Aid and Contribution from the Government of India to GNTCD

(₹ crore)

Year	Non Plan Grant			Plan Grant				Grant for C.S.S.	Grand Total (4+8+9)
	Grant-in-lieu of share in Union Taxes	Other Grants*	Total (2+3)	Block Grant under Central Plan Assistance	Grant for CRF	Other Grants	Total (5 to 7)		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*
2005-06	325	2	327	134	–	–	134	44	505
2006-07	325	22	347	157	22	–	180	48	574
2007-08	325	188	513	711	10	21	741	58	1313
2008-09	325	623	948	793	–	57	850	72	1871
2009-10	325	1588	1913	1431	41	20	1492	131	3536
2010-11	325	2014	2339	1743	55	90	1888	130	4357
2011-12	325	654	979	729	4	83	815	167	1961
2012-13	325	9	334	862	–	58	920	249	1503
2013-14	325	2	327	581	137	–	718	358	1403
2014-15	325	3	328	730	268	470	1467	553	2348
2015-16	325	2580	2905	422	15	50	487	867	4258
TGR	0.0	4.1	6	10.3	–	–	14	34.8	15
2016-17 (RE)	325	1517	1842	723	95	20	838	1356	4036
2017-18 (BE)	325	58	383	713	100	20	833	1500	2716

Source: Finance Accounts / Budget documents of Delhi Government .

* Includes compensation on account of implementation of VAT and phasing out of central sales tax (CST).

Table-5.25: Receipts of Grants from GOI, as Estimated by GNCTD, for 2016-2021

(₹ crore)

Item	2016-17	2017-18	2017-18	2018-19	2019-20	2020-21
	Actual	BE	Projections			
Grants from GOI	2825	2716	2166	2255	2390	2525
Growth over previous year (%)	–	-3.86	-23.33	4.11	5.99	5.65

Source: Planning Department, GNCTD Lr. No. 22(06)/2015-16/Plg/Res/5744 dt 29.8.2017.

view, we scale down our expectations and adopt the growth rate of 6 per cent.

Revenue Expenditure

5.75. We had noted at the beginning of this chapter that the revenue expenditure of the GNCTD were well within limits of its revenue receipts for all the years from 2005-06 onwards. Sector-wise and year-wise details are presented in Table-5.26.

5.76. The figures in Table-5.26 indicate a rather secular growth in almost all heads. However, the relative share in percentage terms of each sector has remained largely unchanged, as may be seen in Table-5.27.

Table-5.26: Details of Revenue Expenditure of GNCTD

(₹ crore)

Year	Fiscal Services	Interest Payment & Servicing on Debt	Administrative Services	Education, Sports, Art & Culture	Health & Family Welfare	Water Supply, Sanitation, Housing & Urban Devt	Social Welfare & Nutrition	Energy	Transport	Others	Grants-In- Aid & Contribution (BTA)*	Total- All Heads	Y-o-Y Growth Rate for Total Expenditure
2005-06	74	1685	324	1583	779	632	258	76	336	360	408	6515	-
2006-07	93	2210	356	1805	950	706	322	95	305	381	532	7755	19.0%
2007-08	143	2504	417	2154	1154	1491	333	97	293	517	667	9771	26.0%
2008-09	113	2512	503	2848	1491	1521	623	406	488	802	456	11763	20.4%
2009-10	119	2473	621	3647	1843	1726	757	336	802	1061	517	13901	18.2%
2010-11	121	2580	637	3862	2197	1519	976	317	647	985	542	14382	3.5%
2011-12	132	2917	775	4422	2459	2352	1195	586	1210	1188	728	17965	24.9%
2012-13	1472	2863	877	5093	2508	2381	1448	691	1220	1273	833	20659	15.0%
2013-14	1156	2824	935	5655	2625	2063	1612	1069	2071	1552	805	22367	8.3%
2014-15	1351	2774	1035	6058	3132	2117	1637	853	2035	1617	901	23509	5.1%
2015-16	1408	2810	1349	6653	3249	2550	1901	1639	2042	1784	959	26342	12.0%
2016-17 (RE)	1571	2883	1449	8315	3992	3259	2161	1808	3006	2611	1022	32076	21.8%
2017-18 (BE)	2186	3006	2073	10186	5048	3848	2521	1654	3276	3466	1163	38427	19.8%

Trend Growth Rate (TGR) for 2005-06 to 2015-16 for Total Expenditure= 14.9%.
Source: Budget Document of GNCTD. *Basic Tax Assignment

Table-5.27: Contribution to the Total Expenditure on Revenue Account of GNCTD (in %)

Year	Total Expenditure (All Heads)	Fiscal Services	Interest Payment & Servicing on Debt	Administrative Services	Education, Sports, Art & Culture	Health & Family Welfare	Water Supply, Sanitation, Housing & Urban Devt	Social Welfare & Nutrition	Energy	Transport	Others	Grants-In-Aid & Contribution (BTA)
2005-06	100	1.1	25.9	5.0	24.3	12.0	9.7	4.0	1.2	5.2	5.5	6.3
2006-07	100	1.2	28.5	4.6	23.3	12.3	9.1	4.2	1.2	3.9	4.9	6.9
2007-08	100	1.5	25.6	4.3	22.0	11.8	15.3	3.4	1.0	3.0	5.3	6.8
2008-09	100	1.0	21.4	4.3	24.2	12.7	12.9	5.3	3.5	4.2	6.8	3.9
2009-10	100	0.9	17.8	4.5	26.2	13.3	12.4	5.4	2.4	5.8	7.6	3.7
2010-11	100	0.8	17.9	4.4	26.9	15.3	10.6	6.8	2.2	4.5	6.8	3.8
2011-12	100	0.7	16.2	4.3	24.6	13.7	13.1	6.7	3.3	6.7	6.6	4.1
2012-13	100	7.1	13.9	4.2	24.7	12.1	11.5	7.0	3.3	5.9	6.2	4.0
2013-14	100	5.2	12.6	4.2	25.3	11.7	9.2	7.2	4.8	9.3	6.9	3.6
2014-15	100	5.7	11.8	4.4	25.8	13.3	9.0	7.0	3.6	8.7	6.9	3.8
2015-16	100	5.3	10.7	5.1	25.3	12.3	9.7	7.2	6.2	7.8	6.8	3.6
2016-17 (RE)	100	4.9	9.0	4.5	25.9	12.4	10.2	6.7	5.6	9.4	8.1	3.2
2017-18 (BE)	100	5.7	7.8	5.4	26.5	13.1	10.0	6.6	4.3	8.5	9.0	3.0

5.77. The Revenue Expenditure of GNCTD described in the preceding Tables-5.26 and 5.27 include the transfers to the municipalities by way of grants and basic tax assignments (BTA), which are described in further details in paragraphs that follow.

Transfers to the Municipalities-BTA and Grants

5.78. The transfers to the municipalities are a part of the Revenue Expenditure of the state government and take the following routes:

- Share in state tax receipts (Basic Tax Assignment, or BTA)
- Non-Plan grants
- Plan grants

5.79. The BTA stood at 5.5 per cent of state's net tax revenues under the award of the 2nd DFC. The 3rd DFC reduced it to four per cent and set aside the remaining 1.5 per cent towards a municipal reforms fund (MRF), which was to be released to the respective municipalities on attainment of certain reforms criteria in regard to the revenue mobilisation and discipline in the expenditure. The Plan grants are made available for both, capital and revenue expenditure purposes, for which details are presented below.

Plan Grants to Municipalities

5.80. GNCTD has been extending Plan grants to municipalities, which has been in addition to the BTA and non-Plan grants extended in terms of the DFC awards. Now that the Plan and non-Plan distinction has got erased, we would like to review the justification for extension of those grants in the new form of budgetary classification.

5.81. A look at the Budget 2017-18 indicates that Plan grants were released by the GNCTD to the municipalities largely for four sectors, namely, roads and bridges, sanitation, education, and medical and public health. Details are given in Table-5.28.

Non-Plan Grants, Total Transfers and Net Revenue Expenditure of GNCTD

5.82. The year-wise details of transfers to the five municipalities during 2012-13 to 2017-18 on account of BTA, non-Plan grants, MRF and Plan grants, along with the net tax revenues of GNCTD computed @99

Table-5.28: Sector Details of Plan Grants to Municipalities in 2016-17 (RE) & 2017-18 (BE)

Sector	2016-17 (RE)		2017-18 (BE)	
	Amount (₹ crore)	Share in Total (%)	Amount (₹ crore)	Share in Total (%)
Roads & Bridges	163	10.1	43	2.0
Sanitation	531	32.8	915	43.1
Education	302	18.7	360	16.9
Medical & Public Health	212	13.1	247.5	11.6
Other Sectors	409	25.3	559.5	26.3
Total Plan Grants	1617	100	2125	100

$ Other Sectors include Development works in Regularised Colonies and in JJ Colonies, Dhobi Ghats, Sports, etc.
Source: Planning Department, GNCTD.

per cent of the gross tax revenues, are presented in Table-5.29.

5.83. It may be recalled that the 2nd DFC had recommended total transfers from the GNCTD to the municipalities (MCD and NDMC) to be of the order of 10.5 per cent of the net tax receipts of the GNCTD. This was continued by the 3rd DFC, which set apart a 1.5 per cent portion towards MRF. The 4th DFC proposed for transfer of 12.5 per cent of the state's gross tax receipts. The transfers mentioned in the preceding table translate into the ratio of net tax receipts of the GNCTD as shown in Table-5.30.

5.84. GNCTD (UD Department) informed us that they compute the BTA by a different formula, that is, from the gross tax receipt, they first deduct one per cent towards collection charges, then deduct the transfer duties and one-time parking charges that are collected along with the stamp duties and motor vehicle taxes, respectively, and then finally determine the BTA @ four per cent. Of that four per cent, they give 10 per

Table-5.29: Transfers from GNCTD to the Municipalities during 2012-13 to 2017-18 (BE)

(₹ crore)

Year	Basic Tax Assignment	Under Municipal Reform Fund (MRF)	Grant-in-Aid (Non Plan)	Plan Grant	Total Transfers to the Five Municipalities (2 to 5)	Net Tax Collection of GNCTD*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2012-13	833	150	1181	1385	3548	21884
2013-14	805	0	1280	1462	3546	24655
2014-15	901	0	1322	1567	3790	25144
2015-16	959	0	1356	1493	3808	28724
2016-17 (RE)	1022	415	1551	1617	4606	30824
2017-18 (BE)	1163	474	1705	2125	5467	36503

Source : Budget document of GNCTD.
*Net tax collection of GNCTD represents its gross tax revenue (GTR) minus : (i) Collection charges (i.e. 1% of gross tax revenue), (ii) Municipalities' share of transfer duty and (iii) One-time parking charges of three MCDs collected through Transport Department of GNCTD.

Table-5.30: Ratio of Transfers to the Net Tax Revenue of GNCTD (%)

Year	Basic Tax Assignment	Under Municipal Refore Fund (MRF)	Grant-in-Aid (Non Plan)	Plan Grant	Total Transfers to the Five Municipalities (2 to 5)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
2012-13	3.8	0.7	5.4	6.3	16.2
2013-14	3.3	0.0	5.2	5.9	14.4
2014-15	3.6	0.0	5.3	6.2	15.1
2015-16	3.3	0.0	4.7	5.2	13.3
2016-17 (RE)	3.3	1.3	5.0	5.2	14.9
2017-18 (BE)	3.2	1.3	4.7	5.8	15.0

cent as grants to MCDs towards maintenance of school building and capital assets and the balance as BTA. Thus the untied BTA portion works out to be less than 4 per cent, as shown in Table-5.30.

5.85. The ratios in Table-5.30 also indicate that the transfers from GNCTD to the municipalities have been of the order of 13.3 to 16.2 per cent of the state's net tax collections during 2012-13 to 2015-16 and remained in the same range during 2016-17 (RE) and 2017-18 (BE)[8]. These ratios would have been still higher, had the MRF been released in full.

5.86. We are recommending specific framework for the grants to the municipalities in respect of the four major sectors that constitute almost 90 to 95 per cent of the Plan grants that the GNCTD is currently extending to the municipalities. We are also recommending for discontinuation of specific grants to the municipalities for undertaking infrastructure development in regularised unauthorised colonies, JJ colonies, etc. as we would like the municipalities to consider these colonies as part of their regular obligations.

Projections for the Revenue Expenditure

45.87. In order to make a projection for the expenditure of the GNCTD on revenue account, we deduct the transfers to the municipalities from their total revenue expenditure figures and arrive at the details indicated in Table-5.31.

5.88. The annual growth rates (AGR) and trend growth rate (TGR) for the revenue receipts, total revenue expenditure, revenue expenditure net of transfers, and of the different components of transfers to the municipalities during 2005-06 to 2017-18 (BE) and the TGR for 2005-06 to 2015-16 are presented in Table-5.32.

5.89. The figures in Table-5.32 indicate that the trend growth rate (TGR) for transfers to the municipalities for the period 2005-2016 was 10 per cent, whereas the TGR for other revenue expenditure of the GNCTD was 16.1 per cent for the corresponding period. In the Table-5.8, we had seen that the TGR for the state's tax revenue was as much as 13 per cent for this period. There is, thus a case for enhancing the level of transfers to the municipalities. However, before we take a call on this subject, we proceed with the examination of the relevant components, namely, the estimation for the growth of revenue expenditure, other than transfers to the municipalities, tax receipts, municipalities' expected revenue mobilisation and levels of expenditure, etc. We have already done plenty of such analyses in earlier parts and would consolidate the same here suitably.

[8]Year-wise details of BTA and non-Plan grants for the period from 2005-06 to 2017-18 (BE) for each municipality are given in Annexure-5.1.

Table-5.31: Revenue Expenditure of GNCTD and Transfers to Municipalities

(₹ crore)

Year	Revenue Reeceipts of GNCTD including Grants from GOI*	Revenue Expenditure of GNCTD including Transfers to Municipalities**	Transfer of Taxes and Grants from GNCTD to the Municipalities					Net Revenue Expenditure of GNCTD excluding Transfers to Municipalities (3-8)
			Basic Tax Assignment	Grant-in-Aid (Non Plan/ Other than Scheme)	Under Municipal Reform Fund (MRF)	Grants for Plan/ Schemes	Total of Transfers to Municipalities (4 to 7)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2005-06	10844	6515	408	368	0	588	1364	5151
2006-07	12194	7755	532	501	0	739	1772	5983
2007-08	14912	9771	667	603	0	1358	2628	7143
2008-09	16352	11763	456	602	0	1110	2168	9595
2009-10	20451	13901	517	676	3	1444	2640	11261
2010-11	25024	14382	542	771	143	1382	2838	11544
2011-12	22393	17965	728	1035	0	1386	3149	14816
2012-13	25561	20659	833	1181	150	1385	3548	17111
2013-14	27981	22367	805	1280	0	1462	3546	18821
2014-15	29585	23509	901	1322	0	1567	3790	19719
2015-16	34999	26342	959	1356	0	1493	3808	22534
2016-17 (RE)	36922	32076	1022	1551	415	1617	4606	27470
2017-18 (BE)	42216	38427	1163	1705	474	2125	5467	32960

Source: Budget documents of GNCTD.
*comprising (i) Own Tax Receipts including share of Municipalities on account of Transfer Duties & One-Time Parking Charges, (ii) Own Non-Tax Receipts and Grants from the Union Govt.
**Revenue Expenditure before transfer of Municipalities share under Transfer Duties & One-time Parking charges.

5.90. We have noted in Table-5.27 that the relative share of the major contributors to the revenue expenditure have remained largely unchanged over the last 10 years. The TGR for the net expendiure on revenue account of the GNCTD for the period 2005-06 to 2015-16 works out to 16.1 per cent in Table-5.32. Excluding the outliers for 2008-09 (40.1%), 2010-11 (2.6%) and 2014-15 (4.8%), the TGR for the revenue expenditure would be just about 6.6 per cent. This rate is closer to the projections submitted by the GNCTD, which are as indicated in the Table-5.33.

5.91. We broadly adopt the annual growth rate (AGR) figures estimated by GNCTD and adopt the figure of eight per cent as the AGR for projecting the revenue expenditure of GNCTD, excluding transfers to the municipalities, for our award period.

Projected Status of the Revenue Account

5.92. In the preceding paragraphs, we have reviewed the various dimensions of the receipts and expenditure of the GNCTD on revenue account, analysed the past trends, identified the strength, weaknesses, opportunities and threats (SWOT) and determined the optimal levels of achievement. We had mentioned in the earlier paragraphs about the projections submitted by the GNCTD for their receipts and expenditure separately. A consolidated picture, based on above, is presented in the Table-5.34.

5.93. We had indicated our own estimation for the

Table-5.32: Annual Growth Rates of Revenue Receipts, Revenue Expenditure and Transfers to Municipalities of GNCTD

Year	AGR for Revenue Receipts*	AGR for Net Revenue Expenditure @	AGR for Basic Tax Assignment	AGR for Grant-in-Aid (Non Plan/ Other than Schemes)	AGR for Transfers Under Municipal Reform Fund (MRF) #	AGR of Grants for Plan/ Scheme	AGR for Total of Transfers to Municipalities (3 to 6)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2005-06	-	-	-	-	-	-	-
2006-07	12.4	16.2	30.4	36.1	-	25.6	29.9
2007-08	22.3	19.4	25.4	20.4	-	83.9	48.3
2008-09	9.7	34.3	-31.6	-0.2	-	-18.2	-17.5
2009-10	25.1	17.4	13.4	12.3	-	30.1	21.8
2010-11	22.4	2.5	4.8	14.1	-	-4.3	7.5
2011-12	-10.5	28.3	34.3	34.2	-	0.3	11.0
2012-13	14.1	15.5	14.4	14.1	-	-0.1	12.7
2013-14	9.5	10.0	-3.4	8.4	-	5.5	-0.1
2014-15	5.7	4.8	11.9	3.3	-	7.2	6.9
2015-16	18.3	14.3	6.4	2.6	-	-4.7	0.5
TGR 2005-2016	**11.8**	**16.2**	**8.0**	**14.0**	**-**	**7.8**	**9.8**
2016-17 (RE)	5.5	21.9	6.6	14.4	-	8.3	20.9
2017-18 (BE)	14.3	20.0	13.8	9.9	-	31.4	18.7

Source: Finance Account and Budget documents of GNCTD.
*comprising (i) Own Tax Receipts including share of Municipalities on account of Transfer Duties & One-Time Parking Charges, (ii) Own Non-Tax Receipts and Grants from the Union Govt.
@Equals to Revenue Expenditure as in Table 5.31 **Minus** transfers to Municipalities through BTA, MRF and Grants under Plan / Schemes and Non-Plan / Other than Schemes.
As releases under MRF happned only sporadically, AGR has not been computed.

Table-5.33: Estimates for the Revenue Expenditure of GNCTD, as Submitted by GNCTD, for 2016-2021

(₹ crore)

Item	2016-17	2017-18	2017-18	2018-19	2019-20	2020-21
	Actual	BE	Projections			
Revenue Expenditure	29302	38427	36000	39156	42000	45000
Growth over previous year (%)	–	31.14	-6.32	8.77	7.26	7.14

Source: Planning Department, GNCTD Letter dated 29.8.2017

growth rates regarding individual items at relevant places earlier. Wenow consolidate our assessment of the growth rates based on these estimations for our award period, and indicate the same in Table-5.35 in terms of annual growth rates and in Table-5.36, in monetary terms.

Loans & Advances

5.94. The GNCTD has been extending loans primarily to the PSUs and public utilities like the DTC

Table-5.34: Summary of Estimates for Receipts and Expenditure of GNCTD during 2016-2021, as Submitted by the GNCTD

(₹ crore)

S.No.	Item	2016-17	2017-18	2017-18	2018-19	2019-20	2020-21
		Actual	BE	Projections			
A	Receipts						
1	Tax Revenue	31140	38700	38700	43277	48762	54984
	Growth over previous year (%)	–	24.28	24.28	11.83	12.67	12.76
2	Non Tax Revenue	381	800	450	475	500	525
	Growth over previous year (%)	–	109.97	18.11	5.56	5.26	5
3	Grants from GOI	2825	2716	2166	2255	2390	2525
	Growth over previous year (%)	–	-3.86	-23.33	4.11	5.99	5.65
4	Capital Receipts	212	400	200	200	250	300
	Growth over previous year (%)	–	88.68	-5.66	0	25	20
5	Small Saving Loan	1696	2856	2800	3100	3400	3806
	Growth over previous year (%)	–	68.4	65.09	10.71	9.68	11.94
6	Opening Balance	3645	2528	2635	1951	1058	360
	Growth over previous year (%)	–	-30.64	-27.71	-25.96	-45.77	-65.97
	Total -A	39899	**48000**	**46951**	**51258**	**56360**	**62500**
	Growth over previous year (%)	–	20.3	17.67	9.17	9.95	10.89
B	Expenditure						
1	Rev. Expenditure	29302	38427	36000	39156	42000	45000
	Growth over previous year (%)	–	31.14	22.86	8.77	7.26	7.14
2	Capital Expenditure	7961	9573	9000	11044	14000	17500
	Growth over previous year (%)	–	20.25	13.05	22.71	26.77	25
	Total -B	37263	**48000**	**45000**	**50200**	**56000**	**62500**
	Growth over previous year (%)	–	28.81	20.76	11.56	11.55	11.61
	Closing Balance	2635	**0**	**1951**	**1058**	**360**	**0**

Source: Planning Department, GNCTD has provided only the absolute figures, vide letter dated 29.8.2017. Ratios computed by DFC.

and DJB, besides to the municipalities. The trend of fresh loans issued and recoveries made during each year and the loan outstanding at the end of each year, for the years 2005-06 to 2017-18 (BE) is presented in Table-5.37. The interest received and the ratio of the same to the loans outstanding is also stated in the same table.

5.95. A comparison of the figures of the loans extended by the GNCTD with those of the repayment of loans to it indicates that the loan repayments received by the GNCTD have increasingly been far outweighing the loans issued by it. This is partly due to the policy of converting the interest dues from the PSUs, etc. into loans and partly owing to poor repayment by the debtor institutions. GNCTD should undertake a thorough study of all such debtor institutions (DJB, DTC, DUSIB, etc.) and restructure the outstanding loans along with a framework for the future, so as to make each institution financially viable. This will also improve the balance sheet of GNCTD.

Table-5.35: Projection for Rates of Growth of Receipts and Expenditure on Revenue Account of GNCTD for 2016-2021

S. No.	Item	Growth Rates (%)					
		TGR for 2005-06 to 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	Tax Revenue	12.9	12.0	15.1	14.1	14.3	14.4
2	Non-Tax Revenue	-13.5	14.8	14.3	15.0	15.0	15.0
3	Tax & Non-Tax Revenue (1+2)	11.0	11.7	14.7	13.9	14.1	14.4
4	Grants & Contribution from GOI	15.0	6.0	6.0	6.0	6.0	6.0
5	Total Receipts on Revenue Account (3+4)		11.0	13.6	13.0	13.3	13.6
6	Total Expenditure on Revenue Account	14.9 (6.6 excluding outliers)	20.0	8.0	8.0	8.0	8.0

Table-5.36: Projection for Receipts and Expenditure on Revenue Account of GNCTD for 2016-2021

(₹ crore)

	Item	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	Tax Revenue	29026	32400	37163	42308	48279	55212
2	Non-Tax Revenue	610	700	800	920	1058	1217
3	Tax & Non-Tax Revenue (1+2)	29636	33100	37963	43228	49337	56428
4	Grants & Contribution from GOI	4258	4514	4785	5072	5376	5699
5	Total Receipts on Revenue Account (3+4)	33894	37614	42748	48300	54713	62127
6	Transfers to the Municipalities through BTA and Grants	3422	5574	6369	7558	8538	9618
7	Total Expenditure on Revenue Account excluding Transfers to the Municipalities (6-7)	22921	27505	29705	32082	34648	37420
8	Total Expenditure on Revenue Account including Transfers to the Municiaplities (7+8)	26342	33078	36075	39639	43186	47038
9	Surplus on Revenue Account after Transfers to the Municiaplities (5-9)	7552	4536	6673	8660	11527	15088

5.96. It is also seen that the interest received used to be of the order of 4 to 8 per cent up to 2010-11 and dropped to below one per cent level thereafter. The reason for this steep decline, as mentioned elsewhere too, is that till 2010-11, in respect of PSUs, the interest dues were converted into fresh/additional non-Plan loans, thus showing a notional receipt. During 2011-12, the government decided to stop this practice. However, this factor now leads to a mismatch in GNCTD's accounts relating to outstanding loans and interest receipts, wherein the major loans extended to some of the PSUs are not being recovered, but the concomitant interest dues are not being reflected in the receivable accounts from 2011-12 onwards. This anomaly in accounting needs to be resolved by the GNCTD urgently.

5.97. As an immediate measure, all outstanding loans should be verified for both—the loan amounts and the interest dues and reflected in the finance accounts of GNCTD. These should also be tallied with

Table-5.37: Loan & Advances Given by the GNCTD

(₹ crore)

Year	Balance Loan at the beginning of the year	Loan Paid during the year	Recovery of Loan during the year	Balance Loan at the end of the year (2)+(3)-(4)	Interest Receipt	Interest Receipt as % of Balance Loan at the end of the year
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2005-06	25144	2900	320	27725	1254	4.5
2006-07	27401	3294	229	30467	1285	4.2
2007-08	27000	3650	231	30418	1635	5.4
2008-09	30418	4217	799	33837	2101	6.2
2009-10	33837	5701	318	39220	3237	8.3
2010-11	39220	6365	437	45148	3870	8.6
2011-12	45148	3345	376	48117	174	0.4
2012-13	47878	3735	725	50888	340	0.7
2013-14	50888	5652	803	55737	379	0.7
2014-15	55737	1680	228	57190	351	0.6
2015-16	57190	2694	83	59801	83	0.1
2016-17 (RE)	59801	2788	161	62427	120	0.2
2017-18 (BE)	62427	2763	400	64791	400	0.6

Note-1: Figure of balance loan at the beginning of the year 2006-07(i.e. as on 01.04.2006) represents balance loan figure after prior period adjustment of ₹ 323.19 crore due to conversion of loan into equity.
Note-2:Figure of balance loan at the beginning of the year 2007-08 represents prior period adjustment of ₹. 3452 crore due to conversion of loan into equity and ₹ 1500.00 crore due to conversion of loan into grant - in –aid.
Note-3: Figure of balance loan at the beginning of the year 2012-13 represents prior period adjustment of ₹ 239 crore due to conversion of loan into equity.

the assets-liability statements of the PSUs and other debtor entities concerned.

5.98. For the medium and long run, the GNCTD should move for switchover to accrual-based accounting for its own accounts, as was recommended by the 12th and the 14th Union Finance Commissions.[9]

5.99. The outstanding debt liability of the three MCDs put together to the GNCTD, as on 31.3.2016 was at ₹ 3,256 crore, which is just about five per cent of the total loans and advances receivable by the GNCTD from various PSUs, etc. put together. This would support the case for a package of debt relief to the municipalities, which we have arrived at in the chapter on the debt liabilities of the municipalities.

5.100. The CEO, Delhi Urban Shelter Improvement Board (DUSIB) had made a presentation on 15th February 2017, followed by a memorandum on 7th March 2017 on the functioning of the DUSIB and the support that it expected from the government for more effective performance. In these submissions, DUSIB stated that it was mandated to undertake resettlement and rehabilitation of the JJ dwellers including *in situ* upgradation. It also stated that the NCT had 675 slum clusters with 3.07 lakh jhuggis and 17 lakh slum dwellers of whom over 80 per cent were migrants from other states. DUSIB has also stated that its revenue receipts were inadequate to meet the revenue expenditure. For 2015-16, the revenue receipt was ₹ 24.18 crore, whereas the revenue expenditure was ₹ 110.58 crore, leading to default even in the discharge of statutory liabilities such as for the pension and provident fund of the employees. It has sought for conversion of the total outstanding ways and means loan amounting to ₹ 90 crore towards the principal and ₹ 17.73 crore towards interest, into grant. It has

[9]See the Reports of the 12th UFC (Ch. 14) and 14th UFC (Ch. 17).

also stated that in the 5th meeting of the Board, the Chief Minister, who had chaired the meeting, had directed that GNCTD should convert the outstanding loans, which were extended by GNCTD to DUSIB for disbursement of salaries to the employees, into grants. However, this has not been implemented so far. We find merit in the submission of the DUSIB.

5.101. We recommend that the outstanding loan of the DUSIB from the GNCTD amounting to ₹ 90 crore towards the principal and ₹ 17.73 crore towards interest, be converted into grant. We also recommend that the GNCTD should assess the financial viability of the DUSIB and provide it adequate annual grants for its smooth functioning.

Public Debt

5.102. The public debt of GNCTD is continuously rising. It stood at ₹ 21,700 crore by the end of 2005-06, mounted to ₹ 33,304 crore by 2015-16, and is projected by the GNCTD to rise to ₹ 35,823 crore by 2017-18. However, as a ratio to the GSDP, it declined from 15.7 per cent to 6.6 per cent and 5.0 per cent, respectively, for the corresponding years. Details may be seen in Table-5.38.

5.103. Even though the Debt-GSDP ratio has declined to six per cent in 2015-16 and is projected in the budget documents of the GNCTD to decline further to 5.5 per cent and five per cent by the end of 2016-17 and 2017-18, respectively, it still remains undesirable, particularly when the state government has remained in comfortable surplus on revenue account during all these years.

5.104. Another inference is that the magnitude of the fresh debts being availed by the GNCTD is much lower than its revenue surplus for all the recent years. The annual addition to the own debt of the GNCTD in the recent years has been of the order of ₹ 2,000 crore to ₹3,000 crore, whereas its has been repaying about half of that annually. Its revenue surpluses, being of the order of ₹ 6,000 crore to ₹8,000 crore, would indicate that it need not take any fresh loans and can also speed up retiring the existing loans. However, this situation, which arises out of the small savings collections, also gives a golden alternative of raising the investment in public infrastructure, directly as well as through the municipalities. GNCTD should encourage the municipalities to come up with financial models of infrastructure projects and offer viability gap

Table-5.38: Public Debt of GNCTD during 2005-06 to2017-18 BE)

(₹ crore)

Sl. No.	Year	Loan Received	Loan Repaid	Outstanding Debt		Interest Payment	Outstanding Debt at the end of the year as % of GSDP
				Beginning of the year	End of the year		
1	2005-06	5896	224	16027	21700	1673	15.7
2	2006-07	4002	134	21700	25568	2210	15.7
3	2007-08	746	975	25568	25339	2504	13.4
4	2008-09	429	386	25339	25382	2512	11.2
5	2009-10	1769	606	25382	26544	2473	10.2
6	2010-11	4389	793	26544	30140	2580	10.0
7	2011-12	556	1088	30140	29608	2917	8.6
8	2012-13	922	1288	29608	29243	2863	7.5
9	2013-14	4163	1325	29243	32080	2824	7.2
10	2014-15	1764	1347	32080	32498	2774	6.6
11	2015-16	2241	1435	32498	33304	2810	6.0
12	2016-17 (RE)	3000	1655	33304	34649	2883	5.5
13	2017-18 (BE)	2856	1682	34649	35823	3006	5.0

Source: Finance Accounts and Budget documents of GNCTD.

funding (VGF) up to 20 per cent of the capital costs, also drawing equal amount from the GOI under the VGF Scheme of the Ministry of Finance.

The Overall Surplus/Deficit Position of Delhi Government

5.105. We have consolidated the trend of the capital account of the GNCTD for the years 2005-06 to 2017-18 (BE) and presented the same in four tables dealing with the following items, respectively :

i. Capital receipts

ii. Capital expenditure

iii. Capital outlays

iv. Loans & advances

These four tables are presented in Annexures-5.2, 5.3, 5.4 and 5.5, respectively. We have examined the status of loans and advances in detail in an earlier part of this chapter.

5.106. Consolidating the data of revenue and capital accounts, we notice that the GNCTD has generally been having either surplus or a relatively small deficit on their overall account including the revenue and capital sides. The year-wise status during the years 2005-06 to 2017-18 (BE) is presented in the Table-5.39.

Table-5.39: Overall Surplus / Deficit (-) Position of Delhi Government

(₹ crore)

S.No.	Year	Capital Receipt	Capital Expenditure	Surplus / Deficit (-) on Capital Account (2-3)	Surplus / Deficit (-) on Revenue Account	Overall Surplus / Deficit (-) during the year (4+5)
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
1	2005-06	6216	4626	1590	4328	5918
2	2006-07	4231	5211	-980	4438	3458
	AGR	*-31.9*	*12.6*			
3	2007-08	977	8389	-7412	5142	-2270
	AGR	*-76.9*	*61.0*			
4	2008-09	1228	8599	-7371	4590	-2781
	AGR	*25.6*	*2.5*			
5	2009-10	2087	11025	-8938	6550	-2387
	AGR	*70.0*	*28.2*			
6	2010-11	4826	11143	-6317	10642	4325
	AGR	*131.2*	*1.1*			
7	2011-12	932	8438	-7505	4428	-3077
	AGR	*-80.7*	*-24.3*			
8	2012-13	1647	9199	-7552	4902	-2651
	AGR	*76.7*	*9.0*			
9	2013-14	4966	11685	-6719	5614	-1105
	AGR	*201.4*	*27.0*			
10	2014-15	1992	7431	-5439	6075	636
	AGR	*-59.9*	*-36.4*			
11	2015-16	2325	8853	-6528	8656	2128
	AGR	*16.7*	*19.1*			
12	*TGR*	-2.9	5.2			
13	2016-17 (RE)	3161	9124	-5963	4846	-1117
	AGR	*36.0*	*3.1*			
14	2017-18 (BE)	3256	9573	-6317	3789	-2528
	AGR	*3.0*	*4.9*			

Source: Finance Accounts / Budget Documents of GNCTD.

Table-5.40: Projection of Overall Surplus /Deficit Position of GNCTD During 2016-2021

(₹ crore)

S.No.	Year	Capital Receipt	Capital Expenditure	Surplus / Deficiton Capital Account (2-3)	Revenue Receipt	Revenue Expenditure	Surplus / Deficit on Revenue Account (5-6)	Overall Surplus / Deficit during the year (4+7)
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1	2015-16 (Actual)	2325	8853	-6528	33894	26342	7552	1023
2	2016-17	1908	7961	-6053	37614	32783	4831	-1222
3	2017-18	3000	9000	-6000	42748	36075	6673	673
4	2018-19	3300	11044	-7744	48300	39642	8658	914
5	2019-20	3650	14000	-10350	54713	43186	11527	1177
6	2020-21	4106	17500	-13394	62127	47026	15101	1707

Source**:** 1. Revenue Surplus /Deficit projections are as per the estimation of the 5th DFC.

2. Projections for Surplus / Deficit on Capital Account are as per GNCTD's figures provided vide their letter dated 14.09.2017.

Impact of the Proposed Transfers

5.107. For the receipts and expenditure on the capital account of the GNCTD for our award period, we have adopted the figures provided by the Planning Department of GNCTD, as we could not make detailed independent analysis for want of the requred information. However, we have factored in the projections for expenditure on capital account for our award period as was conveyed to us by the Planning Department of GNCTD, in the transfer by way of BTA and grants to the municipalities and worked out the overall surplus/deficit of the GNCTD for our award period, which is presented in Table-5.40.

5.108. As the computation in the Table-5.40 indicate, our recommendations would leave the GNCTD in surplus on both, revenue as well as overall accounts, except for 2016-17, for which a deficit of ₹ 1,222 crore is expected in the overall account, though on revenue account, there would be a surplus of ₹ 4,831 crore. In the years 2017-18 to 2020-21, the GNCTD would have an overall surplus, rising steadily from ₹ 673 crore in 2017-18 to ₹ 1,707 crore in 2021. On the revenue account, our estimation projects a surplus for GNCTD in all five years, which rises from the level of ₹ 4,831 crore in 2016-17 to ₹ 15,101 crore in 2021.

Chapter 6

Receipts of the Municipalities

Overview of Municipal Taxes

6.1. The Constitution of India defines the distribution of powers between the Union and the states in a significant manner through distribution of functions and taxation. Such fiscal arrangements have, however, omitted the panchayats and the municipalities, and these institutions of self-governance have to rely on the devolution and delegation of powers by the State Legislature for exercise of taxation powers. The respective State Municipal Laws have, accordingly identified and defined the taxes that the municipalities could levy.

6.2. The Delhi Municipal Corporation Act 1957 (DMC Act, sections 113 & 114) and the New Delhi Municipal Council Act 1994 (NDMC Act, sections 60 & 66) provide the list of obligatory and discretionary taxes to be levied by the MCDs and NDMC respectively. These are presented in Table-6.1.

Table-6.1: Obligatory and Discretionary Taxes to be Levied by the MCDs and the NDMC

Obligatory Taxes	Discretionary Taxes
Property tax on buildings & vacant lands	Education cess
Tax on vehicles and animals	A local rate on land revenue*
Theatre tax	Professions tax
Tax on advertisements	Electricity tax
Duty on transfer of property	Betterment tax
Tax on building plans	Tax on boats*
-	Tolls

*Not available under the DMC Act 1994.

6.3. The three MCDs are currently levying all the obligatory taxes. In respect of the discretionary taxes, the three MCDs are levying only the electricity tax and the tolls. In other words, the MCDs are not levying the following taxes even though the DMC (Delhi Municipal Corporation) Act empowers them to do so:

- Education cess;
- A Local Rate on land revenue;
- Professions tax; and
- Betterment tax.

6.4. The NDMC is currently levying, among the obligatory taxes, property tax on buildings and vacant lands, duty on transfer of property and tax on building plans. In respect of the discretionary taxes, the NDMC is levying only the electricity tax and the betterment tax.

6.5. As for the Delhi Cantonment Board (DCB), the charging provisions are contained in the Cantonments Act 2006, which mandates all the cantonment boards across India to levy two taxes, namely, property tax and professions tax, vide Section 66(1). In addition, Section 66(2) provides that a cantonment board may impose any tax, which under any enactment in force for the time being, may be imposed by any municipality in the state in which the cantonment is located. Therefore, the DCB is entitled to impose all the other obligatory taxes or discretionary taxes that are available to the MCDs and/or the NDMC. The DCB is currently levying both the obligatory taxes, namely, property tax and professions tax. In addition, it is levying water tax and conservancy/scavenging tax.

6.6. The contribution of the various taxes to the total tax revenues of the municipalities for 2015-16, in absolute terms and also in relative (percentage) terms, is presented in the Table-6.2.

6.7. The relative contribution of various taxes to the total own tax receipts varies among the municipalities. However, in the case of the three MCDs, property tax, transfer duties and electricity tax put together contribute about 80 to 90 per cent with the remaining 10 per cent coming from toll tax. In the case of NDMC, property tax alone contributes 80-90 per cent and for DCB, almost 99 per cent comes from property tax.

Data sources

6.8. In compiling the data for the municipalities' own finances, we have analysed the accounts figures for the years up to 2015-16 and the Revised Budget Estimates (RBE or RE) for 2016-17, which were published in the Budget documents for 2017-18. In case of NDMC the accounts for 2009-10 were not finalised as per the prescribed procedure and, therefore, we have taken the RE figures.

6.9. The MCD was trifurcated during FY2012-13 and, therefore, we could develop time series data for their receipts and expenditure only from 2012-13 onwards. However, we have retained a column titled 'MCD/Unified MCD' in some of the tables, indicating the total for the three MCDs, to enable comparison with the pre-trifurcation period wherever it appeared desirable. In some cases, we had to obtain data from the municipalities and some of such figures are at slight variance with the figures reported in the budget documents. We have reconciled such variations, in most cases, except where such variation was inconsequential in the context.

6.10. For 2016-17, the accounts of the municipalities were not finalised and, therefore, we have generally made use of the RE figures reported in the Budget for 2017-18. However, in respect of property taxes, we preferred to secure pre-account figures from the

Table-6.2: Share of Revenue from Various Own Tax Sources of the Municipalities (2015-16)

Sl. No.	Item	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3 to 7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
	Total Tax Revenues (₹ crore)	586.8	1351.7	1808.8	520.6	21.9	4289.8
Of which, share of various taxes, in percentage:							
1	Property Tax*	29.5	27.0	35.6	86.3	99.8	38.5
2	Duty on transfer of properties	19.3	30.7	32.0	5.9	-	26.5
3	Electricity Tax	28.9	26.7	18.7	7.7	-	21.2
4	Toll Tax	20.5	14.5	11.3	-	-	12.2
5	Building Tax	0.0	0.1	0.1	0.016	-	0.094
6	Advertisement Tax	1.7	1.0	2.4	-	-	1.552
8	Tax on Vehicles & Animals	0.001	0.002	0.003	0.000	0.000	0.002
9	Milch & Dog Tax	0.001	0.001	0.006	0.001	-	0.003
10	Theatre Tax	0.003	0.011	0.009	-	-	0.007
11	Betterment Charges	-	-	-	0.1	-	0.007
12	Professions Tax	-	-	-	-	0.012	0.0001
13	Conservancy Tax/ Scavenging Tax	-	-	-	-	0.07	0.0003
14	Water tax	-	-	-	0.0	0.1	0.0006
15	Total	100.0	100.0	100.0	100.0	100.0	100.0

*Including service charge on government properties.
Source: Budget documents of the municipalities.

municipalities, even though these were not formalised for official publication. We made this choice in respect of property tax only because of the large and unexpected improvement achieved by the municipalities in the last quarter of FY2016-17 in tax collections. The RE figures were indicated in the municipality budgets of 2017-18 that were published in February 2017 and compiled even earlier. The extraordinary growth of property tax receipts were reportedly a result of the demonetisation of high value currency notes notified by the GOI and the amnesty schemes for property tax defaulters announced by the MCDs, both in November 2016. Both these developments made a major impact on the tax collections in the months of February and March 2017, which made the pre-account figures of property tax collections significantly higher than the RE figures for 2016-17. Therefore, we have chosen to adopt the pre-account figures for this year alone, for property taxes. However, in doing so we encountered the issue of inconsistency, mainly in case of DCB, which reported different figures in different communications. We have tried to minimise this confusion brought in by such inconsistent reporting by the DCB.

Growth Rate for Taxes of the Municipalities

6.11. While we present and analyse the annual revenue figures in respect of individual sources of tax receipts subsequently in this chapter, in here we present a comparative picture of the growth rates in respect of individual taxes. The time period for computation of the trend growth rates (TGR) in respect of the three MCDs commenced from 2012-13, as these came into existence from that year only. However, we have also added, in appropriate cases, a series indicating the total of the three MCDs for this period, to get the longer time series for the MCD, commencing 2005-06. However, we also realise that combining the data of the three MCDs serves only limited purposes. In respect of the NDMC and DCB, we could start the time series from 2005-06, as their respective boundaries have remained unaltered over these years. In all the cases, the time series ends with 2015-16, which is the latest year for which the final accounts data were available. The figures for the growth rates of taxes of the municipalities thus determined are presented in Table-6.3.

6.12. The impressions that emerge from the data in Table-6.3 need further discussion before drawing conclusions. For instance, electricity tax revenue is received by the MCDs from different DISCOMs but the receipts are quite irregular. Toll tax is collected by one MCD and distributed among the three MCDs, but the distribution is not with any definite time frequency such as monthly or quarterly. Property taxes get a sudden boost in some years in which amnesty scheme for defaulters is announced. We shall present detailed analysis for individual taxes in subsequent paragraphs.

Property Taxation

6.13. Taxes on buildings and lands, or the property taxes, is an obligatory tax for all the five municipalities. The DMC Act 1957 defines property taxes as having two forms, namely, a building tax and a vacant land tax, and makes separate provisions for determining the rates for the two. The NDMC Act 1994 and the Cantonments Act 2006 have similar, but less elaborate, definition for property tax.

6.14. Property taxes have remained the single largest ‘own’ source of revenue for the municipalities, being of the order of 30 to 40% of the own tax revenues of the MCDs and 85 to 95% in case of the NDMC and DCB. The incidence of this tax falls on buildings of all types, as well as on vacant lands. The significance of property tax in the overall own tax receipts of the municipalities in Delhi may be seen from the data in the Table-6.4.

Analysis of Property Taxes by the Previous DFCs

6.15. The First DFC had noted that property taxes accounted for over 76 per cent of the MCD’s own tax receipts and 25 per cent of MCD’s total receipts, yielding ₹38.1 crore in 1984-85, which increased to ₹ 267.2 crore in 1995-96.This had amounted to a growth rate of 17.6 per cent in nominal terms, 1.3 per cent in real terms and buoyancy coefficient of 1.07. As for the NDMC, it had noted that the collection from property taxes had gone up from ₹ 3 crore in 1984-85 to ₹ 24.3 crore in 1994-95.

Table-6.3: Growth Rate of Taxes in Municipalities

(In %)

Item	MCD / MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
Period	(2005-16)	(2012-16)	(2012-16)	(2012-16)	(2005-16)	(2005-16)	(2005-16)
Property Tax *	12.5	11.9	16.0	5.8	12.1	8.8	11.5
Electricity Tax **	14.0	37.3	18.3	15.4	12.5	–	14.9
Duty on Transfer of Properties	15.1	-1.2	6.4	2.4	9.0	–	14.8
Toll Tax	19.3	27.6	91.8	14.8	–	–	19.3
Advertisement Tax	15.1	17.9	2.4	-4.1	–	–	15.0
Theatre Tax	2.2	-42.8	– @	20.4	–	–	2.2
Professions Tax	–	–	–	–	–	-3.2	-3.2
Other Taxes	3.5	7.3	6.2	62.2	0.8	0.7	3.3
All Taxes	14.4	16.7	17.1	6.7	13.0	8.7	13.8

* Growth rates for house tax and service charges in case of DCB for the period 2005-06 to 2015-16 are 6.9 & 9.2, respectively.
** Growth rates for electricity tax in case of NDMC is for the period 2010-11 to 2015-16.
@Growth rate not indicated because of negative tax collection in 2014-15.

Table-6.4: Share of Property Taxes in the Total Own Tax Revenue of the Municipalities

Municipality	2012-13			2016-17 *		
	Property Tax Revenue (₹ crore)	Total Own Tax Revenue (₹ crore)	Share of Property Tax (%)	Property Tax (₹ crore)	Total Own Tax Revenue (₹ crore)	Share of Property Tax (%)
MCD-E	119.8	361.6	33.1	182.8	621.3	29.4
MCD-N	240.4	861.6	27.9	613.2	1505.6	40.7
MCD-S	539.9	1469.3	36.7	901.0	2177.3	41.4
NDMC	382.6	468.6	81.6	543.7	643.1	84.5
DCB**	1.0	1.0	96.0	2.9	2.9	98.3
Total	1283.7	3162.2	40.6	2243.6	4950.3	45.3

*For 2016-17, Property Tax revenue figures are as per pre-actuals, and for all other taxes, as per revised estimate indicated in the Budget 2017-18.
** Property tax revenue figures for DCB do not include the service charges levied on government properties in lieu of property tax.

The Commission used the trend data of receipts and buoyancy to make projections for its award period. It also recommended rationalisation of property tax, to yield estimated ₹ 860 crore for the award period for MCD.

6.16. The 2nd DFC analysed the impact of the recommendations of the 1st DFC and observed that none of the measures for raising additional revenues, including those for rationalisation of property tax recommended by the 1st DFC, were adopted either by the MCD or the NDMC. It also noted that the subsequent to the report of the 1st DFC, the growth rate for property tax revenues had declined in the case of MCD. The Commission observed that the extant system based on rateable valuation of the properties was the major cause for the poor performance in mobilising revenues from this source and recommended switch over to the unit area method (UAM) combined with self-assessment by the tax payers.

6.17. The 3rd DFC noted that while the UAM recommended by the 2nd DFC was implemented for the MCD, effective from April 2004, the property tax potential was still not being exploited by the MCD adequately, as only 9.63 lakh out of total 25.36 lakh properties were assessed, as of 2003-04. It also noted large amount of arrears of property taxes, including those locked up in litigation. The 3rd DFC also observed that the revenue from property taxes had actually declined post UAM implementation and attributed this to the lack of awareness among the taxpayers and the staff, as also to the inadequate management by the MCD. As for the NDMC, it observed that the property tax was contributing 95.94 per cent of the tax revenues (2003-04) and recommended switchover to the UAM for enhancing the efficiency and effectiveness of the taxation system. It also recommended for enhanced efforts towards recovery of service charges in lieu of property taxes in respect of the Union and state government properties.

6.18. The 4th DFC observed that the MCD needed to undertake proper analysis for the receivables under various taxes and fees, etc. including the property taxes. However, it did not analyse the various issues related to property tax in further details.

Property Tax Assessment System

6.19. The property tax assessment system in the MCD, prior to 2004, was based on annual rental/ rateable value method, which was based on the expected rent that the property was supposed to fetch, as provided in Section 116 of the DMC Act 1957, as it existed then. This was changed to the unit area method (UAM) pursuant to the recommendations of the expert committee (EC) for property tax reforms in MCD[1] and the 2nd DFC. The UAM has been implemented in the MCD since April 2004 and continues till today. The introduction of UAM was accompanied with amendment to the DMC Act 1957 through the Delhi Act 6 of 2003, which was made effective from 1st August 2003. This amendment also brought in the concept of municipal valuation committee (MVC).

6.20. The NDMC has also adopted UAM w.e.f. 1st April 2009. NDMC also affirmed that it has a valuation committee in place, in terms of the NDMC (Determination of Annual Rent) Byelaws 2009, which makes suggestions in respect of property tax every year.

6.21. The DCB continues with the rental based valuation system.

Municipal Valuation Committees

6.22. As per the amendment introduced to the DMC Act 1957 introduced in 2003, the state government is required to constitute a municipal valuation committee (MVC) at the interval of every three years, vide Section 116 of the Act. The functions of the MVC as defined under Section 116(1) are as follows:

(a) To make recommendations to the MCD on matters relating to classification of vacant lands and buildings in any ward of Delhi into colonies and groups of lands and buildings and fixation of base value per unit area of vacant land or per unit area of covered space of building and factors for increase or decrease, or for no increase or decrease, thereof;

(b) To consider objections under Section 116C and to make recommendations thereon; and

(c) To perform such other functions as the Government may require.

6.23. So far, there have been four MVCs constituted and the first three of them had submitted their reports as per the details presented in Table-6.5.

[1]The Expert Committee on Unit Area Method of Property Tax Assessment was chaired by Shri K. Dharamarajan, IAS and submitted its report on January 31, 2003.

6.24. The three MVCs constituted so far were notified during the period of unified MCD. However, before a final view could be taken by the MCD on the recommendations of the third MVC, the MCD got trifurcated. The fourth MVC has been constituted vide Government Order, dated 01.2.2017, which required the MVC to submit its report within six months.

Major Recommendations of the MVC

6.25. The 1st MVC, constituted in October 2003, primarily considered the report of the Expert Committee (EC) on Property Tax Reforms (2003) and adopted the classification of colonies and various factors and criteria developed by the EC. The recommendations of the 1st MVC were implemented w.e.f. 1st April 2004. The 2nd MVC, constituted in September 2006, submitted its interim report to the Corporation under Section 116A(2) to declare its intention under Section 116B(1). However, the Standing Committee of the MCD decided to recommend rejection of the report to the House, which did not either declare its intention to reclassify the colonies or cause the 2nd MVC Report to be made public. None of the subsequent statutory steps were taken and thus the efforts of the 2nd MVC could not fructify.[2]

6.26. The 3rd MVC was the last one before trifurcation of the MCD. The major recommendations made by it included the following:

- All Industrial areas should be included in category 'B'.
- All hotels be brought under use factor 10 irrespective of location.
- All properties used for entertainment, recreation and clubs be brought under use factor 4 at par with general commercial properties.
- Banquet halls and barat ghars be brought under use factor 6.
- Keeping above recommendations in view, classification of 1,986 colonies made by the 1st MVC be reduced to 1,960.
- Status of warehouses and cold storages left to be decided by the Commissioner.
- Retain the use factor 0.5 for vacant land.
- The issue of treatment of one-time property tax was not discussed as the MVC felt it to be outside its purview.
- Measures be taken to improve the efficiency of the assessment and collection department, including computerisation, setting up call centre, and augmenting the staff strength.
- Establishment of a permanent secretariat for MVC in the MCD.

6.27. An interesting feature of the 3rd MVC recommendations was that it recognised the need for

Table-6.5: Constitution of Municipal Valuation Committees for the MCD(s)

MVC No. & Date of constitution	Date of submission of Report by MVC	Status of acceptance/ implementation of MVC Report.
First MVC 28.10.2003	31.12.2003 (Interim) 28.2.2004 (Final)	Accepted and implemented w.e.f. 01.4.2004. These continue to be in operation till date.
Second MVC 20.9.2006	25.5.2007 (Final)	Rejected by Standing Committee of MCD vide Resolution No. 95 and sent back to GNCTD for formation of the new MVC.
Third MVC 08.9.2009	25.6.2010 (Interim) 28.4.2011 (Final)	Accepted by MCD-East w.e.f. 1.4.2016, but resolved to implement w.e.f. 1.4.2017. However, it has not been implemented as of 3.10.2017. Rejected by MCD-North, vide Resolution dated 9.6.2016 of the Council. Not accepted/ implemented by MCD-South.
Fourth MVC 1.2.2017	Required to submit report within six months.	In process.

[2]As observed also in the report of the 3rd MVC (para 2.6).

enhancing the base value, as was also recommended by the 2nd MVC, but decided not to recommend the same as it preferred to adopt the course of efficiency improvement for achieving revenue growth. However, the unified MCD did not take a final decision on the recommendations of the 3rd MVC and the matter was carried forward to the newly trifurcated MCDs.

Acceptance and Implementation of the MVC Reports

6.28. As for the acceptance and implementation of the reports of the three MVCs set up hitherto, the recommendations of only the first MVC have been accepted and implemented so far. The second and the third MVCs made very useful recommendations, but the same have not been accepted/implemented so far by any of the MCDs. Both these reports were submitted during the period of the unified MCD.

6.29. The 3rd MVC submitted its interim report on 25th June 2010, which was accepted by the MCD for calling representations/objections from the public. Pursuant to the receipts of the representations/objections, the 3rd MVC proceeded to make its final report after dropping some of the recommendations made in the interim report, modifying some and retaining some, and submitted the same on 28th April 2011. However, the MCD did not take a final view in the matter until it was trifurcated in May 2012, which meant that each of the three MCDs was required to take independent call on acceptance and implementation of the 3rdMVC Report.

6.30. The MCD-North in its resolution dated 24th June 2016 decided not to accept the changes in categorisation of various buildings proposed by the 3rd MVC and finally rejected the same. MCD-South too did not accept the recommendations of the 3rd MVC. However, only MCD-East accepted the recommendations of the 3rd MVC, that too, perhaps, because the GNCTD insisted for the same while releasing ways & means loans. Having resolved to accept the 3rd MVC Report, MCD-East also decided to give effect to it only from 1st April 2017, but it did not do so even till middle of the FY2017-18. The other two MCDs, namely, MCD-North and MCD-South, have not accepted the recommendations of the 3rd MVC and are continuing with the recommendations of the 1st MVC. Even at a low rate of cost inflation, considered at five per cent, the loss of revenue to the MCDs on account of non-revision of property taxes since 2007 would be of the order of about 60 per cent, which would translate in absolute value to around ₹ 800 crore per year.

Restructuring the Municipal Property Valuation System

6.31. Property tax, like any other tax, is founded on the three pillars of equity, efficiency and effectiveness of its administration. Keeping in view the dynamic and uneven social and economic spatial growth of the city, the DMC Act provides for setting up the MVC every three years. The task for the MVC is essentially to recommend the measures to tide over the aberrations that creep into the property valuations for taxation purposes from time to time. Each of the three MVCs set up so far has done extensive study by way of data collection, interaction with the stakeholders and followed up the same with detailed analysis, before making its recommendations. We are, therefore, dismayed with the non-implementation of the recommendations of the 2nd and the 3rd MVCs by the MCDs. Moreover, the repeated failure of the MCDs in giving effect to the recommendations of the MVCs creates further complications. For instance, now that the 4th MVC is expected to give its recommendations towards end of FY 2017-18, its recommendations would, expectedly, enhance the valuation rather steeply, as the current valuation is based on the 1st MVC, which is 13 years old. This could cause resentment among the property tax payers.

6.32. We have analysed the experience of the MVC system and would recommend that the present system for municipal property valuation should be subject to certain fundamental changes, which we present in para 6.135.

Revenue Mobilisation from Property Taxes

6.33. The revenue mobilisation by each of the five municipalities during the period 2005-06 to 2015-16, the revised estimates and the pre-account/pre-actual for 2016-17 and the budget estimates for 2017-18 are presented in the Table-6.6.

6.34. In the following paragraphs, we analyse the performance of the individual municipalities over the years, in terms of the number of properties covered and revenue collected over the period 2005-06 to 2016-17 and also indicate the BE figures for 2017-18. Thereafter, we undertake a relative analysis of the performance of the municipalities over this period.

Table-6.6: Receipts of the Municipalities on Account of Property Taxes

(₹ crore)

Year	MCD / Unified MCD	MCD-East	MCD-North	MCD-South	NDMC	DCB			Total for 5 Munici-palities (2+6+9)
						House Tax	Service Charges from Army/ Air Force	Total (7+8)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2005-06	373.4	–	–	–	147.1	0.3	2.6	2.9	523.4
2006-07	403.4	–	–	–	153.3	0.9	15.4	16.3	573.0
2007-08	426.7	–	–	–	188.5	0.7	164.5	165.2	780.3
2008-09	477.7	–	–	–	210.8	0.5	159.4	159.9	848.3
2009-10	556.7	–	–	–	229.0	0.4	84.5	84.9	870.6
2010-11	765.3	–	–	–	275.3	1.0	84.5	85.5	1126.2
2011-12	526.1	–	–	–	286.6	0.7	84.5	85.2	897.8
2012-13	900.1	119.8	240.3	539.9	382.6	1.0	77.7	78.7	1361.4
2013-14	920.5	126.1	269.6	524.7	366.7	0.8	74.8	75.7	1362.9
2014-15	1014.8	128.2	342.0	544.6	369.9	0.9	32.6	33.5	1418.1
2015-16	1180.9	173.2	364.4	643.3	449.0	0.8	21.0	21.8	1651.8
TGR	12.5	11.9	16.0	5.8	12.1	6.9	9.2	8.8	11.5
TGR (GSDP)*	14.9	12.0	12.0	12.0	14.9	14.9	14.9	14.9	14.9
Buoyancy	0.8	1.0	1.3	0.5	0.8	0.5	0.6	0.6	0.8
2016-17 (R.E.)	1832.1	192.1	830.0	810.0	475.0	22.0	50.0	72.0	2379.1
2016-17 (Pre-Ac)	1697.0	182.8	613.2	901.0	543.7	2.9$	216.2	219.0	2459.7
2017-18 (B.E.)	1978.3	220.6	965.2	792.5	490.0	16.0	55.0	71.0	2539.3

Source: 1. Actuals for 2005-06 to 2015-16 and 2016-17 (RE) & 2017-18 (BE) from the Budget of municipalities concerned.
2. GSDP at Current Prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi, March, 2017.
3. GSDP for 2005-06 to 2010-11 (Back series at Current Prices linked to Base year 2011-12) as compiled by the Commission considering the previous GSDP series with base year 2004-05 by using splicing method.
Note: 1. Figure of NDMC for 2009-10 is RE in place of actual, which is not available.
2. Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the 3 MCD's from 2012-13 onwards.
* Trend Growth Rate of GSDP is given for the years for which data have been shown in the Table.
$ As per DCB Letter/E-mail dated 20.07.2017.

Performance of MCD-East

6.35. MCD-East, in their communication dated 14th October 2016, had informed that the number of properties in the tax net has gone up from 2,16,245 in 2012-13 to 2,25,158 in 2016-17, whereas, the revenue collections had risen from ₹ 141 crore to ₹ 183 crore in 2016-17. Year-wise details received from MCD-East are as given in theTable-6.7.

6.36. The figures in Table-6.7 indicate significant improvement in the coverage during 2015-16 compared to the previous years. However, the collections in 2016-17 appear to have slowed down, indicating a considerable scope for further improvement.

Performance of MCD-North

6.37. MCD-North has, in its letter (dated 5.6.2017), reported the details about the number of properties covered and revenue collected under property tax by the erstwhile unified MCD during the period 2005-06 till 2011-12, and by the MCD-North for the subsequent years. These details are presented in Table-6.8.

6.38. The annual growth in coverage of properties in the tax net as well as the amounts of revenue collected from property tax in MCD-North has shown a very fluctuating trend. The fluctuation is marked by a very significant growth in revenue for 2013-14 and 2016-17. MCD-North have explained that the spurt in revenues collected during 2013-14 was attributable to the amnesty scheme, whereas, the still bigger spurt achieved during 2016-17 was attributable to another amnesty scheme as also to the demonetisation of high value currency notes notified by the GOI during that year.

6.39. As for the coverage of properties in the tax net, there has been an impressive growth of 11.42 per cent in 2016-17 over the preceding year. MCD-North has explained, in its note (dated 13.6.2017), that this growth was attributable to the various measures initiated by it including the survey of all properties and digitisation of the property tax records.

6.40. MCD-North has also stated that big commercial properties such as starred hotels, malls, multiplexes, fuel pump stations, farmhouses in non-residential use had received significant reduction in the property tax liability upon switch over to unified area method. This is a serious issue and we expect the MCD-North, as also the other two MCDs, to take it up with the 4th MVC that is currently in operation.

Performance of MCD-South

6.41. The details about the number of properties covered and revenue collected under property tax by MCD-South during the period 2005-06 to 2017-18 (BE), have been reported by the MCD-South in their letter (dated 2.6.2017), and presented in Table-6.9.

6.42. The data in Table-6.6 indicate a decline in the collection from 2012-13 to 2013-14 and 2014-15, for which the MCD-South has explained in its note

Table-6.7: Number of Properties Covered and Revenue Collected under Property Tax by MCD-East during 2012-2018

Year	No. of Properties Covered under Property Tax		Amount of Property Tax Collected	
	No.	Y-o-Y Growth	(₹ crore)	Y-o-Y Growth
2012-13	216245	-	126.81	-
2013-14	211543	-2.17%	124.80	-1.59%
2014-15	209861	-0.80%	127.22	1.94%
2015-16	225158	7.29%	173.24	36.17%
2016-17 (Pre-Actual)	252528	12.16%	182.81	5.52%
2017-18 (BE)	-	-	211.29	15.58%

Table-6.8: Number of Properties Covered and Revenue Collected under Property Tax by Unified MCD during 2005-2012 and MCD-North during 2012-2018

Year	No. of Properties Covered under Property Tax		Amount of Property Tax Collected	
	No.	Y-o-Y Growth	(₹ crore)	Y-o-Y Growth
2005-06*	824884	-	486.44	-
2006-07*	842780	2.17%	495.69	1.90%
2007-08*	810832	-3.79%	513.53	3.60%
2008-09*	862970	6.43%	606.10	18.03%
2009-10*	980589	13.63%	696.89	14.98%
2010-11*	1035451	5.59%	772.91	10.91%
2011-12*	981782	-5.18%	763.00	-1.28%
2012-13	385725	-	312.44	-
2013-14	380963	-1.23%	375.54	20.20%
2014-15	377817	-0.83%	341.98	-8.94%
2015-16	395043	4.56%	364.36	6.54%
2016-17 (Pre-Actual)	440145	11.42%	613.20	68.30%
2017-18 (BE)	-	-	965.20	57.40%

*Figures relate to the Unified MCD.

Table-6.9: Number of Properties Covered and Revenue Collected under Property Tax by MCD-South during 2012-2018

Year	No. of Properties covered under Property Tax		Amount of Property Tax collected	
	No.	Y-o-Y Growth	(₹ crore)	Y-o-Y Growth
2012-13	399028	-	607.92	-
2013-14	383572	-3.87%	531.25	-12.61%
2014-15	377508	-1.58%	547.31	3.02%
2015-16	410151	8.65%	643.34	17.54%
2016-17 (Pre-Actual)	444232	8.31%	901.00	40.05%
2017-18 (BE)	Not reported	-	792.50	-12.04%

(dated 9.6.2017) that the 2012-13 figures include a payment by DDA to the tune of ₹ 120.66 core against outstanding disputed amount.

6.43. The data in Tables-6.7 to 6.9 also indicate that the coverage of properties in the tax net, as also the revenue collections, improved significantly in 2016-17. The MCD-South has attributed this increase in revenues to the amnesty scheme, which was effective from 18.11.2016 to 31.3.2017, under which the 100 per cent of interest and penalties are waived off upon payment of all arrears of property tax dues and surcharges. MCD-North too has shown similar spurt in collection and attributed it to the amnesty scheme as also to demonetisation.

6.44. The spurt in tax collections attributed to the amnesty schemes or to demonetisation raises two policy issues. One is that such increases cannot be considered as sustainable. The other is that the amnesty schemes are not desirable because they indirectly penalise those taxpayers who pay taxes in time and thus the amnesty schemes induce indiscipline among the taxpayers. Municipalities should avoid recourse to the amnesty schemes. Instead, the regular inspections and other methods for enforcing timely discharge of tax liabilities by the property owners should be applied.

6.45. Similarly, the tradition of offering a rebate of 15 per cent of the property tax liability if payment of tax in lump sum is done in a single installment during the first quarter of the year also needs to be reviewed, because this rate of rebate was introduced when the interest rates were very high. This rebate could now be logically reduced to eight per cent.

6.46. The municipalities also need to device and adopt arrangements for sustainable and transparent management of property taxation, for which we have made some suggestions in subsequent parts of this chapter.

Performance of New Delhi Municipal Council

6.47. As per clause (1) of byelaw 5 of the NDMC (Determination of Annual Rent) Byelaws, 2009, the Chairperson, NDMC appoints a valuation committee which consists of a representative each of the government, Municipal Corporation of Delhi, National Institute of Urban Affairs, the Deputy Commissioner, New Delhi and a member of the Council. The committee includes an officer of the NDMC, who also functions as the convener of the committee. The valuation committee is constituted every year since 2009, which gives its recommendations to the Chairperson, NDMC for the ensuing year. After approval of the Chairperson, the recommendations of the valuation committee are implemented accordingly.

6.48. The details about the number of properties covered and revenue collected under property tax by NDMC during the period 2005-06 to 2017-18 (BE), as reported by the NDMC in their letter (dated 5.6.2017), are given in Table-6.10.

6.49. Table-6.10 indicates that in the NDMC, there has been only a nominal increase in the number of properties covered under the tax net over the last 13 years, while the tax revenues have grown by over 300 per cent, from ₹ 147.10 crore in 2005-06 to ₹ 543.66 crore in 2016-17 (Pre-Actual), indicating significant growth.

Performance of Delhi Cantonment Board

6.50. The Delhi Cantonment Board (DCB) follows the principle of "annual rental value" (ARV) for determination of property tax, as per the provision of Section 68 and other related provisions contained in the Cantonments Act 2006. Section 80 requires the CEO of the DCB to prepare a new assessment list every three years, following the provisions contained in various sections of the CB Act. The details about the last three triennial assessments, as intimated by the DCB in their letter (dated 7.6.2017), are presented in Table-6.11.

6.51. Thus the DCB has been undertaking the triennial assessments regularly.

6.52. The details about the number of properties covered and revenue collected under property tax by DCB during the period 2005-06 to 2017-18 (BE), as reported by the DCB in their letter (dated 7.6.2017), are presented in Table-6.12.

Table-6.10: Number of Properties Covered and Revenue Collected under Property Tax by New Delhi Municipal Council during 2005-2018

Year	No. of Properties Covered under Property Tax		Amount of Property Tax Collected	
	No.	Y-o-Y Growth	(₹ crore)	Y-o-Y Growth
2005-06	13698	-	147.10	-
2006-07	13824	0.92%	153.27	4.20%
2007-08	14105	2.03%	188.48	22.97%
2008-09	14159	0.38%	210.79	11.84%
2009-10	14286	0.90%	229.00	8.64%
2010-11	14415	0.90%	275.33	20.23%
2011-12	14501	0.60%	285.69	3.77%
2012-13	14518	0.12%	328.61	15.02%
2013-14	14530	0.08%	366.73	11.60%
2014-15	14536	0.04%	369.88	0.86%
2015-16	14611	0.52%	449.04	21.40%
2016-17 (Pre-Actual)	14607	-0.03%	543.66	21.07%
2017-18 (BE)	14607	0.00%	490.00	-9.87%

Source: NDMC letter dated 5.6.2017.

Table-6.11: Triennial Assessments in DCB

Triennial Assessment Period	Date of submission of Report by CEO	Status of acceptance/ implementation
1.4.2007 to 31.3.2010	1.4.2010	Implemented w.e.f. 01.4.2010.
1.4.2010 to 31.3.2013	1.4.2013	Implemented w.e.f. 01.4.2013.
1.4.2013 to 31.3.2016	1.4.2016	Implemented w.e.f. 01.4.2016.

6.53. The figures in Table-6.12 indicate a high fluctuation in the property tax collections of the DCB, which is not desirable, as a general rule. For 2016-17, the DCB reported 185 per cent growth, but has attributed it to the recovery of ₹ 114.92 lakh from GMR/Airport Authority.

6.54. The low collection of property tax and the large fluctuation in the figures for mobilisation of revenue from property tax in the DCB indicate that the rental valuation method adopted by the DCB and the purely internal arrangements for the periodic revision of valuation adopted by the DCB call for a quick review. Accordingly, we recommend that the DCB should move a proposal for suitable amendments to the CB Act for *(a)* switch over to the unit area method, and *(b)* constitution of an independent municipal valuation committee, on the lines of the provisions contained the DMC Act, subject to the improvements suggested by us in para 6.135.

Taxation of Properties of Defence Forces by DCB

6.55. During the analysis of the finances of the DCB, we came across a very interesting situation, of a very large amount payable to the DCB by the defence forces as service charge in lieu of the property taxes.

Table-6.12: Number of Properties Covered and Revenue Collected under Property Tax# by Delhi Cantonment Board

Year	No. of Properties Covered under Property Tax		Amount of Property Tax Collected	
	No.	Y-o-Y Growth	(₹ crore)	Y-o-Y Growth
2005-06	4029	-	0.37	-
2006-07	4029	0.00%	1.33	263.2%
2007-08	4051	0.55%	0.92	-30.7%
2008-09	4051	0.00%	0.58	-37.0%
2009-10	4051	0.00%	0.56	-4.1%
2010-11	4063	0.30%	1.32	138.6%
2011-12	4063	0.00%	0.85	-36.1%
2012-13	4063	0.00%	1.26	49.0%
2013-14	4802	18.19%	1.11	-12.2%
2014-15	4802	0.00%	1.10	-0.9%
2015-16	4802	0.00%	1.01	-8.1%
2016-17 (Pre-Actual)	4802	0.00%	2.88*	185.2%
2017-18 (BE)	4802	0.00%	2.10	-27.1%

#Does not include the service charges payable/paid by the government organisations.
*Includes extraordinary receipts from GMR (Delhi Airport).
Source: DCB, vide letter No. DCB/39/BTA dated 7.6.2017.

The amounts receivable and received by the DCB from the GOI in respect of the service charges payable by the defence forces are given in the Tables-6.13 A, B and Table -6.14.

6.56. It is apparent from the data presented in Tables-6.13 A, B and Table -6.14 that the DCB has to receive almost ₹ 800 crore annually towards the service charges in lieu of the property taxes from the Indian Army and the Indian Air Force, whereas the amounts received by the DCB has been varying between a low of ₹ 21 crore in 2015-16 and a high of ₹ 216 crore in 2016-17. This situation would make it difficult for the DCB to make use of the receipts from the defence forces towards service charges either for efficient operation of its budget or for making any plan for its use.

6.57. The DCB seems unsure of receiving the arrears of service charges from the defence forces, as was apparent from their supplementary memorandum submitted on 5th September 2017. However, DCB has also submitted an overview of their proposals for quantum jump in the level of infrastructure and services including strengthening of roads, introduction of super specialty services in the cantonment general hospital, setting up of electric crematorium, modernisation of slaughter houses, etc. All this can be achieved smoothly if their due arrears of service charges are paid by the defence forces at least in five to ten annual instalments.

6.58. In fact, the amounts receivable by the DCB from the defence forces are far more than the annual budget of the DCB. If the DCB were provided these amounts regularly, it would not need any tax devolution or grant from the government. The GNCTD needs to prevail upon the GOI to make available the service charges to the DCB in a timely manner by paying the annual current dues (₹ 800 crore) in monthly instalments, while the outstanding arrears of ₹ 8,800

Table-6.13A: Service Charges Payable and Paid to the DCB by the Indian Army

(₹ crore)

S.No.	Year	Annual Current Demand of Service Charge	Total Demand including Arrears	Amount Received by DCB	Balance, including Arrears
1	2005-06	310	1953	2.5	1950
2	2006-07	355	2306	13	2293
3	2007-08	407	2700	11	2689
4	2008-09	466	3155	11	3144
5	2009-10	534	3678	0	3678
6	2010-11	534	4212	0	4212
7	2011-12	534	4746	0	4746
8	2012-13	534	5280	0	5280
9	2013-14	534	5814	0	5814
10	2014-15	534	6348	0	6348
11	2015-16	534	6882	0	6882
12	2016-17	534	7417	0	7417
13	2017-18	534	7951	3	7948
14	2018-19	534	--	--	--
15	2019-20	534			
16	2020-21	534			

Source: DCB letters No. DCB/39/T/BTA dated 11.7.2017 & No. DCB/30/SC/GEN/2016-17 dated 08.7.2016.

Table-6.13B: Service Charges Payable and Paid to the DCB by the Indian Air Force

(₹ crore)

S.No.	Year	Annual Current Demand of Service Charge	Total Demand including Arrears	Amount Received by DCB	Balance, including Arrears
1	2005-06	46	136	0	136
2	2006-07	51	187	2	184
3	2007-08	56	240	153	87
4	2008-09	61	148	148	0
5	2009-10	84	84	84	0
6	2010-11	114	114	84	30
7	2011-12	131	161	84	76
8	2012-13	151	227	78	149
9	2013-14	173	322	75	247
10	2014-15	199	447	33	414
11	2015-16	229	643	21	622
12	2016-17	263	886	216	669
13	2017-18	263	933	84*	848
14	2018-19	263			
15	2019-20	263			
16	2020-21	263			

* As in June 2017.
Source: DCB letter No. DCB/39/T/BTA dated 11.07.2017.

Table-6.14: Service Charges Payable and Paid to the DCB by the Indian Army & Indian Air Force

(₹ crore)

S.No.	Year	Annual Current Demand of Service Charge	Total Demand including Arrears	Amount Received by DCB	Balance, including Arrears
1	2005-06	356	2089	2.5	2086
2	2006-07	406	2493	15	2477
3	2007-08	463	2940	164	2776
4	2008-09	527	3303	159	3144
5	2009-10	618	3762	84	3678
6	2010-11	648	4326	84	4242
7	2011-12	665	4907	84	4822
8	2012-13	685	5507	78	5429
9	2013-14	707	6136	75	6061
10	2014-15	733	6795	33	6762
11	2015-16	763	7525	21	7504
12	2016-17	797	8303	216	8086
13	2017-18*	797	8884	87	8796
14	2018-19	797			
15	2019-20	797			
16	2020-21	797			

Source: DCB letters No. DCB/39/T/BTA dated 11.7.2017 & No. DCB/30/SC/GEN/2016-17 dated 08.7.2016.

crore may be provided to the DCB in 10 equal annual instalments of ₹ 880 crore each.

Utilisation of the Service Charges by the DCB

6.59. As stated above, the DCB is due to receive almost ₹ 8,800 crore as arrears, supplemented by the current dues of the order of ₹ 880 crore annually, from the defence forces towards service charges. While we expect the DCB to receive this amount in the coming years, it is a very big sum and should be utilised by DCB to create signature social and economic infrastructure for the benefit of the cantonment and its surrounding region. For instance, DCB could launch a university, a major super specialty hospital and raise the capacity and level of infrastructure in its existing general hospital. It could also improve the street lights and upgrade all other infrastructure and services.

Relative Performance of the Municipalities

6.60. A fair measure to assess the relative performance of the municipalities in garnering revenues from the property taxes would be the ratio to the GDP. However, in the absence of the municipality level data on GDP, we chose the option of determining the per capita revenue collections. Even here, we have been able to secure population data only for 2011 for the three MCDs, which were bifurcated in 2012[3]. The figures for property tax collection for the municipalities in absolute and per capita terms for 2016-17, average collection per property and the relative performance of the five municipalities, are presented in the Table-6.15, with population data of 2011.

6.61. The data in Table-6.15 give the following impressions for the year 2016-17, for which the pre-actual account figures are available:

(a) The per capita collection from property tax of NDMC at ₹20,912 is way ahead of the corresponding figures for the three MCDs, which range between ₹ 463 (MCD-East) and ₹ 1,451 (MCD-South).

[3]In fact, even for 2011, Census data was not published for the three MCDs separately, as the MCD was trifurcated in 2012. The 5th DFC has computed the Census 2011 population figures for the three MCDs based on the ward-wise data obtained from the Census Directorate of Delhi.

Table-6.15: Relative Performance of the Municipalities in Property Tax Collection for 2016-17

Municipality	Property Tax Receipts 2016-17 (Pre Actual)	Population 2011	Per capita Property Tax Receipts *	Ratio of per capita collection to NDMC	No. of properties (2016-17)	Average collection per property (2016-17)
	(₹ in crore)	(Persons in lakh)	(₹)	(in %)	No.	(₹)
MCD-East	183	39.5	463	2.2	252528	7239
MCD-North	613	62.6	980	4.7	440145	13932
MCD-South	901	62.1	1451	6.9	444232	20282
3 MCDs-Total	1697	164.2	1033	4.9	1136905	14926
NDMC	544	2.6	20912	100.0	14607	372219
DCB	3	1.1	264	1.3	4802	6039
Total for All Municipalities	2244	167.9	1336	6.4	1156314	19403

Source: Communication of various dates from the municipalities.

(b) The per capita collection of property tax for MCD-East, MCD-North and MCD-South is broadly in the ratio of 1:2:3.

(c) The per capita collection of property tax by the DCB is very low, at ₹ 264, even as compared to the MCD-East.

(d) The per property tax collection in NDMC was ₹ 3,72,219, which was way ahead of all other municipalities.

(e) The per property tax collection in DCB at ₹ 6,039 is the lowest among all the five municipalities.

(f) The per property tax collection in the three MCDs was ₹ 7,239 for MCD-East, ₹ 13,932 for MCD-North and ₹ 20,282 for MCD-South, which again was, approximately, in the ratio of 1:2:3.

6.62. We highlight our conclusion that the NDMC properties are fetching far higher revenues in terms of property taxes mainly owing to the fact that many valuable properties like superior hotels and high value commercial properties like the Connaught Place are located in the jurisdiction of the NDMC and also the superior infrastructure in the NDMC area. This could be a role model for the other municipalities.

6.63. Among the three MCDs, the higher per property collection in MCD-South is owing to the fact that the ratio of the A category properties in the MCD-S is higher than in the other two MCDs. We have compiled the data relating to the number of the different types/categories of settlements in the three MCDs and their relative share within the respective MCDs, in Table-6.16.

6.64. It is apparent that majority of the settlements in MCD-East are unauthorised colonies (38%) and unauthorised regularised colonies (37%). These two categories of settlements make up to 75 per cent of all settlements in MCD-East, as compared to 39 per cent in MCD-North and 38 per cent in MCD-South. Undoubtedly, this situation indicates a serious handicap in revenue mobilisation possibilities. However, for making better estimation of the revenue potential of various settlements, MCDs should use the Census 2011 data to list out the number of properties in various localities and the possible levels of tax collections[4].

6.65. In our assessment, the concept and existence of a variety of settlements, such as the unauthorised colonies, unauthorised regularised colonies, rural villages, urban villages, the resettlement colonies, 'lal dora' settlements and the like should not be continued indefinitely. All settlements should be identified as

[4]Details about the number of taxable properties in different categories remained awaited from the Municipalities.

Table-6.16: Distribution of Settlements by Categories in the MCDs

S. No.	Type of Settlement	Category	MCD-East			MCD-North		MCD-South	
			Number	Percentage of total colonies	Area percentage	Number	Percentage of total colonies	Number	Percentage of total colonies
1	Approved Planned Colonies	A to G	90	13	10	728	51	388	41
2	Unauthorised Regularised Colonies	Largely E, F, G	253	37	7	98	7	252	26
3	Resettlement Colonies	G	19	3	5	25	2	38	4
4	Urban Villages	E, F, G	23	3	3	33	2	81	8
5	Rural Villages	H	43	6	40	85	6	86	9
6	Unauthorised Colonies	G	257	38	35	449	32	111	12
	Total		685	100	100	1418	100	956	100

Source: Third MVC Report and memoranda of the MCDs. (Area details given only by MCD-East).

human settlements and made a part of the integrated development framework for the NCT. This would require considerable visionary planning and inter-institutional coordination. We recommend the state government to set up a committee under the chairmanship of the Chief Secretary, with representation from DDA and other stakeholder organisations. The committee should lay down a road map for *(a)* conversion of the remaining unauthorised colonies into regularised ones within next six months, *(b)* introducing the basic standards of civic infrastructure and services in all the settlements, *(c)* removal of all such settlements which the committee declares as unfit for regularisation, and *(d)* preventing any future birth and growth of unauthorised settlements. This should boost up the quality of life of the people in all settlements including the backward ones, besides giving a push up to the economic growth and development of the people living there, and also to the NCT as a whole. The committee should complete this task within six months.

Comparative Economic Profile of the Municipalities

6.66. The tax revenue potential of the municipalities would depend on their respective economic profiles. As the municipality-level GDP data has not been developed so far, we reviewed the economic profile of the municipalities in terms of the data on the number of economic establishments, as determined in the 6th Economic Census, 2012-13, which is presented in Table-6.17.

6.67. The data in Table-6.17 indicate that the MCD-East is better endowed with economic establishments, in terms of numbers. This gives a prima facie indication of the adequate potential of raising revenues from property taxes in MCD-East, though it would require further analysis in terms of the type and value of the enterprises.

6.68. We have also compared the information on enterprises having hired manpower, which is reported as 3.98 lakh in Table-6.17, with the number of dealers registered with the Department of Trade & Taxes (DTT) for VAT purposes, which was reported to us by the DTT as 3.94 lakh. The two sets of data compare well. However, the GNCTD should arrange for a sharing of data for the dealers registered under the GST with the municipalities. In turn, the municipalities should use such data for updating the list of licencees under various trades as also for the property taxes.

6.69. Yet another measure of the comparative performance of the three MCDs and NDMC is

Table-6.17: Distribution of Economic Establishments among the Municipalities as per 6th Economic Census 2012-13

Municipality	Population 2011#	% Population	No. of Enterprises			No of Enterprises per lakh population
			Own Account Enterprise (OAE)	Estt. (H)*	All Enterprises (OAE+Estt. H)	
MCD-East	3943789	23.5	153903	84493	238396	6045
MCD-North	6254873	37.3	167745	196433	364178	5822
MCD-South	6213944	37.0	153087	106087	259174	4171
NDMC	257803	1.5	2183	10196	12379	4802
DCB	110351	0.7	580	601	1181	1070
Total	16780760	100.0	477498	397810	875308	5216

As computed by the 5th DFC.
*Enterprise with at least one hired manpower.
Source: 6th Economic Census, 2012-13, DES, Delhi.

presented in Table-6.18, wherein the coverage and collection figures for property tax are compared over the five year period of 2012-13 to 2016-17, with trend growth rates, and the same is also compared with the data in respect of MCD, NDMC and DCB for the seven-year pre-trifurcation period.

6.70. The information contained in Table-6.18 indicates that the trend growth rate for the revenue collected from property taxes for the period 2012-13 to 2016-17 has been fairly good in respect of NDMC (13.1%) and MCD-N (19.3%), whereas it has been moderate in respect of MCD-South (9.6%) and low, in respect of MCD-East (5.9%). We have examined the possible reasons for the existing situation and scope for improvements, in later parts of this chapter.

6.71. The data in Table-6.18 also indicate that the TGR for the coverage of properties in the tax net has been low in all the municipalities, but more so in the case of MCD-East and NDMC. However, in case of NDMC, the same can be explained as owing to low growth of population and severe restrictions on building construction activities. In case of the MCDs, which cover around 95 per cent of the area and population of the NCT, the growth rate of 2.2 per cent during 2012-13 to 2016-17 and 2.7 per cent during the preceding seven years correlate closely with the TGR of population growth of the NCT for 2001-2011, which is 2.2 per cent Yet, the performance of MCD-East remains below the MCD average by a significant margin.

Revenue Collection from Property Tax vis-à-vis Electricity Tax

6.72. Levels of electricity consumption indicate the levels of economic affluence of the consumers. Electricity tax is collected at five per cent of the electricity bill and reflects the extent of electricity consumption and, in turn, the economic affluence of the city. Accordingly, we compared the performance of the MCDs in mobilisation of revenue from electricity tax and property tax in per capita terms and indicate the results in Table-6.19.

6.73. The ratios stated in the Table-6.19 are subject to further refinement, but nonetheless give a broad picture of the possibility of higher revenue mobilisation by MCD-East and MCD-North.

Comparison with the Municipalities of Some Other States

6.74. The efficiency and effectiveness in collection of a universal tax such as the property tax in a city can also be measured in terms of the performance of comparable cities. As the data relating to GDP or per capita income are not available at city level, we

Table-6.18: Growth of Coverage and Collection of Property Tax in the Municipalities during 2005-06 to 2017-18

A. Period after Trifurcation of MCD: 2012-13 to 2017-18								
Municipality	No. of properties covered under property tax				Amount of property tax collected			
	2012-13	2016-17	Growth over 5 years	Trend Growth Rate	2012-13	2016-17 (Pre-Actual)	Growth over 5 years	Trend Growth Rate
	No.	No.	%	%	(₹crore)	(₹crore)	%	%
MCD-E	216245	225158	4.1	0.8	141	183	29.7	5.9
MCD-N	385725	440145	14.1	2.8	312	613	96.3	19.3
MCD-S	399028	444232	11.3	2.3	608	901	48.2	9.6
MCDs (E+N+S)	1000998	1109535	10.8	2.2	1061	1697	59.9	12.0
NDMC	14518	14607	0.6	0.1	329	544	65.4	13.1
DCB	4063	4802	18.2	3.6	1.3	2.2	71.5	14.3
All 5 Municipalities	1019579	1128944	10.7	2.1	1391.2	2243	61.2	12.2
B. Period before Trifurcation of MCD: 2005-06 to 2011-12								
Municipality	2005-06	2011-12	Growth over 7 years	Trend Growth	2005-06	2011-12	Growth over 7 years	Trend Growth
	No.	No.	%	%	(₹ crore)	(₹ crore)	%	%
MCD	824884	981782	19.0	2.7	486	773	58.9	8.4
NDMC	13698	14501	5.9	0.8	147	286	94.2	13.5
DCB	4029	4063	0.8	0.1	0.4	0.8	131.5	18.8
All 3 Municipalities	842611	1000346	18.7	2.7	634	1060	67.1	9.6

Note: Figures for tax collection have been rounded off except for DCB.
Source: Municipalities concerned.

present the per capita collection from property tax by the municipal corporations in Delhi, Greater Mumbai, Kolkata and Greater Chennai. We have selected these cities on two criteria: *(i)* that they are large municipal corporations, and, *(ii)* that the relevant budgetary data are available. It may also be noted that the population figures given in Column 5 of Table-6.20 relate to the respective municipal corporation and not to the city as a whole as defined by the Census.

6.75. The figures reported in Table-6.20 indicate that the per capita collection from property tax in the three MCDs (₹ 438 for MCD-East, ₹ 583 for MCD-North and ₹ 1,035 for MCD-South) is much lower than the corresponding figures for the municipal corporations of Greater Mumbai (₹ 1,990), Kolkata (₹ 1,736) and Greater Chennai (₹ 1,291). This is an important comparison and calls for enhanced efforts on part of the MCDs, in view of the fact the per capita income for Delhi as a state is highest in the country, even though we do not have city-wise information for per capita income.

Reforms in Property Tax Administration

6.76. Successive DFCs have made recommendations about reforms in the administration of property tax system. In addition, the expert committee (EC) on unit area method of property tax assessment (2003) had also made recommendations relating to reforms in

Table-6.19: Comparative Performance of the MCDs in Mobilisation of Revenue from Electricity Tax and Property Tax

Item	MCD-East	MCD-North	MCD-South	3 MCDs
Electricity Tax Collection 2015-16 (₹ crore)	169.3	360.8	337.6	867.7
Population 2011 (Lakh)	39.51	62.55	62.14	164.2
Ratio of Population among MCDs (%)	24.1	38.1	37.8	100.0
Per capita Electricity Tax Collection (₹/p.a.)	428	577	543	528
Ratio of Per Capita Electricity Tax Collection among MCDs (%)	27.7	37.2	35.1	100.0
Property Tax Collection 2016-17 (₹ crore)	183	613	901	1697
Ratio of Property Tax Collection among MCDs (%)	10.8	36.1	53.1	100.0
Per Capita Property Tax Collection (₹/p.a.)	463	980	1450	1033
Ratio of Per Capita Property Tax among MCDs (%)	16.0	33.9	50.1	

Source: For electricity tax revenue, MCD Budgets; & For Property tax collection 2016-17, as reported by MCDs.

the administration of property tax, which are broadly in agreement with the recommendations made by the DFCs. Some of the major recommendations made by the EC are listed in the Box-6.1.

6.77. A number of these recommendations have been taken for implementation by the MCDs, but the pace of implementation is slow. Each municipality should speed up implementation of the UPIC project for a complete inventory of properties, assigning a geo-referenced unique ID to each property, to capture data regarding ownership, covered area and use, etc. through a 100 per cent field survey. This should be completed within six months and updated thereafter regularly through annual surveys. The survey should be geo-referenced and aligned with the satellite imagery of the habitats.

Box-6.1: Major Administrative Reforms Recommended by the Expert Committee (EC) on Property Tax Reforms in MCD (2003)

- Bring all taxable properties under the tax net, by adopting self-declaration system.
- Supplement the self-declaration system by a system of field audits.
- Prepare a complete inventory of properties in Delhi, to capture data regarding ownership, covered area, use etc. through a 100% field survey, within 6 months and update it through periodic surveys etc.
- Link the data so created with digitized urban maps through GIS applications.
- Introduce a unique property id code, as per section 125 of the DMC Act 1957.
- Develop staff capabilities for undertaking the above tasks.

Reforms Being Introduced by the Municipalities

6.78. MCD-North informed us in its note (dated 13.6.2017) that they are seriously pursuing many reforms in the administration and management of property taxes, as summarised in the Box-6.2.

Box-6.2: Reforms in Property Tax Administration and Management Being Tried by MCD-North

- Unique Property Identification Code (UPIC) Project initiated.
- Digitisation of all records including D and C registers, all G-8 receipts, data available in property tax returns etc.
- Synchronisation/ merger of the scanned and digitised data with MCD online system and UPIC data.
- Online application for e-mutation/e-change of name of property holder.

Table-6.20: Per Capita Property Tax of Municipal Corporations of Delhi, Maharashtra, West Bengal, Tamil Nadu and Kerala

State	Municipality	Property tax (₹ Lakh)		Population (Lakh)	Per capita property tax in 2011-12 (Figure in ₹) (Col. 3 / Col.5)	Per capita property tax in 2015-16 @ (Figure in ₹) (Col. 4 / Col.5)
		2011-12 (Ac)	2015-16 (Ac)	2011		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Delhi	MCD / Unified MCD (i.e. MCD-East, MCD-North & MCD-South)	52605	118094	164.2	320	719
	MCD-East	–	17324	39.5	–	438
	MCD-North	–	36436	62.5	–	583
	MCD-South	–	64334	62.1	–	1035
	NDMC	28659	44904	2.6	11108	17405
	DCB	69	78	1.1	63	71
Maharashtra	Municipal Corporation of Greater Mumbai	166546	247608	124.4	1339	1990
West Bengal	Kolkata Municipal Corporation**	57959	78068	45.0	1289	1736
Tamil Nadu	Greater Chennai Corporation	31455	60000 *	46.5	677	1291

Source: For financial data, Budget documents of Municipal Corporations concerned (sourced from the Web).
For population**,** Handbook of Urban Statistics, 2016, GOI, Ministry of Urban Development (Annexure-1: Directory of Urban Centers in the Country with Population 2011).
* Revised estimate. ** Includes surcharge on property tax.
Note: Financial data is reduced to zero decimals and population, to one decimal.

6.79. Among the many benefits that the MCD-North expects to flow from these projects are the following:

a. Taxpayer can access the MCD portal by scanning the QR code to deposit the property tax against that property and have further details about the dues, etc.

b. The software application will calculate the property tax due against each property as per schedule of taxes notified time to time by the MCD.

c. Taxpayer can see all the details of property tax deposited against the property from 2004-05 onward.

d. Taxpayer can see the property tax due amount and can deposit the same on-line.

e. Existing taxpayer can file a request through portal for any edit /modification in the details of the property with photograph (i.e. change in covered area, change in use of property, addition of extra floor, etc.). Also, MCD can validate the same after verification and master data will automatically be updated.

f. New taxpayer can file a request through portal to add/register their property in property tax net, by providing all details and the MCD can validate the same after verification. A UPIC number will be allotted to that property by the software application, which will be reflected in master data automatically.

g. A complainant can also file a complaint along with complete details of property and photograph through the portal.

h. Department can generate different type of revenue reports such as the zone wise, ward wise, colony wise and property wise and on the user classification such as commercial/ residential/institutional/industrial, etc.

i. All the taxpayer will receive the information through SMS or mail automatically w.r.t. different scheme or rebates in property tax.

6.80. The reforms in management of property taxation being tried out by the MCD-North are expected to bring in impressive benefits for the MCD-North as well as for the citizens. We would recommend that the Director, Local Bodies should convene quarterly meetings of all the municipalities for sharing the details of such efforts and experiences with each other, for peer learning.

Census 2011 Data on Properties

6.81. While the Census data for the number of census houses in each of the municipalities is not available, for the NCT as a whole, Census 2011 has reported 46,05,555 houses. As against this, the number of properties covered for property tax in 2017 is 11,56,314, which is about 25.11 per cent of the properties reported by Census of 2011.

6.82. We could not get the municipality-wise break-up of the Census 2011 data for the number of census houses, which is available only in terms of the nine revenue districts, as these existed then. These details are presented in Table-6.21.

6.83. The large number of vacant houses, numbering 5.13 lakh, or 11.1 per cent of the total housing stock in the NCT, as reported in Census 2011, is a very significant number. If these vacant properties are put to occupation, not only these would support the 'Housing for All', but would also enhance the economic activities, leading to augmentation of the property tax and other revenues of the municipalities and the government. The state government should work out a strategy for the purpose, in collaboration with the DDA.

Data from the DISCOMs

6.84 To cross-check the data on the number of houses, we approached the Delhi Electricity Regulatory Commission, who in turn guided us to approach the electricity distribution companies, that is the DISCOMs. Accordingly, we requested the DISCOMs to provide us the information on the number of electricity connections installed in the NCT-Municipality-wise.

6.85. While we got the year-wise and category-wise[5] details of the number of electricity connections installed from two companies, namely, the BSES

Table-6.21: Number of Houses (Total and Vacant) in the NCT Revenue Districts as per Census 2011

State/ District	Total Houses	Vacant	% Vacant
NCT of Delhi	46,05,555	5,12,691	11.1
North-West	10,26,867	1,44,443	14.1
North	3,01,071	30,992	10.3
Noth-East	4,87,581	38,165	7.8
East	4,62,218	36,646	7.9
New Delhi	52,664	4,653	8.8
Central	1,94,897	13,143	6.7
West	7,01,512	77,155	11.0
South-West	6,47,682	91,212	14.1
South	7,31,063	76,282	10.4

Source: Census 2011.

[5]Categories include residential, commercial, institutional offices, government offices, JJ clusters, industrial establishments and "others."

Yamuna Power Ltd. (BYPL) and the BSES Rajdhani Power Ltd. (BRPL), the Tata Power Delhi Distribution Ltd. (TPDDL) gave only category-wise details of electricity meters installed in different categories as on 3rd April 2017. TPDDL also informed that they do not maintain records/data municipality-wise. This arguments of TPDDL did not appear correct as they do pass on the electricity tax to the respective municipalities. Meanwhile, even though the BYPL provided the details of number of power connections in operation under different categories, they also clarified that there could be no correlation between the data that they provided and the number of properties liable for property taxation, because, typically, property treated by the MCD as a single unit could be having several power connections.

The Unique Property Identification Code (UPIC) Project

6.86. One of the measures for inclusion of all relevant properties in the tax net is the universal survey of the properties and assigning them unique property identification codes. The DMC Act has mandated the MCDs to assign property identification codes for all properties (Section 125). MCD-North and MCD-South have initiated the Unique Property Identification Code (UPIC) Project for giving effect to these provisions and have started getting good results in terms of enhanced revenues.

6.87. In two notes submitted on 5th June 2017 and 13th June 2017, respectively, MCD-North informed that it had launched the UPIC project in later part of 2014 in association with M/s Geo-Spatial Delhi Ltd. (GSDL). The project involved door-to-door physical verification of all properties with GPS based data and generation of a unique id for each property. So far, 6,39,772 properties have been surveyed, of which 2,51,373 properties have been verified by GSDL. In 37 wards where the UPIC survey has been completed, the property count has gone up from 2,06,846 to 4,16,479, that is, almost doubled. The property tax collections for the MCD-North have also shown a similar growth, rising from ₹ 364 crore in 2015-16 to ₹ 613 crore in 2016-17.

6.88. The MCD-South too has shown encouraging results. MCD-East has reported its inclination to launch UPIC Project, but the timelines remain uncertain. Keeping in view the positive experience of the efforts put in by MCD-North so far, the Commission would recommend for speedy implementation of the UPIC Project in all the municipalities. The survey should be geo-referenced and aligned with the satellite imagery of the habitats.

The Delhi State Spatial Data Infrastructure (DSSDI) Project

6.89. The Survey of India (SOI), in collaboration with GNCTD, had launched a turnkey project "Delhi State Spatial Data Infrastructure (DSSDI)," for developing a three-dimensional GIS solution including generation of large-scale base map from the aerial photographs obtained in 2007. The DSSDI survey aimed at identifying the number of buildings and also the number of units, as a building could have more than one unit, such as one residential unit and one commercial unit. The DSSDI project has now been transferred to the M/s Geo-Spatial Delhi Limited (GSDL) for taking it forward, including validation through on-ground verification in collaboration with the municipalities concerned. The results of DSSDI survey have been compared with the results of Census 2011 in terms of the number of houses in the NCT revenue districts in Table-6.22.

6.90. The figures in Table-6.22 indicate that the DSSDI survey has projected about 63.9 lakh units as against 46.1 lakh units reported by the Census 2011. Even though the definition of unit was different in the two surveys, it would still be desirable for the municipalities and the state government to undertake a reconciliation of these two sets of data. Meanwhile, we tried to get a clearer picture in respect of the coverage of properties by the municipalities for property taxes, by comparing the figures reported by the municipalities with the DSSDI data, as presented in Table-6.23.

6.91. The data in Table-6.23 indicate that only 18.10 per cent of the property units in the NCT are covered for property taxes in the NCT and that this

Table-6.22: Comparison of the Number of Houses Reported in Census 2011 with the Number of Buildings & Units Reported in DSSDI Survey 2011 for the Revenue Districts

Revenue District (2010-11)	Census 2011	DSSDI 2011	
	No. of houses	No. of buildings	No. of Units
(1)	(2)	(3)	(4)
North-West	10,26,867	6,48,542	15,53,686
North	3,01,071	1,50,642	3,89,094
Noth-East	4,87,581	3,22,791	7,47,430
East	4,62,218	1,76,290	6,99,502
New Delhi	52,664	5,001	31,281
Central	1,94,897	24,793	1,26,183
West	7,01,512	3,79,522	9,52,372
South-West	6,47,682	2,90,750	7,83,487
South	7,31,063	3,24,691	11,06,569
NCT of Delhi	46,05,555	23,23,022	63,89,604

Source: Census 2011 and GSDL.

Table-6.23: Comparison of the Number of Properties Covered for Property Taxes by the Municipalities in 2017 with the Number of Buildings & Units Reported in DSSDI Survey in 2011

Municipality	No. of properties covered under Property Tax (2017)	DSSDI 2011*		% properties covered under Property Tax
		No. of Buildings	No. of Units	(2)÷(4)
(1)	(2)	(3)	(4)	(5)
MCD-East	2,52,528	4,58,186	13,24,604	19.06
MCD-North	4,40,145	10,73,250	28,24,528	15.58
MCD-South	4,44,232	7,69,743	21,51,822	20.64
NDMC	14,607	11,290	56,970	25.64
DCB	4,802	10,553	31,680	15.16
Total- NCT	11,56,314	23,23,022	63,89,604	18.10

Source: Census 2011 and GSDL.
*Reconstructed by GSDL for the 5th DFC as per Delimitation 2017.

ratio varies among the five municipalities from the lowest figure of 15.15 per cent in the DCB area to 25.64 per cent in the NDMC area, with the remaining three municipalities appearing in between these two extremes. The municipalities need to undertake a quick verification of the DSSDI data to identify the properties that are left out of the tax net and take action for their inclusion.

6.92. We have also compared the data of the DSSDI Project with that of the Census 2011 and the electricity connection data provided by the DISCOMs. We conclude that the number of taxable properties in Delhi can be safely assumed to be in the vicinity of 50 lakh. This number is to be juxtaposed with the number of properties paying property tax to the municipality, which is about 11.5 lakh. Accordingly, we gathered information in respect of each of the municipalities on the issue of fewer number of properties in their tax net vis-a-vis DSSDI/GSDL figures, leading to the impression of inadequate coverage of properties in the tax net.

6.93. In regard to MCD-East, M/s GSDL have reported that they have undertaken a project for MCD-East for joint validation of geospatial property data and the MCD's property tax data and digitisation of the MCD-East property ledger.[6]

6.94. The response of MCD-North is recorded in para 6.78 above. MCD-South informed, in letter (dated 9.6.2017), that there are no authentic figures for the number of properties in their four zones, as no detailed survey has ever been conducted so far. However, as per the GSDL survey, there were approximately 7.57 lakh buildings and 16.15 lakh building units located in the four zones of MCD-S, which indicates that almost 75 per cent of the properties are not in the tax net yet, for which the basic reason is five-fold, namely:

- Low coverage in rural and urban villages;
- Low coverage in unauthorised and unauthorised-regularised colonies;
- Properties exempted under the DMC Act;
- Lack of awareness among the public; and
- Shortage of manpower in the MCD.

6.95. MCD-South has floated a bid inquiry in May 2017 to undertake a door to door survey of all properties coming under its jurisdiction. The tender document states that as against estimated 10 to 12 lakh properties in the jurisdiction of the MCD-South, only about four lakh are in the tax net and the survey should lead to identification of all the properties and providing unique identification to each building and building unit.

[6]As reported on the web portal of M/s GSDL.

6.96. The NDMC stated in their response (dated 23.6.2016) as follows:

> "As per record of Property Tax Department, all the properties within NDMC jurisdiction are covered for property taxes. However, it is clarified that in respect of Government properties, which are liable for payment of service charges, a number of property units are covered in a single property identification code (PID) and assessed simultaneously for the purpose of calculation of property tax.
>
> "To elaborate, if there are four blocks of 100 flats each in a Government Colony, the calculation of property tax/service charges is done in respect of those 100 flats in a single Property Identification Code (PID) on the basis of total land area and covered area in respect of such 100 flats, with the result, the 400 flats/units are assessed under four PIDs and counted as four properties for the purpose of assessment and collection of service charges.
>
> "ln NDMC area, almost 80% units are covered under Government properties which are being assessed presently under 1450 PIDs and remaining PIDs are in respect of private properties/units. It is, therefore, clarified that none of the properties within the jurisdiction of NDMC has escaped assessment for property tax/service charges."

6.97. NDMC clarified in their subsequent letter (dated 28.6.2017) that it has now floated a tender for detailed verification of the property details that would yield further information on properties escaping tax net.

6.98. All these causative factors are amenable to resolution by the municipalities themselves, as the initiatives of MCD-North and MCD-South indicate. We expect all the municipalities to undertake effective and time-bound special drive to improve coverage of taxable properties in all settlements including the rural and urban villages and the unauthorised and unauthorised-regularised colonies, besides a thorough review of the tax-exempt properties. The issue of shortage of manpower may be addressed either by way of redeployment of surplus manpower from other departments, such as the safai karmacharis, or by way of outsourcing, while the option of creating new staff positions could also be examined.

6.99. As for the issue of lack of awareness among the public, it is squarely possible to be resolved, through use of mass media as well as social media. Municipalities should use these and other possible options to enhance awareness among the public regarding property tax.

Litigation Management

6.100. All the municipalities have reported huge amounts of tax revenues blocked in litigation, including from government agencies. NDMC has informed that 30 revenue related cases involving over ₹ 1 crore are pending in the High Court with a whopping locked up revenue of ₹ 535.36 crore, while 14 such high value cases are pending in lower courts with total revenue involvement of ₹ 978.27 crore. Among these, the litigation with the Delhi Golf Club alone is responsible for ₹ 894.39 crore. Even organisations such as DISCOMs are trying to avoid payment of property taxes taking recourse to litigation citing their 'para government' status. The matter of non-government/ private organisations holding up large sums of revenues through litigation needs to be tackled very seriously for early disposal.

6.101. The issue of property tax liabilities of the government departments has already been settled by the Supreme Court, as well as by the Government of India. Municipalities should put in enhanced efforts for early disposal of cases pending in various courts. Applications, etc. which are in the nature of appeals, pending in the High Court should be transferred to the Municipal Taxation Tribunal constituted under Section 169 of the DMC Act.

6.102. In many cases of litigation with government departments, the courts advise the municipality and the contesting government department to approach a superior government authority for arriving at a amicable out-of-court settlement. We have learnt that this concept has not helped the municipalities in recovering the due amounts in time, as the government organisations are unwilling for a fair resolution. This concept is, therefore, avoidable. Municipalities should not discriminate among the disputing taxpayers and take equal recourse for recovery of the tax dues, including litigation, wherever required. State government, on their part, may set up institutional mechanism to facilitate the municipalities in resolving the disputes with the government organisations including the DDA.

Strengthening the Legal Status of Property Taxation

6.103. Municipalities are the primary level of government in the NCT and property taxation is the primary source of revenue for the municipalities. Property tax is fundamentally a progressive tax, as it is levied only on those who own a property. The progressive character of property taxation is strengthened by the categorisation of the taxable properties through valuation system and assigning lower rates of taxation to the properties in lower value categories.

6.104. As a general practice pan-India, property tax enables levy of various cesses, such as the education cess, street cess, health cess, library cess, beggary cess, etc. and the collection from such sources go towards meeting targeted expenditure. Property taxation system also facilitates generation of valuable database for social and economic planning. Municipal corporations charge property tax on the properties, and in return provide various services, including regulatory services, to the citizens such as street lighting, roads, sanitation, sanction of building plans, etc. Due to the close interaction with the citizens and the revenue stakes involved, municipal corporations are the best suited government agency to maintain property records.

6.105. All policies and laws should, therefore, aim at strengthening the municipalities' property taxation endeavour by introducing/augmenting the systems of equity, efficiency and transparency in its design and administration. Municipalities themselves have realised the significance of property taxation, more so in a situation wherein the property owners who have escaped the tax net are far more in number than those who are tax payers. Accordingly, the municipalities have been making efforts to augment property tax revenues.

6.106. However, as the MCD-North has admitted in their note (dated 13.6.2017), the efforts of the municipalities are often brought to a naught due to the stiff resistance of public in getting their property details recorded/registered with the department concerned. MCD-North has suggested that a government directive should be issued, in the form of a legislation or executive order, making registration with the property tax department mandatory for getting benefits from any government or municipal agency such as for electricity/ water connection/trade licences/ health licences / building sanction plans/ property tax rebates, etc. These property identification codes may also be made mandatory for all litigations pertaining to the properties.

6.107. MCD-North has also mooted that the proposed interactive portal of the municipality could be linked with all other departments for their respective functions including the Electricity Boards, Delhi Jal Board, Registrar's offices, and various courts, etc. so that any citizen could view all the details for various type of dues, liabilities and litigations against any property. Such application should be maintained by a single agency that could be the municipal corporation as well. Financial assistance for the same may be provided from GOI as per the requirement from time to time.

6.108. While we appreciate the suggestions mooted by the MCD-North, we would like to recommend the action primarily from the GNCTD and the municipalities, rather than beginning with the GOI. Accordingly, we recommend that GNCTD should mandate that registration of the property with the property tax department of the municipality concerned should be a pre-condition, for securing any government facility, including licences and approvals (such as of building plans) wherein house address is to be indicated. This should include the tax-exempt properties also.

Taxation of DDA and Other Government Properties

6.109. While the municipalities have a series of disputes with many GOI organisations in respect of property tax, a special mention is required in respect of such disputes with the Delhi Development Authority (DDA). MCD-North, in its letter (dated 5.6.2017) has listed DDA as the single largest among such GOI organisations. MCD-North has a claim of ₹ 800 crore from DDA on account of property tax/service charge, against which it could so far get only ₹ 75 crore. This is not a happy situation. Fortunately, the Lt. Governor of Delhi is also the Chairman of DDA and this could be of definite help in the matter. We would recommend the GNCTD to make use of the good offices of the Lt. Governor to convene a standing forum for resolution of disputes between the DDA and the municipalities on various issues, including the disputes in relation to property tax/service charges.

6.110. Taxation of government properties has remained a matter of contention between the municipalities and the property owners who are either government bodies or claim to be proxy for the government. Section 119 of the DMC Act states that the lands and buildings being properties of the Union shall be exempt from the property taxes specified in section 114, with two specific exceptions, namely, *(a)* lands and building of the Union government that were liable for property tax prior to 26th January 1950 would continue to be so and (*b*) property owned by a government company or a statutory corporation, which has a corporate identity of its own. The latter provision was introduced in 2003 and should require a company like the Delhi Metro to pay property taxes to the municipality concerned.

6.111. As for the NDMC Act, Section 65 echoes the exemption provision for Union properties stated in the DMC Act, but does not include the provision for taxing the government companies. The Cantonments Act, 2006 in section 109, states that the Union and state governments shall annually pay to a board service charges for providing collective municipal services or development work based on the guidelines issued by the respective governments.

6.112. Ministry of Urban Development, vide d.o. Letter No. N-11025/26/2003-LSG dated 5.10.2016 gave us a detailed response in the matter stating that they had issued an advisory in No. N-11025/26/2003-UCD dated 17.12.2009, based on the directions of the Supreme Court in its order dated 19.11.2009 in civil appeal No. 9458-63/2003 (Rajkot Municipal Corporation & Others Vs. UOI & Others), This advisory was addressed to all Union ministries and state governments/Union territories. As per the advisory of MoUD, the Government of India and its departments shall pay, in lieu of property tax, service charges to the municipality @75 per cent, 50 per cent or $33^1/_3$ per cent of property tax, depending on the services provided by the municipality. In case any such Department fails to reach a settlement with the municipality, the latter could take such action as it deems fit by approaching the courts for relief.

6.113. MoUD also shared with us a copy of their O.M. No. N-11025/26/2003-UCD dated 5.9.2016, relating to the payment of service charges by the Railways to the DCB in terms of the Delhi High Court Order dated 18.1.2016 in WPC 6932/2014- DCB Vs UOI (Railways), in which the MoUD had reiterated its advisory dated 17.12.2009.The DCB is facing a far more critical situation in regard to collection of service charges from the GOI (defence) properties, which have been discussed later in this chapter.

Rebates and Exemptions

6.114. The three municipal Acts give general exemption to some properties, while the municipalities exercise powers under the Act and Byelaws to provide rebate or exemption from tax to certain specific properties. In respect of the MCDs, the DMC Act itself provides for rebate in the rate of property tax in respect of the senior citizens (above 65 years), women and physically challenged persons (irrespective of age) to the extent of 30 per cent of the tax due. However, this rebate is available for one property only and that too for covered space of up to 100 square metres. The DMC Act also provides exemption from tax in respect of certain vacant lands and buildings, such as those used exclusively for purposes of agriculture and public worship, etc. Additionally, the MCDs offer a 15 per cent rebate if the property tax for the year is paid in the first quarter itself.

6.115. The NDMC Act also makes similar provisions for rebates and exemptions, vide Section 62. Accordingly, NDMC has granted exemption to the diplomatic and consular missions of foreign countries and also to religious places used for public worship and playgrounds of schools and colleges. The DCB too provides similar concessions.

Tax-Exempt Vacant Properties

6.116. Vacant properties create a peculiar situation for any city, from the social, economic and revenue perspectives. While we have many persons in the society seeking to own a property, there are many others who keep their properties vacant, though for a variety of reasons. Vacant properties do not contribute to the economic activity and, on the other hand, often tend to hinder economic activities. Also, vacant properties do not, in general, yield the revenues in the form of taxes, etc. which the municipality would have got had the property been well occupied. As per Census 2011, the total number of houses in the NCT is 46,05,555, of which as many as 5,12,691, or 11.13 per cent, are vacant.

6.117. As the property values escalate, so are the expenditure needs of the municipalities going up, and the significance of property tax is also growing. Moreover, property tax, like any other direct tax, needs to be as equitable as possible, in its coverage. Accordingly, the exemptions granted from property tax need to be reviewed from time to time, more so because the circumstances in which the exemptions were granted at some point of time, might have undergone change, in absolute as well as relative terms.

6.118. MCD-North has informed us that the following categories of vacant properties have been accorded tax exemption under section 115(1) of the DMC Act:

- Vacant lands exclusively used for agriculture.
- Vacant land or building in any Village Abadi,

which is occupied for residential purposes by the original owner or his legal heir, up to 200 sq meters of covered space.

- Vacant lands or buildings used exclusively for public worship.
- Vacant lands or buildings used exclusively for public charity.
- Vacant lands or buildings used exclusively for public cremation/burial purposes.
- Lands or buildings notified as heritage property by either the MCD or the Archeological Survey of India (ASI).
- Vacant lands or buildings used exclusively by war widows and gallantry award winners.
- Vacant lands or buildings owned by the MCD.

6.119. As economic forces are intensifying, in general, the vacant lands and buildings are being sucked into economic use of most profitable order. Therefore, it would be desirable for the municipalities to conduct a thorough survey of all the tax-exempt properties to reaffirm their eligibility for tax exemption and levy the tax on such properties that cease to remain eligible for the tax exemption. One round of such verification should be completed by 31.3.2018 and thereafter, it should be conducted annually.

Projection for Property Tax Revenue for the Award Period

6.120. The municipalities have provided their own assessment of the revenue projections from property taxes for the remaining four years of the award period, which are presented in Table-6.24.

6.121. We observe from the figures in Table-6.24 that the MCD-North and MCD-South have projected the property tax receipts to grow at around 10 per cent annually, whereas MCD-East has indicated still higher figures. The NDMC has indicated about five per cent annual growth and DCB has indicated static figure of ₹ 22 crore.

6.122. In our view, for making projections of the revenues from property taxes, the influencing factors would be two-fold, that is, the number of the properties in the tax net and the rate of tax. For this purpose, we propose to treat the three MCDs in one category and the NDMC and the DCB in different categories, not only because the MCDs, NDMC and DCB are governed in the matter by different Acts but also because they are adopting different frameworks for revision of tax rates, historically.

6.123. In respect of the MCDs, we believe that the rate of property tax is low, as the recommendations of the 2nd MVC (2007) and the 3rd MVC (2011) have not been implemented and the rates for tax adopted pursuant to the recommendations of the 1st MVC made in 2004 continue to be in force. As we have noted earlier, even at a conservative rate of cost inflation considered at five per cent, the loss of revenue to the MCDs on account of non-revision of property taxes since 2007 would be of the order of about 60 per cent. However, as the 4th MVC is now functioning, we expect that they would address the issue of rate of property tax comprehensively.

Table-6.24: Projection by the Municipalities for the Revenue from Property Taxes

(₹ crore)

Municipality	2017-18	2018-19	2019-20	2020-21
MCD-E	221	311	401	491
MCD-N	450	495	545	600
MCD-S	900	1000	1100	1200
NDMC	490	529	560	583
DCB	22	22	22	22

Source: Municipalities concerned.

6.124. Thus, we proceed to make our estimation of the revenues from property taxes in respect of the three MCDs based on the assessment of number of properties in the tax net. As stated earlier, the percentage of properties in the tax net is as low as 15.58 per cent in MCD-North, 19.06 per cent in MCD-East and 20.64 per cent in MCD-South, when compared with the DSSDI/GSDL data. As such, the three MCDs are collecting tax from only one in five properties. Now that the MCDs have undertaken survey of the properties keeping the DSSDI/GSDL report in view, the revision should lead to three to four-fold increase in the number of properties in the tax net.

6.125. For 2016-17, as the financial year is already over, we have considered the pre-actual/pre-account figures reported by the municipalities as the final figures for that year. For the ensuing four years, that is 2017-18 to 2020-21, we have adopted one principle for the three MCDs and different principles for the NDMC and DCB, as explained in the following paragraphs.

6.126. For each of the three MCDs, we are projecting growth in the number of properties in the tax net for the years 2017-18 to 2020-21, taking the 2016-17 data as the base and assigning it an indicative number 100, as indicated in Table-6.25A, the objective being doubling the number by 2020.

Table-6.25A: Projection for the Number of Properties in Tax Net for the MCDs

Year	Projection for No. of Properties in Tax Net	Percentage Annual Growth
2016-17	100	-
2017-18	110	10.0
2018-19	145	31.8
2019-20	175	20.7
2020-21	200	14.3

6.127. In fact, all the three MCDs have already initiated steps to undertake survey of the properties for assigning unique IDs as also for including more properties in the tax net. We notice good progress in the matter in respect of MCD-North and MCD-South, though some slowdown appears in respect of MCD-East. In respect of MCD-North and MCD-South, we are proposing to use the growth rates projected in the above table for the number of taxable properties as a proxy for projecting the growth in the revenue from property tax for the years 2017-18 to 2020-21 taking the 2016-17 pre-actual data for revenue collection as the base.

6.128. However, for the MCD-East, we propose to apply a higher figure for 2017-18, for the reason that they did not perform well in bringing more properties in the tax net so far, even though there is enough potential for achieving a much higher growth similar to the other two MCDs. As the MCD-East has assured to give a push to the efforts in this regard and we expect significant improvement in 2017-18 and have indicated a projection for revenue collection accordingly. Therefore, for MCD-East, we propose to adopt the figures indicated by them in their memorandum.

6.129. We are conscious that the properties being added to the tax net may be of lower tax categories than the existing ones and on that ground alone, doubling the number of properties in the tax net might not lead to doubling of tax revenue. However, the various other measures for improving the administration and management of the property tax system as also the expected impact of the 4th MVC has led us to adopt the assumption about growth in the property tax revenue.

6.130. The NDMC has reported that they are making regular surveys to update the list of properties in the tax net and are also revising the tax rates periodically. Therefore, for NDMC, we are relying on the past trend in the revenue mobilisation from property taxes to make projections for the years 2017-18 to 2020-21 taking the 2016-17 pre-actual data for revenue collection as the base.

6.131. The DCB has projected a constant figure of ₹ 22 crore for receipt from property taxes (other than service charges on government properties). However, based on the various reforms recommended by us, we expect a minimum of five per cent annual growth for the DCB.

6.132. In regard to the service charges payable to the

DCB by the GOI, mainly on account of the properties of the army and the air force, we note that as against the annual demand of the order of ₹ 800 crore, the DCB receives from the GOI only a fraction, of the order of ₹ 80 crore, though in some years (2007-08 & 2008-09 and 2016-17), it was given close to ₹ 200 crore in each year. Besides the annual demand of ₹ 800 crore, the DCB is yet to receive arrears of the order of ₹ 8,800 crore. We expect the GOI to provide to the DCB at least ₹ 250 crore in 2017-18 and increase it by ₹ 100 crore to ₹ 150 crore in each of the subsequent years. The GNCTD should also move GOI to make payments of all arrears of service charges to the DCB in ten equal annual installments.

6.133. Based on the principles described above, the projections made by us for the revenues from property taxes for the municipalities for the years 2016-17 to 2020-21 are as shown in Table-6.25B.

6.134. The projections indicated in Table-6.25B are quite modest, and can easily be surpassed if the various other recommendations made by us in respect of property taxes, discussed in the preceding paragraphs of this chapter, are adopted and implemented. We have moderated our estimates of receipts for the DCB, as we could not get a clear assurance either from the Ministry of Defence or from the Director General, Defence Estates about early settlement of the service charge dues.

A New Framework for Municipal Property Valuation System

6.135. As stated earlier, we are concerned about the near failure of the municipal valuation committee system. Accordingly, after analysing the issue carefully, we propose a new framework for municipal property valuation system, with contours as described below.

a. The system of periodic revision in property valuation should be linked to the consumer price index (CPI), which is released every month. This could be averaged to annual index and the property valuation revised accordingly. In fact, the dearness allowances of the employees is also linked to the CPI. There could be other suitable indicators also, such as the National Housing Price Index. This option would also enable annual revision

Table-6.25B: Projections for the Revenues from Property Taxes for the Municipalities

Municipality	Item	Annual Growth (%) adopted for making Projections					Projection for Revenue from Property Taxes (₹ crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
MCD-E	Property Tax*	5.5	20.8	40.7	28.9	22.4	183	221	311	401	491
MCD-N	Property Tax*	68.3	10	31.8	20.7	14.3	613	675	889	1073	1226
MCD-S	Property Tax*	40.1	10	31.8	20.7	14.3	901	991	1306	1577	1802
NDMC	Property Tax*	21.1	12.3	12.3	12.3	12.3	544	610	685	770	864
DCB	Property Tax[7]	263	5	5	5	5	22	22	22	22	22
	Service Charges**	216	+34	+100	+125	+150	216	250	350	475	625
	Total-DCB		14.3	36.8	33.6	10.1	238	272	372	497	647
All Municipalities		48.9	2.78	39.84	21.19	14.17	2479	2769	3563	4318	5030

*For the MCDs & NDMC, figures for property taxes include service charge on government properties.
** Figures for projection of service charge for DCB are in absolute amounts (₹ crore).

[7]Letter No. DCB/39/T/BTA dated 11.7.2017 from CEO, DCB.

of property valuation, which would be three to five per cent and the taxpayers would not resent such a small increase. It would be like the changes in the price of petrol and diesel, which has by now been well accepted by the citizens. However, this system should also provide for downward revision of property valuation, if the choosen indicator leads to that inference.

b. The municipal property valuation should be aligned with and replaced by the circle rate revision undertaken by the Revenue Department of the GNCTD. The circle rate revision should be based on consumer price index (CPI) and undertaken on an annual basis mandatorily, like the revision of the dearness allowances of the employees.

c. Municipalities should adopt the policy of self-declaration by the property tax payers like the self-assessment scheme of the Income Tax Department, placing the entire onus of joining the property tax net on the owners of the respective properties, without waiting for detection of the left out properties through UPIC, etc. Those who do not self-declare within a prescribed time limit should be excluded from penalty waiver schemes.

d. The MVC may continue to deal with reclassification of colonies and other related matters.

e. Government and the municipalities should be mandated to adopt the MVC recommendations within a month of its submission. The arrangements relating to handling of anomalies, as available under the DMC Act 1957, may continue to operate, but without impeding the implementation of any of the procedures mentioned above.

f. As the three MCDs have varied characteristics of habitation and also quite large area and population, it would be desirable for the MVC to collaborate with M/s GSDL or any similar agency, for adoption of geo-spatial data as an aid to their work.

g. Though the DMC Act does not either prescribe or prohibit formation of a single MVC for the three MCDs, the government has chosen to appoint the Fourth MVC as a common one for the three MCDs. However, we also note that varied reports from three different MVCs would have its own complications. Therefore, as a via media, government may continue to have a single MVC for the three MCDs, but the MVC should be required to prepare separate report for each of the MCDs.

Duty on Transfer of Properties

6.136. The MCDs and NDMC levy a duty on transfer of immoveable properties located within their respective areas, in terms of Section 147 of the DMC Act 1957 and Section 93 of the NDMC Act 1994. This levy is commonly called as ‘transfer duty’, and is levied in the form of a surcharge on the stamp duty and collected by the state government’s stamps & registration department, whereafter, the transfer duty component is transferred to the respective municipalities.

6.137. The DMC and NDMC Acts prescribe an upper limit of five per cent as the rate of transfer duty. In the NCT of Delhi, until 2007, the rate of stamp duty used to be six per cent, if the vendee/donee was a woman and eight per cent, if it were a male. These figures consisted of stamp duty and transfer duty in equal measure. These rates were reduced to four per cent and six per cent, respectively, in 2007, in the wake of the JNNURM guidelines. The current rates are as given in Table- 6.26A.

6.138. The DCB does not impose transfer duties.

Receipts of the municipalities from transfer duty

6.139. Transfer duties imposed by the municipalities are collected by the stamp & registration department of the state government along with the stamp duties at the time of registration of any deed, etc. Until 2011-12, the transfer duties were provided to the municipalities

Table- 6.26A: Rates of Stamp Duty & Transfer Duty in the NCT of Delhi

Vendee/ Donee	Stamp Duty (GNCTD)	Transfer Duty (MCDs & NDMC)	Total Incidence
Woman	2%	2%	4%
Man & Institution	3%	3%	6%

by the revenue department directly without routing through the state budget. From 2012-13, the transfer duties are being provided to the municipalities in terms of specific provisions made in the state budget. Year-wise details of the receipts of the municipalities on account of transfer duties are given in Table-6.26B.

6.140. The receipts of the municipalities from transfer duty show a very fluctuating trend of annual growth rates. As this levy is actually collected by the state government along with stamp duty, it is intertwined with the issue of the fluctuating trend of annual growth rates of stamp duties. A question would arise as to whether the municipalities have any role at all in improving the revenues from transfer duties.

6.141. We feel that the municipalities have a considerable role in improving the revenues from

Table- 6.26B: Receipts of the Municipalities on Account of Transfer Duties

(₹ crore)

Year	MCD / Unified MCD	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2005-06	342.2	–	–	–	13.2	–	355.3
2006-07	308.1	–	–	–	25.9	–	334.0
2007-08	406.1	–	–	–	13.7	–	419.7
2008-09	483.0	–	–	–	37.8	–	520.8
2009-10	443.3	–	–	–	15.0	–	458.3
2010-11	704.7	–	–	–	24.2	–	728.9
2011-12	751.5	–	–	–	36.6	–	788.0
2012-13	1038.7	107.4	362.4	568.9	48.7	–	1087.3
2013-14	941.7	127.5	296.2	518.0	26.2	–	967.8
2014-15	1087.3	96.2	367.0	624.0	41.7	–	1129.0
2015-16	1106.2	113.2	415.0	578.0	30.9	–	1137.1
Growth rate	15.1	-1.2	6.4	2.4	9.0	–	14.8
Growth rate (GSDP)*	14.9	12.0	12.0	12.0	14.9	–	14.9
Buoyancy	1.0	-0.1	0.5	0.2	0.6	–	1.0
2016-17 (R.E.)	1020.0	120.0	300.0	600.0	50.0	–	1070.0
2017-18 (B.E.)	1060.0	130.0	330.0	600.0	50.0	–	1110.0

transfer duties as well as stamp duties. This is because the stamp duties depend significantly on the valuation of the property and even though the State Revenue (Stamps & Registration) Department is not obliged to adopt the property valuation adopted by the municipalities in their property tax registers, they cannot ignore the same altogether. Moreover, majority of the properties being outside the property tax net, the Stamps & Registration Department will have no reference values available from municipality's property tax documents. Enlisting all properties under the property tax net shall definitely give a boost to the revenue collections not only from the property taxes, but also from the stamp duties and transfer duties.

Analyses by the Earlier DFCs

6.142. The 1st DFC had observed that transfer duties had been one of the most important sources of tax revenues for the MCD accounting for 13.7 per cent (out of 24.2 per cent) of MCD's internal revenue. However, the 1st DFC also noted that the proposal to enhance the rates of stamp duties and levy on power of attorney transactions was under advanced stage of consideration of the GNCTD and on this ground, decided not to take into account the additional accruals from this source.

6.143. The 2nd DFC observed that the contribution from the duties on transfer of property to the total tax revenue increased from 9 per cent in 1990-91 to 11 per cent in 2000-01. The 3rd DFC observed that the collection of transfer duty during the years 1994-95 to 2004-05 was below the trend average in 8 out of 11 years and above the average in three years only. It attributed this to the likely causes of the change in the stamp duty and registration fee, the need to register even transfers on power of attorney basis and reduced rates for woman registrants. It also noted that the MCD was not happy with the reduction in the rates.

6.144. The 4th DFC did not make observation on this issue.

Memoranda of the Municipalities

6.145. MCD-East has stated that the government, while reducing the stamp duties was deciding the rate of tax arbitrarily. It has also stated that the government deducts 3.5 per cent of the amount collected as collection charges, which is very much on the higher side and should be reduced. They have also sought for a share of 50 per cent in the registration fee.

6.146. We find merit in the request of MCD-East for reduction of collection charges and recommend this to be reduced to one per cent, which is the rate adopted by the state government for computation of net proceeds of state's tax receipts for determination of the BTA. However, we do not find much merit in their proposition for according a share in the revenues from the registration fee to the municipalities, for the reason that in the model of global sharing of taxes and duties, itemised sharing would not be advisable.

6.147. MCD-North has stated that the collections from both, property tax and transfer duty, are dependent on the circle rates notified by GNCTD from time to time, as also on implementation of the MVC reports. They have stated that post trifurcation, bulk of the posh colonies have come to fall under MCD-South, and majority of the colonies under the jurisdiction of MCD-North are designated from D to H categories, with very limited number of C category colonies in some areas of Civil Lines zone only. It has also stated that there was an increasing trend of receipts under property tax, transfer duty and electricity tax. It has further stated that the revenue from transfer duty have increased from ₹ 751 crore in 2011-12 to ₹ 1,105 crore in 2012-13 and ₹ 936 crore in 2013-14.

6.148. MCD-South has indicated the progress in revenue collection from transfer duty and stated that the average growth rate during 2012-13 to 2015-16 has been four per cent, but did not make any specific suggestion in their memorandum to us.

6.149. NDMC has not made any observation or suggestion in this regard.

Transfer Duties in Delhi Cantonment Board

6.150. The Cantonments Act 2006 does not make specific provisions for levy of transfer duties. However, Section 66(2) of the Cantonments Act 2006 provides that a cantonment board in a state may impose any tax which other municipalities in that state are entitled to impose in their respective jurisdiction. Yet, the Delhi Cantonment Board has not imposed this levy.

6.151. We examined the possibility for the DCB imposing this levy and if so, the expected revenue receipts. For this purpose, we compared the DCB with the NDMC as a reasonable proxy. Therefore, as the DCB population is about 40 per cent of the NDMC population, and the receipts of the NDMC from the transfer duties being of the order of ₹ 50 crore in recent years, we assess the expected receipts from the transfer duties for the DCB to be of the order of ₹ 20 crore annually. However, as sale of properties is generally not done in the cantonment area, the transfer duties would yield revenues to the DCB in other transactions that are liable for stamp duties and we expect a yield of ₹ 5 crore annually for the DCB with annual growth of 5 per cent.

6.152. We had raised this issue with the Director General of Defence Estates during his meeting with us in August 2017. Subsequently, the DCB submitted a supplementary memorandum to us in early September 2017, wherein they mentioned that the GNCTD has been collecting stamp duties in respect of transfer of properties in the DCB areas and yet the GNCTD has not been sharing the same with the DCB. As we were not left with enough time to verify the facts of the matter, which even DCB had not done so far, we recommend the GNCTD to verify if they are collecting the transfer duty component also, along with the stamp duties, in respect of the transaction that fall in the jurisdiction of the DCB and if it is so, then the GNCTD should transfer the transfer duty component to the DCB including the arrears.

Collection Charges

6.153. While transferring the receipts on account of transfer duties to the municipalities, the revenue department of GNCTD retains 3.5 per cent towards collection charges, which is on much higher side. Moreover, the GNCTD, while determining the BTA, convert the net proceeds by deducting one per cent from the gross proceeds of their tax receipts, which is towards collection charges. In today's environment, all transactions relating to tax payments and consolidation of accounts in major government departments are highly computerised, leading to considerable savings in time and money towards the cost of collection and computation. We, therefore, recommend the GNCTD to reduce the deductions towards the cost of collection of transfer duties from 3.5 per cent to one per cent, with effect from 1st April 2016. This would provide additional revenue of about ₹ 30 crore to the municipalities, annually.

Projections for Revenue Receipts from Transfer Duties

6.154. While the annual growth rate of revenues collected from transfer duties has been fluctuating, we believe that a better stability and growth is possible, in view of several factors, such as the introduction of the Real Estates (Regulation & Development) Act 2016, GST regime, the expected improvement in the coverage of properties under the property tax net and the recommendations of the 4th Municipal Valuation Committee, besides demonetisation and other such measures for economic reforms that have recently been introduced.

6.155. Accordingly, we propose an annual growth rate of 10 per cent for the NDMC, five per cent for MCD-East, eight per cent for MCD-North and six per cent for MCD-South. The *inter se* variations in the targeted rates for these four municipalities are estimated keeping in view the past trend of their respective revenue performance in this respect and our expectation of a reasonable parity developing in the coming years. Also, for MCD-East, we have adopted the BE figures reported for 2017-18 in their budget document and have projected for the subsequent years accordingly. For DCB, our estimates are as stated in para 6.151.

Electricity Tax

6.156. Tax on the consumption, sale or supply of electricity (briefly, the electricity tax) is a discretionary tax for the MCDs in terms of Section 113(2)(d) of the DMC Act 1957 and for the NDMC, in terms of

Section 60(2)(c) of the NDMC Act 1994.The NDMC was allowed to levy this tax as a separate item in the tariff bills since 1st October 2007, whereas, the MCD was already levying this since much before[8]. However, NDMC has explained in the budget documents that this tax was subsumed in the electricity tariff till September 2009, whereafter it was given a separate identity. The Delhi Cantonment Board has not imposed this levy so far.

Revenue Receipts from Electricity Tax

6.157. The details of the revenue receipts of the municipalities over the years from electricity tax are presented in Table-6.27.

6.158. The data of revenue receipts from electricity tax over the years, as presented in Table-6.27, indicate very significant fluctuations in the receipts.This was observed by the earlier DFCs as well. This fluctuation is largely owing to delayed transfers from the DISCOMs.

Analyses by the Earlier DFCs

6.159. The 1st DFC had observed that the receipts from electricity tax were making a sizeable contribution of ₹ 32.45 crore equivalent to 7.6 per cent of internal revenue of MCD in 1995-96. It also observed that since the price of electricity had been going up, along with its consumption, the proceeds from this tax have grown faster in the 1990s than those from property related taxes. The 2nd DFC too had noted significant fluctuations in the receipts from electricity tax and was of the view that the MCD should take it up with the Delhi Vidyut Board (DVB).

6.160. The 3rd DFC observed that the revenue from electricity tax had increased from ₹ 29.73 crore in 2000-01 to ₹ 67.15 crore in 2001-02 and to ₹ 162.46 crore in 2004-05, which it attributed to the privatisation of power distribution. It observed that electricity tax, as percentage of total tax revenue, had been 3.44 per cent (2000-01) to 15.14 per cent (2004-05). It recommended the NDMC to impose the electricity tax and also noted that the NDMC had reportedly proposed the levy of electricity tax and an education cess and both proposals were awaiting approval of the Union government.

6.161. The 4th DFC had recommended that each municipality should publish the resolution imposing the electricity tax indicating the approval of the government in regard to the rate of tax, class(es) of people who have to bear the burden of this tax, system of assessment and exemptions, if any.

6.162. The fluctuations in the receipt of revenue from electricity tax is an important issue for budget management of the municipalities, as it is now contributing almost one-third of their own tax revenues. As this revenue is collected by the DISCOMs as part of their monthly tariff bill, the municipalities seem to be having little role in handling the fluctuation in the annual growth rates. However, the observations of the 2nd DFC continue to be valid and need attention of the GNCTD, mainly the Urban Development and Power Departments, as well as the municipalities, to ensure a reasonable stability in the receipts from the electricity tax.

Memoranda of the Municipalities

6.163. The MCD-East has stated that the electricity tax is levied at five per cent of the electricity charges and is collected by the licencee authorised to sell electricity in the area of MCD-East, which is BYPL, after deducting three per cent towards collection charges. BYPL is also assigned the street lighting and service tax is also imposed on the streetlights maintained by BYPL. It has stated that the revenue from the electricity tax was registering an average increase of 11.5 per cent and may continue to grow in the future at the same rate.

6.164. MCD-North has reported the figures for collection under the electricity tax and stated that the collection efficiency had improved after trifurcation. MCD-South has stated that the average growth during FY2012-13 to FY2015-16 had been 10 per cent. NDMC has stated that the electricity tax was

[8]The Delhi Municipal Corporation (Validation of Electricity Tax) Act, 1966 had ex post facto validated the imposition of electricity tax by the MCD w.e.f. 1.7.1959.

Table-6.27: Revenue Receipts (Gross) of the Municipalities from Electricity Tax- during 2005-06 to 2017-18

(₹ crore)

Year	MCD / Combined MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	277	–	–	–	–	–	277
2006-07	182	–	–	–	–	–	182
2007-08	305	–	–	–	–	–	305
2008-09	312	–	–	–	–	–	312
2009-10@	417	–	–	–	–	–	417
2010-11	331	–	–	–	23	–	354
2011-12	431	–	–	–	25	–	456
2012-13	494	62	218	214	37	–	531
2013-14	647	100	264	283	37	–	684
2014-15	729	116	310	303	39	–	768
2015-16	868	169	361	338	40	–	908
Growth rate	14.0	37.3	18.3	15.4	12.5	–	14.9
Growth rate (GSDP)*	14.9	12.0	12.0	12.0	12.8	–	14.9
Buoyancy	0.9	3.1	1.5	1.3	1.0	–	1.0
2016-17 (R.E.)[9]	880	170	350	360	49	–	929
2017-18 (B.E.)	910	180	350	380.	50	–	960

Source: 1. Actuals for 2005-06 to 2015-16 and 2016-17 (RE) & 2017-18 (BE) from the Budget of municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi in March, 2017.
3. GSDP for 2005-06 to 2010-11 (back series at current prices linked to base year 2011-12) as compiled by the Commission considering the previous GSDP series with base year 2004-05 by using splicing method.
Note: 1. Figure of NDMC for 2009-10 is RE in place of actual, which is not available.
2. Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
@ Prior to September 2009 billing cycle, electricity tax in NDMC was in-built in the tariff structure and was reflected in sale of energy. As such, electricity tax for 2009-10 has been ignored because the figure of ₹ 18 crore for 2009-10 (R.E.) was for a part period of 9 months of the year.
*Growth rate of GSDP is given for the years for which data have been shown in the Table.

being imposed since October 2007 and it is being recovered separately since September 2009. However, both, MCD-S and NDMC, have not made any further observation/suggestion.

Monitoring Arrangements

6.165. Keeping the significance of electricity tax for the municipal finances as well for the utilisation of its receipts, municipalities need to have regular interaction with the DISCOMs to work out a framework for steady growth from this source of revenue and proper deployment of its proceeds. MCD-East informed us that joint inspection to assess the percentage of streetlights functioning is conducted ward-wise every month by

[9]MCD-East and MCD-South informed in their email dated 31.8.2017 each, that the actual collection of electricity tax during 2016-17 (pre-account) was ₹ 142.73 crore and ₹435.41 crore, respectively.

the DISCOM representative, MCD officials and the ward councillors. The total bill amount is reduced by the percentage of non-functioning streetlights before making payment. This is a good system and we recommend it to be adopted and strengthened in all the municipalities.

6.166. The issues relating to electricity supply and electricity tax are highly significant for the municipalities, the citizens, as well as for the state government. We strongly feel that at least for the next 2-3 years, the GNCTD in the Department of Power and the Department of Urban Development should extend necessary guidance and support to the municipalities and the DISCOMs in the matter. This should be implemented by way of a coordination committee chaired by the Chief Secretary, with the following composition (Box-6.3).

6.167. The committee should meet once in three months. Besides monitoring and guiding the municipalities on matters relating to electricity tax and deployment of its receipts, it should also develop database on the street lighting management and a cloud based software application to monitor the functioning of street lighting in every nook and corner of the city. The committee should also review the justification for the collection charges that the DISCOMs are deducting from the gross receipts, before transferring the balance amounts to the respective municipalities. The committee should also look into the issue of fluctuation in the revenue receipts by the municipalities and work out an arrangement for a steady inflow. The committee should act as a forum for exchange of best practices among the DISCOMs and the municipalities in relation to street light management systems and also a forum for first level of concilliation for any major dispute between the DISCOMs and the municipalities.

Box-6.3: Composition of the Committee to Monitor and Guide Municipalities on Matters Relating to Electricity Tax and Deployment of its Receipts

Chief Secretary	Chairman
Principal Secretary, Department of Power	Member
Principal Secretary, Urban Development Department	Member Secretary
Chairman, NDMC	Member
Commissioner, MCD-East	Member
Commissioner, MCD-North	Member
Commissioner, MCD-South	Member
CEO, Delhi Cantonment Board	Member
All DISCOMs	Invitees

Electricity Tax in Delhi Cantonment Board

6.168. The Delhi Cantonment Board has not imposed this levy so far. After a series of inquiries from our end, DCB finally stated, in its supplementary memorandum, that even though it has not imposed this tax, the DISCOMs were anyway collecting electricity tax in its area but remitting the same to the MCDs, which was incorrect. The DCB also submitted that till such time the DCB was able to impose this levy, the DISCOMs should adjust the amounts so collected against their bills towards maintenance of the streetlight. However, we are unable to find legal justification for endorsing this proposition, until the DCB formally notifies the levy.

6.169. It is clear to us that the DISCOMs are at fault in collecting electricity tax from the consumers in the DCB area. Accordingly, we recommend that the DISCOMs should not collect electricity tax from the consumers in the DCB area until the DCB notifies the tax properly.

6.170. The DCB has also stated in their supplementary memorandum that the Military Engineering Services in the Delhi Cantonment Area have been exempted from payment of electricity tax, which should be stopped forthwith. However, we could not accept this argument because when the DCB has not yet introduced this levy, the question of exemption to MES should not arise. All the same, as general proposition, we endorse the view that there should be no exemptions from the electricity tax.

6.171. We could not get the figures for the tariff collections for consumption and sale, etc. of electricity in the DCB area. However, comparing the DCB with the NDMC seems a reasonable proxy. As the DCB population is about 40 per cent of the NDMC population, and the receipts of the NDMC from the Electricity Tax being of the order of ₹ 50 crore in recent years, we assess the expected receipts from the Electricity Tax for the DCB to be of the order of ₹ 20 crore annually.

6.172. Accordingly, we recommend that the Delhi Cantonment Board should invoke the provisions of section 66(2) of the Cantonments Act 2006 and impose the levy of the electricity tax forthwith, with the targeted receipt of ₹ 20 crore per year.

Rate for the Electricity Tax

6.173. The rate for the electricity tax is five per cent of the electricity tariff, for the MCDs as well the NDMC. The tax is levied by the municipalities, while it is actually collected by the electricity supply companies (DISCOMs) along with the electricity bills from the consumers, and passed on to the respective municipalities after retaining three per cent of the gross tax collected towards collection charges.

6.174. The rates of electricity tax in many states are higher than Delhi. For instance, Bihar and Karnataka (6%), Chhattisgarh (8%), Madhya Pradesh (9-12%), Kerala (10%) and Maharashtra (15%)[10]. The average per capita income in Delhi is higher than in other states. Therefore, there should be no hesitation in increasing the rate of electricity tax in Delhi and use the additional resources for improvement of the streets and street lighting systems.

6.175. Municipalities need to modernise the street lighting systems to light up all dark spots in nook and corner of every ward/zone and also introduce LED based intelligent street lighting management system. This will require capital investment during the next 2-3 years, but would lead to significant cost savings in subsequent years.

6.176. Accordingly, we recommend enhancement of the rate of electricity tax from the current level of five per cent to six per cent. The DCB should also adopt this rate. The additional revenue so mobilised should be utilised for taking up schemes for making the roads, streets, lanes and by lanes, safer and pedestrian friendly, introduction of LED based intelligent street lighting system and other suitable measures that we have recommended in the next chapter.

Transmission & Distribution Losses

6.177. The transmission & distribution (T&D) losses in Delhi, which used to be close to 50 per cent during 1995-2002,[11] have come down substantially over the time. However, there is still much scope for further reduction of T&D losses, as there are pockets showing losses as high as 61 per cent and as low as three per cent, that may be seen in the data published by BSES Rajdhani Power Ltd. (BRPL) indicating the T&D Losses in different Assembly constituencies, consolidated in the Table-6.28.

6.178. It is obvious that there is enough scope for reducing the T&D Losses. We would also recommend that the municipalities should join hands with the DISCOMs in pursuing reduction of the transmission & distribution losses, which would not only improve the profitability of the DISCOMs, but would also fetch

Table-6.28: Transmission & Distribution Losses in Assembly Constituencies (ACs) Serviced by BRPL (2014-15)

T&D Losses (%)	No. of ACs
Above 60	1 (Najafgarh: 61%)
>30 up to 60	1 (Mundka: 33%)
>20 up to 30	2
>8 up to 20	19
>3 up to 8	8
3%	1 (Tughlaqabad)
Total No. of ACs reported	32

Source: *www.bsesdelhi.com/docs/pdf/Constituency_MLA_wise_Loss_Mapping_BRPL.pdf(accessed on 30.8.2017)*

[10] Central Electricity Authority: Tariff & Duty of Electricity Supply in India, March 2014. https://www.slideshare.net/ashishverma061/tariff-and-duty-of-electricity-supply-in-various-state-of-india-review-by-cea (accessed on 27.9.2017).
[11] Power Department, GNCTD (on the web).

enhanced revenues to the municipalities in the form of electricity tax. We have factored in this aspect in our projections for the revenue growth.

Electricity Tax and the GST

6.179. Electricity tax emanates from Entry 53 in List-II (State List) in the Seventh Schedule of the Constitution and has been kept out of the purview of the Goods and Services Tax (GST) regime and the 101st Constitutional Amendment Act (CAA101), allowing the municipalities to continue with this levy. Many experts are of the opinion that there does not seem to be any sound reason to keep electricity tax out of the purview of GST. We appreciate this viewpoint.

6.180. However, abolition of electricity tax by way of merger into GST would mean its replacement by additional tax devolution through BTA, which might lead to loss of focus on the issue of street light management by the municipalities. Hence, in the overall good of the city and its citizens, we recommend that the electricity tax need not be subsumed in the GST for another 2-3 years.

Levy of Collection Charges by DISCOMs

6.181. The DISCOMs collect the electricity tax on behalf of the MCDs, along with the payments for electricity consumption from the consumers every month. The DISCOMs charge the MCDs for the collection costs at three per cent (plus service tax/GST) of the total amounts collected towards the electricity tax and remit the balance to the municipalities.

6.182. Our inquiry revealed that even though there exists no separate agreement between the MCDs and the DISCOMs regarding collection charges, DISCOMs deduct three per cent of the tax collected by them towards collection costs as per the arrangement that had existed between the erstwhile Delhi Electricity Supply Undertaking (DESU, an undertaking of the erstwhile MCD) and the MCD. This had continued during the period of Delhi Vidyut Board too, which was the successor to DESU.

6.183. We have noted that the "Delhi Municipal Corporation (Assessment and Collection of Tax on the Consumption, Sale or Supply of Electricity) Byelaws 1962 provide that "the licensee shall be entitled, for his cost of collection of the tax, to a rebate of such percentage as may be determined by the Corporation on the amount of tax collected and paid by him."

6.184. The rate of three per cent for the collection charge was determined for the Delhi Electricity Supply Undertaking (DESU) when it was a part of the MCD that too during a period when the transactions were all manual and time consuming. Now, with automation of the transactions nearly from end to end, the cost of collection should not be more than one per cent. Therefore, the MCDs should undertake a quick review of the rate for the collection charge being paid to the DISCOMs and bring it down to one per cent. This would provide additional revenue of about ₹ 20 crore to the three MCDs collectively, annually.

Timely Remittance by DISCOMs

6.185. The MCDs informed us during various interactive discussions about the fluctuation in the remittance of the electricity tax receipts by the DISCOMs. We note that the MCD Byelaws provide for a period of 70 days from the end of the month of collection, for remittance of the electricity tax by the DISCOMs to the MCD concerned. However MCD-East informed that this period was 40 days[12]. We feel that even 40 days is very high, in the wake of the digital transfers that have become very common and convenient these days.

6.186. Accordingly, we recommend that the DISCOMs should transfer the electricity tax collections to the MCDs within 15 days of the succeeding month and should also pay interest @ 0.25 per cent per week, if such transfer is delayed. MCD Byelaws should also be amended suitably, for this purpose.

Deployment of the Receipts from the Electricity Tax

6.187. The respective Municipal Acts do not

[12]Note of MCD-East dated 30.8.2017.

specify the purposes for which the receipts from the electricity tax could be deployed. The existing practice is that municipalities treat the receipts from the electricity tax as part of their general revenues. The DISCOMs maintain the street lighting on behalf of the municipalities and submit monthly bills to the municipalities concerned.

6.188. The 2nd DFC had recommended that the receipts from the electricity tax should be utilised for providing street lighting. The 3rd DFC did not make any specific observation in this regard, whereas the 4th DFC had found fault with the system of 'outsourcing' by the MCD of its obligatory function of street lighting and also felt that the DISCOMs were collecting unduly high amount from the municipalities on this score.

6.189. Details of the gross collections towards electricity tax and the deductions towards the O&M of street lighting and cost of collection of electricity tax, charged by the DISCOMs for the years 2012-13 to 2017-18 (BE) are presented in the Table-6.29.

6.190. It is apparent that municipalities are having a savings of 40-60 per cent of the gross collections of electricity tax, even after meeting the expenses for street lighting and the cost of collection. It should therefore be possible for the municipalities to prepare a comprehensive plan for providing a more effective and efficient street lighting system covering each nook and corner of the city, coupled with improvement of the roads and related infrastructure, as required for safety and comfort of the citizens. The recent initiative of the MCD-South to switch over to ICT-based intelligent street lighting is appreciable and should be replicated by all the municipalities.

Table-6.29: Gross Collection on Account of Electricity Tax and Expenditure on Street Lighting of MCDs

	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
MCD-East						
Gross Collections (₹ cr.)	61.7	100.2	115.8	169.3	170.0	180.0
Expenditure* (₹ cr.)	44.3	69.1	84.9	79.0	105.2	115.7
Expenditure as % of Gross Collection	71.8	69.0	73.3	46.6	61.9	64.3
MCD-North						
Gross Collections (₹ cr.)	217.6	263.7	310.4	360.8	350.0	350.0
Expenditure* (₹ cr.)	82.4	115.2	134.3	158.5	216.2	260.7
Expenditure as % of Gross Collection	37.9	43.7	43.3	43.9	61.8	74.5
MCD-South						
Gross Collections (₹ cr.)	214.4	283.1	303.1	337.6	360.0	380.0
Expenditure* (₹ cr.)	84.3	76.4	168.9	164.3	197.0	193.5
Expenditure as % of Gross Collection	39.3	27.0	55.7	48.7	54.7	50.9
3 MCDs- Total						
Gross Collections (₹ cr.)	493.7	647.1	729.2	867.7	880.0	910.0
Expenditure* (₹ cr.)	211.0	260.8	388.0	401.7	518.4	569.9
Expenditure as % of Gross Collection	42.7	40.3	53.2	46.3	58.9	62.6

*Includes O&M for street lights and collection charges paid to the DISCOMs.
Source: Budget documents of the municipalities.

6.191. We also observe that while the total collection from the electricity tax has almost doubled during last five years, the ratio of expenditure on street light maintenance to the total collection from the electricity tax is growing in percentage terms as well. Street lighting is an obligatory function of the municipalities and the MCDs must be thickly involved in the matter, from financial as well as physical perspectives, even after assigning the activity to the DISCOMs. Therefore, it is necessary that the MCDs be given representation on the Board of Directors of the DISCOMs at the level of the Commissioner, with an Additional Commissioner as Alternative Director.

Projections for Receipts from Electricity Tax

6.192. We have analysed the past performance of the municipalities in revenue collections from electricity tax in terms of growth rate and indicated the same in the Table-6.30.

6.193. The buoyancy in the revenue receipts from electricity tax has been close to 1.0 in case of NDMC and much higher in case of the MCDs. We attribute this growth to the success of the approach of unbundling the generation from transmission and distribution and assigning the entrepreneurial skills of the private sector to manage the distribution system.

6.194. We have noted the growth rate of 21 per cent achieved by the three MCDs put together with *inter se* variations based on the past performance of the respective MCDs and NDMC. We have also taken note of the 2015-16 (account) and 2016-17 (RE) figures of the municipalities. Based on these considerations, we determine the targeted growth rate of 20 per cent per annum for the three MCDs and 10 per cent for NDMC.

6.195. Though the growth rate of 20 per cent for the MCDs appears to be a bit high, we still adopt these rates because Delhi’s average per capita income is among the highest in the country. Moreover, service sector, which is the most buoyant of all the sectors in Indian economy currently, dominates Delhi’s economic profile. This is also reflected in the pattern of its power consumption that has nil ‘agricultural load’. In fact, in that regard, Delhi is unique in the country.[13] Therefore, Delhi can enjoy higher buoyancy in revenue from power sector without suffering any loss on account of the subsidised/ free power supply to the agriculture sector that is the case with many states.

6.196. The other major determinant for the future growth of electricity tax revenue is the scope of enhancement of electricity tax revenue through reduction of T&D losses, which we have already examined in para 6.178. That should also contribute to higher buoyancy in revenue collections.

6.197. We expect the DCB to start levying the electricity tax and collect at least ₹ 5 crore in 2018-19 and show 10 per cent annual growth thereafter.

Toll Tax

6.198. Toll tax is one of the significant sources of revenue for the MCDs, though the NDMC and DCB do not levy this tax. Toll tax is in some way a successor to the erstwhile levy of Terminal Tax. A terminal tax was levied on goods carried by railway or road into the Union territory of Delhi coming from outside, and was levied by the Union government under Entry 89 of List I of the Seventh Schedule. In 1958, the Union government issued a notification, declaring the MCD as the agency for collection and realisation of this tax. The levy of terminal tax in Delhi was discontinued from 30th January 1993 and the MCD was provided grants of around ₹ 50 crore per year to compensate for the loss of revenue. Subsequently, the MCD introduced the toll tax on commercial vehicles in 1999-2000.

6.199. Year-wise details of revenue collected from toll tax by the MCDs, is given in the Table-6.31.

6.200. Toll tax is being collected by the MCDs in the outsourcing mode, through a bidding process, MCD-South being the nodal corporation, handles the bidding as well as operations of the toll system.

[13] Central Electricity Authority, Power Sector, April 2017 (p28) *www.cea.nic.in/reports/monthly/executivesummary/2017/exe_summary-04.pdf* (accessed on 27.9.2017).

Table-6.30: Receipts of the Municipalities under Electricity Tax (Gross)

(₹ crore)

Year	MCD-East	MCD-North	MCD-South	NDMC	Total for 3 MCDs
2010-11				23	331
2011-12				25	431
2012-13	62	218	214	37	494
2013-14	100	264	283	37	647
2014-15	116	310	303	39	729
2015-16	169	361	338	40	868
Growth Rate (%)	37.1	18.2	15.5	12.4	21.0
Buyoancy	3.1	1.5	1.3	1.0	1.6
Growth rateProjection by the Municipality	N.R.	10	4	5.3	

N.R.: Not reported.

Table-6.31: Revenue from Toll Tax Collected by the MCDs from 2005-06 to 2017-18 (BE)

Year	MCD/ Unified MCD*	MCD-East	MCD-North	MCD-South
2005-06	81			
2006-07	83			
2007-08	79			
2008-09	163			
2009-10	196			
2010-11	177			
2011-12	299			
2012-13	190	66	26	98
2013-14	312	59	80	172
2014-15	312	111	126	75
2015-16	521	121	196	205
2016-17 (RE)	541	130	200	211
2017-18 (BE)	617	140	266	211

Source : Budget documents of respective municipalities.

* Data relate to total of the three MCDs for the years 2012-13 onwards.

Analysis by the Previous DFCs

6.201. The 1st DFC did not deal with toll tax, which was not levied then. The Commission reviewed the matter of entry tax and stated that it was accepting the proposal of MCD to introduce the levy of entry tax, which was expected to yield ₹ 20 crore a year in the first year and ₹ 50 crore in the subsequent years and recommended that it should be shared between NDMC, DCB and MCD in the ratio of 1:4:20. The 2nd DFC did not comment on this matter. The 3rd DFC noted the growth in revenue from toll tax from ₹ 12.77 crore in 1999-2000 to ₹ 78.06 crore in 2004-05 and attributed this growth to privatisation of toll collection. The 4th DFC again did not deliberate on this matter.

Memoranda of the Municipalities

6.202. MCD-East has affirmed that the toll tax is being levied on the commercial vehicles entering Delhi and the collection has been outsourced through competitive bidding process; the agency pays a pre-fixed amount as per bidding, on weekly basis irrespective of the toll collected by them. MCD-East has further stated that the MCD-South is the nodal corporation, which collects and distributes the tax among the three MCDs in the ratio of number of municipal wards in each MCD.

6.203. MCD-North has only stated the collection figures, but not offered any suggestions. MCD-South has also reported the collection figures but has added that average annual growth rate in toll collection was eight per cent. It has also stated that with the likely rollover of GST regime, revenue generation from toll tax cannot be predicted.

Impact of CAA101 on the Toll Tax of MCDs

6.204. In Chapter 2, we have considered the kinds of various taxes currently being levied by the states (including the municipalities) that would be impacted by the Constitution (101st Amendment) Act 2016 (CAA101, in short). This Amendment has omitted the levy of entry tax (Entry 52 of List-II, Seventh Schedule), which would include entry tax, octroi and any other tax emanating from this Entry. In the NCT, the MCDs levy toll but not octroi and even the state government does not levy entry tax. The MCD Act 1957 has made no provision for the levy of octroi, but enables the MCDs to levy "Tolls", as per Section 113(2)(g). Similar provision for toll exists in Section 60(2)(e) of the NDMC Act 1994. However, the New Delhi Municipal Council has not been imposing this levy, as confirmed by them.[14]

6.205. "Toll" comes under Entry 59 of the List-II of the Seventh Schedule and this entry has not been disturbed by the CAA101. However, whether the toll levied by the MCDs falls in the category of the levy of "Octroi" / "Entry Tax (Entry 52)", or whether the MCD tolls would be in the same category as the "Tolls" levied by NHAI under Entry 59, needs to be clarified. This is necessary because if the MCD toll falls under Entry 52, it would stand abolished in terms of CAA101 and if it falls under Entry 59, it would survive. We made a reference in the matter to the Finance Department, Urban Development Department and the municipalities.

6.206. We received a copy of communication from MCD-South addressed to the D/o Trade & Taxes, GNCTD, stating as follows[15]:

"SDMC is collecting Toll as per Section 113 of DMC Act. SDMC is of the view that it does not come under the category of Octroi/Entry Tax. The matter is being examined in legal perspective. However, it is informed that the total Toll collected by SDMC as a Nodal Corporation on behalf of three Corporations in the year 2015-16 is ₹535.14 crore. It is shared among SDMC, NDMC and EDMC in the ratio of 1:1:0.6. SDMC share for the year 2015-16 is ₹205.82 crore.

"The present term of contract on collection of toll is expiring in November 2016. SDMC is processing tender for collection of Toll and estimated collection of Toll is approximately ₹700 crore per annum."

6.207. The MCD-North has also conveyed its opinion that "Toll tax being imposed by the Corporation shall not be subsumed in GST and the Corporation would have a right to continue its levy."[16] The Finance Department of the GNCTD has also opined that tolls would continue to remain valid despite the CAA101.

6.208. We have considered the views of the municipalities and the State Finance Department, but come to a different conclusion, for reasons that follow. While both the entry tax and the octroi emanate from Entry 52 of List II of the Seventh Schedule, entry tax

[14]NDMC letter No. F.173/HA/Finance(B)/2017/D-171 dated 22.5.2017.
[15]MCD-South letter No. 353/DCA(HQ)/SDMC dated 25.11.2016.
[16]MCD-North letter No. D/DCA(IAD)/49 dated 24.5.2017.

is levied by the state government on entry of goods into the state, whereas octroi is levied by a local body (panchayat or municipality) on entry of goods into the jurisdiction of the respective local body. Toll, on the other hand, is the tax payable, when levied, for use of a specific road or bridge, with a view to recovering the cost of construction and operations. Once the costs are recovered, the toll stands withdrawn. There is a strong nexus between the cost of infrastructure and the amount of revenue that is expected by way of the toll. Toll is, in essence, a user charge, even though it is commonly classified as a tax.

6.208. The toll being levied by the MCDs is not with reference to any specific road or a bridge or a set of roads or bridges. The rate of toll is also not determined with reference to the cost of any particular road/bridge or any particular set of roads/bridges. In the case of the MCDs, the Delhi Municipal Corporation (Toll Tax) Byelaws, 2007 define 'toll tax' as the 'tax imposed on commercial vehicles entering Delhi.'The DMC Act 1957 provides for levy of toll as one of the discretionary taxes. However, there is no provision for the imposition of 'Octroi' in the DMC Act or NDMC Act. Even the GNCTD does not levy entry tax. Therefore, we are inclined to conclude that the toll tax being levied by the municipalities in Delhi is in effect entry lax and would be covered by Entry 52, and not Entry 59, of List II.

6.209. We are not going into the economic and fiscal merits of retention or abolition of entry tax/octroi, as these have been deliberated adequately at various national and other forums and finally, the Parliament in its wisdom and in consultation with the states has found it in national interest to abolish entry tax and octroi through the CAA101. Therefore, on technicality of the legal interpretation, we feel that the toll tax being levied by the MCDs is not sustainable in the wake of CAA101.

6.210. While we were deliberating on this issue on the lines stated above, MCD-South obtained and communicated to us the legal opinion of Ld. Pinky Anand, Additional Solicitor General of India, who in her opinion dated 17th July 2017, concluded that the toll being levied by the MCDs would not be affected by the CAA101. We respectfully disagree with the opinion of the Ld. ASG.

6.211. Even on practical grounds, the mode of collection of the levy of toll tax in Delhi is highly archaic, with the lathi-wielding toughies of the toll-contractor stopping the commercial vehicles in most unscientific medieval manners on the highways, which gives no credit to the NCT, except for some revenue to the municipalities. Accordingly, even on the socio-economic considerations, we recommend that the toll tax being levied by the MCDs, which, in our considered opinion, is another form of entry tax, be abolished.

6.212. We have factored in the loss of revenue to the MCDs on account of the abolition of toll, in our scheme of devolution, with the provision that so long as a municipality continues to impose this levy, the amount so collected should be deducted from the devolution amounts to the extent of 50 per cent from the BTA and the remaining 50 per cent from the grants for roads.

Taxes on Advertisements and Hoardings

6.213. The MCDs and NDMC are entitled to levy tax on advertisements other than advertisements published in the newspapers, vide Section 113(1)(d) of the DMC Act 1957 and Section 60(1)(d) of the NDMC Act 1994, respectively. The revenue from advertisement tax has improved during the recent years, when the MCDs started giving enhanced attention. Year-wise data of Advertisement Tax receipts for the municipalities is presented in Table-6.32.

6.214. We are informed by the MCD-North and MCD-South that their revenues for 2016-17 have touched the level of ₹ 70 crore and ₹ 118 crore, respectively. These are very impressive achievements. However, these figures are not merely from advertisement tax, but include the lease rentals too.

6.215. Thus, the advertisement tax, inclusive of the lease rentals, has become a significant source of revenue for the municipalities, particularly, the MCDs, while the NDMC have stopped pursuing this source of revenue.

Table-6.32: Advertisement Tax Receipts of the Municipalities

(₹ lakh)

Year	MCD/ Unified MCD* (3+4+5)	MCD- East	MCD- North	MCD- South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	1932				14.2	·	1946
2006-07	2531				2.5	·	2534
2007-08	3306				11.8	·	3318
2008-09	3568				2	·	3570
2009-10#	3680				1.5	·	3682
2010-11	7055				5.9	·	7061
2011-12	7266				0.7	·	7267
2012-13	6774	639	1364	4771	0.7	·	6775
2013-14	7955	933	1517	5505	0	·	7955
2014-15	8164	1202	1858	5104	0	·	8164
2015-16	6657	1016	1382	4259	0	·	6657
2016-17 (RE)	15122	1500	3622	10000	0	·	15122
2017-18 (BE)	21000	2000	4000	15000	0	·	21000

Source: Budget Documents of respective municipalities.
* Data relate to total of the three MCDs for the years 2012-13 onwards.
#For 2009-10, NDMC has reported only R.E. figures and not Accounts.

Impact of CAA101 on the Advertisements and Hoardings Taxes

6.216. The taxes on advertisements and hoardings being imposed by the municipalities in Delhi, as elsewhere, is relatable to the Entry 55 in the List-II (State List) of the Seventh Schedule of the Constitution, which reads as follows:

> "55. Taxes on advertisements other than advertisements published in the Newspapers and advertisements broadcast by radio or television."

6.217. This Entry (No. 55) in the List II stands omitted vide CAA101.The DMC Act 1957 and the NDMC Act 1994 would need to be amended accordingly.

6.218. The receipts from advertisement taxes for the municipalities consist mainly of two components, namely, the lease/rent and the tax. Municipalities informed us that the receipts from the tax component in this levy was nominal, less than 10 per cent of the total receipts from advertisement leases, whereas the 90 per cent came from the lease rent/lease component. Therefore omission of Entry 55 from the List II of the Seventh Schedule would not impact the revenues of the municipalities significantly.

6.219. Commissioner, MCD-South was very positive on the continued prospects of high revenues from this source and informed us during his evidence that he could achieve the phenomenal growth in revenues owing to many administrative innovations. Commissioner, MCD-North too expressed a positive expectation from this source of revenue. Commissioner, MCD-East was not very sure of any major growth of revenue from this segment, citing overall lower economic status of his city. MCD-East has, in its memorandum stated that the advertisement tax collection is facing setback due to litigation and losing of advertisement sites. However, we feel that even MCD-East too has vast potential of enhancing the receipts from advertisement leases and should make special efforts to tap the same.

6.220. We consider the pre-account figures of collections from the advertisement tax/rent/fee for 2016-17 as base and project the receipts for the subsequent years at annual growth rate of 20 per cent. We have also taken note of the special efforts made by MCD-South, which helped boost its revenue from advertisement leases from ₹ 42.6 crore in 2015-16 to over ₹ 100 crore in 2016-17. We would recommend that the MCD-East and MCD-North take note of the efforts of MCD-South to enhance their resource mobilisation from advertisement leases.

6.221. We also note that advertisement tax, like most other taxes, serves the purpose of collection of a variety of data/information relevant for management of the city, besides generating revenue for the Government/ Corporation. Moreover, taxes on advertisement also help the municipalities regulate the hoardings. We see a lot of political advertisement extending greetings to the people on various festivals. These also need to be subject to regulation and fees/fines as per rules. Therefore, we also recommend that the regulatory aspect of advertisement tax should be retained and duly refined, even while the tax gets subsumed into GST. The regulatory aspect should have a uniform framework for the whole of the NCT.

6.222. Accordingly, we make the following recommendations in relation to the advertisement policy for the NCT:

a. The GNCTD should have an advertisement policy, which should cut across the boundaries of individual municipalities.

b. This policy should aim at allowing advertisements at various public places including buildings and transport systems for enhancement of physical character and visual appearance of the city, while at the same time, prevention of unauthorised hoardings and defacement of roads and structures.

c. The Advertisement Policy of Odisha, issued in 2013 and the Outdoor Advertisement Policy formulated by the Environment Pollution (Prevention & Control) Authority, Delhi, as approved by the Supreme Court on 3rd August 2017, may be kept in view for the purpose.

d. The advertisement policy should be aligned with the Master Plan for Delhi, including the zonal plans, for the NCT, municipalities, and their zones, etc.

e. The Byelaws of the municipalities should adopt the advertisement policy so notified by the GNCTD.

Entertainment (Theatre) Tax

6.223. While Entertainment Tax as such is levied by the GNCTD, the municipalities (except DCB) have been levying a Theatre tax, ostensibly under the same Entry 62 of List II of the Seventh Schedule of the Constitution, which reads as:

> "62. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling."

The 101st Constitutional Amendment Act 2016 has replaced this entry as follows:

> "62. Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council."

6.224. As a result, the municipalities can continue to levy the theatre tax. However, this tax is currently in vogue in the MCDs, but the MCDs have been getting a relatively small revenue from this tax, as may be seen in Table-6.33.

6.225. Accordingly, we recommend that the municipalities should discontinue the levy of theatre tax, but revise the licence fee suitably, to generate adequate proceeds for conducting regular inspection of the premises in and around the theatres for ensuring proper safety, upkeep and maintenance of the infrastructure, services and the surroundings.

Table-6.33: Revenue from Theatre Tax Collected by the Municipalities from 2005-06 to 2017-18 (BE)

(₹ lakh)

Year	MCD/ Unified MCD* (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for 5 Municipalities (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	36				0.07		36.07
2006-07	26				0		26
2007-08	15				0		15
2008-09	18				0		18
2009-10#	31				0		31
2010-11	17				-		17
2011-12	20				-		20
2012-13	32	11	10	11	-		32
2013-14	39	2	26	11	-		39
2014-15	23	2	-6	27	-		23
2015-16	32	2	14	16	-		32
2016-17 (RE)	136	100	8	28	-		136
2017-18 (BE)	147	100	17	30	-		147

Source : Budget Documents of respective municipalities.
* Data relate to total of the three MCDs for the years 2012-13 onwards.
#For 2009-10, NDMC has reported only R.E. figures and not Accounts.6.227. The amount received by the municipalities from theatre tax is very small and does not stand out as a significant source of revenue and deserves to be abolished, particularly in the environment of the GST. However, municipalities need to ensure that the theatre owners/operators provide and maintain adequate infrastructure and service facilities in and around the theatres, such as higher level of hygiene, safety and environmental care, road maintenance, etc.

6.226. Our devolution package is based on the premise that the levy of theatre tax stands withdrawn. However, if a municipality continues to collect this tax, then the amount received by such municipality from this source of revenue should be deducted from the tax devolution (BTA) amounts that the municipality would receive otherwise.

Taxes on Non-Motorised Vehicles

6.227. Until about a decade ago, Delhi, like many other cities, was dependent on a variety of non-motorised transport systems, such as tongas, rickshaws and bicycles. All these were also subject to taxes and licence fees. The municipalities, particularly the MCD, used to collect significant revenue from the taxes on animal driven and other non-motorised vehicles, which, however, declined substantially in recent years, as may be seen in Table-6.34.

6.228. Over the years, tongas, which had considerable presence as a means of public transport, got phased out, owing to animal welfare concerns as well as economic issues, while cycles and rickshaws are struggling for survival, as the road spaces have been overwhelmed with motorised vehicles.

6.229. Cycle rickshaws (CR) still continue to be a popular mode of public transport in many parts of Delhi, as elsewhere in the country, despite the advent of the motorised systems of intermediate public transport, such as the auto-rickshaws, taxi-cabs and bus

Table-6.34: Receipts of the Municipalities from Taxes on Vehicles & Animals

(₹ lakh)

Year	MCD/ Unified MCD* (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)s
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	86.4				0.0	0.0	86.4
2006-07	58.8				0.0	-	58.8
2007-08	37.2				0.0	-	37.2
2008-09	18.4				0.0	-	18.4
2009-10	6.7				0.0	-	6.7
2010-11	5.5				0.0	-	5.5
2011-12	1.1				0.0	-	1.1
2012-13	0.1	0.0	0.1	0.0	0.0	-	0.1
2013-14	0.0	0.0	0.0	0.0	0.0	-	0.0
2014-15	0.2	0.0	0.0	0.2	0.0	-	0.2
2015-16	9.5	0.5	3.0	6.0	0.0	0.0	9.5
2016-17 (RE)	6.9	1.5	1.4	4.0	0.0	0.0	6.9
2017-18 (BE)	7.3	1.5	1.8	4.0	0.0	0.0	7.3

Source : Budget Documents of respective municipalities.

* Data relate to total of the three MCDs for the years 2012-13 onwards.

and rail based mass transit systems such as the BRTS and Metro Railways. CRs are eco-friendly and also give employment to a large number of persons, often seasonal migrants from the less developed areas, who come to city for intermittent employment during lean seasons of agricultural operations.

6.230. The Cycle Rickshaw Byelaws 1960 of MCD dealwith the procedure for regulating the registration and plying of the CRs. The municipalities issue registration and driving licence for the CRs. Though there is no specific count of the CRs in Delhi, one report of January 2011 that we came across on the web mentioned this number to be six lakh.[17] Even if the number today were lower than that figure, it would still be desirable to take note of the CRs and their possible role in revenue generation.

Fees/Tax structure

6.231. The fee/tax structure for the CRs is governed by the provision of the Delhi Municipal Corporation Act 1957 and the CR Byelaws, and is as follows:

- Registration Fee: ₹ 400, valid for 5 years.
- Parking Fee: ₹ 300 (For life)
- Driving Licence Fee: ₹ 150, valid for 3 years.
- Annual tax on cycle rickshaw: ₹ 6, vide Third Schedule (Item 4) of DMC Act

6.232. The Byelaws have not considered the fate of the rickshaw pullers as it places the entire onus of maintenance of the rickshaw in safe condition on the rickshaw pullers and not the owners. This arrangement has resulted in large scale harassment for the rickshaw pullers. Accordingly, the Byelaws need a thorough

[17] http://www.maitriindia.org/focus-areas/migrant-workers/rickshaw-pullers-in-delhi/ (accessed on 27.9.2017).

review to ensure that the owners of the rickshaws are made responsible for safe condition of the rickshaws.

6.233. We have also noted the benefits of switchover to e-rickshaws, which is being encouraged by the government as well. We expect the municipalities to actively promote switchover to e-rickshaws. We have made specific recommendations in this regard in the next chapter.

6.234. The annual tax and fee structures for the cycle rickshaws are also very low and need to be revised, as part of a policy that would keep the focus on (*a*) promoting cycle rickshaw as an environment friendly mode of public transport, (*b*) promoting switchover to e-rickshaws and (*c*) welfare of the rickshaw pullers. In that welfare framework, the annual tax for the cycle rickshaws can be enhanced from ₹ 6 to ₹ 100 and, side-by-side, municipalities should undertake projects for providing safe and convenient parking spaces for the cycle rickshaws.

Professions Tax

6.235. All the three municipal laws applicable in the NCT provide for levy of professions tax by the municipality concerned, being an obligatory levy for the DCB and discretionary, for the MCDs and NDMC. The previous DFCs had all recommended for introduction of professions tax by the MCD and NDMC. However, those recommendations have not been implemented so far.

6.236. The rate of professions tax is fixed by the Constitution in the upper limit of ₹ 2500 per year (Article 276). In fact, this is the only tax for which a monetary limit has been fixed in the Constitution itself and that limit has remained unaltered since 1988. The 14th Union Finance Commission (UFC, 2015) had noted that professions tax was being collected in 21 states and could be one of the important sources of revenue for local bodies, if they are allowed to levy and collect it under the state legislations within the ceiling set by the Parliament. Having said so, the 14th UFC also recommended raising the ceiling from ₹ 2,500 to ₹ 12,000 per annum. Relevant excerpts from the Report of the Fourteenth Finance Commission may be seen in Box-6.4.

Box-6.4.Excerpts from the Report of the Fourteenth Finance Commission

> We recommend raising the ceiling of professions tax from Rs. 2500 per annum to Rs.12,000 per annum. We further recommend that Article 276(2) of the Constitution may be amended to increase the limits on the imposition of professions tax by States. The amendment may also vest the power to impose limits on the Parliament with the caveat that the limits should adhere to the Finance Commission's recommendations and the Union Government should prescribe a uniform limit for all states.

States where Professions Tax is being Levied

6.237. While the 14th UFC (2015) mentioned that 21 states were levying the professions tax, we have seen a little longer list of 25 such states, listed in Box-6.5.

Professions Tax in DCB Area

6.238. DCB is the only municipality that levies professions tax in Delhi. However, even though there is a serious recommendation by many states and also by the Union Finance Commission to raise the upper limit for professions tax from the current ceiling of ₹ 2,500 per annum, the DCB is imposing it with a still lower upper limit of ₹ 250 per annum per tax payer and collecting only about ₹ 40,000 a year, as may be seen in Table-6.35.

6.239. In the supplementary memorandum submitted on 5th September 2017, the DCB informed that the present rates for professions tax were fixed way back in 1975, when the constitutional limit on the rate was ₹ 250 and these have not been revised even after the limit was raised to ₹ 2500 in 1988 by amending the Constitution. The DCB has, however, assured that it would initiate a proposal for revision of the rates at the earliest.

Professions Tax Collections in Some Other States/Cities

6.240. In the Corporation of Chennai, professions tax contributes ₹250 crore annually (2015-16), half as much as property tax. In Gujarat, professions tax contributed ₹ 221 crore, that is, 16.7 per cent of total

Box-6.5: States where Professions Tax is Levied

1. Andhra Pradesh	10. Manipur	18. Punjab
2. Assam	11. Meghalaya	19. West Bengal
3. Bihar	12. Mizoram	20. Himachal Pradesh
4. Chattisgarh	13. Orissa	21. Jammu & Kashmir
5. Gujarat	14. Puducherry	22. Nagaland
6. Karnataka	15. Tamil Nadu	23. Sikkim
7. Kerala	16. Tripura	24. Rajasthan
8. Madhya Pradesh	17. Jharkhand	25. Telangana
9. Maharashtra		

Source: http://www.sensystechnologies.com/blog/?cat=42 (accessed on 31.8.2017)

Table-6.35: Revenue Collection of Delhi Cantonment Board from Professions Tax

Year	Revenue from Professions Tax (₹lakh)
2005-06	0.3
2006-07	0.3
2007-08	0.4
2008-09	0.4
2009-10	0.2
2010-11	0.2
2011-12	0.3
2012-13	0.1
2013-14	0.2
2014-15	0.4
2015-16	0.3
2016-17 (R.E.)	0.4
2017-18 (B.E.)	0.4

Source: Actuals for 2005-06 to 2015-16 and 2016-17 (RE) & 2017-18 (BE) from the Budget of DCB.

tax revenue (₹ 1,322 crore) of all municipalities put together and was next only to the general property tax in contribution. The per capita professions tax of some municipal corporations is presented in Table-6.36.

Recommendations of the Previous DFCs

6.241. The 1st DFC had observed that the tax on professions, trades, callings and employments was an important potential source of revenue for the municipalities. It endorsed the proposal of the MCD for the levy of this tax. It also observed that considering that Delhi had the highest per capita income in the country, a large salaried class both in public and private sectors as well as trading and professional classes and the area of collection being very compact, the potential revenue from this source should be much higher than estimated by MCD as ₹ 20 crore. The DFC estimated the collection to be easily around ₹ 55 crore a year. The 2nd DFC observed that the MCD had not utilised this source of additional resource mobilisation. It recommended that both MCD and NDMC should immediately levy this tax. The 3rd DFC too recommended the same.

6.242. The 4th DFC observed that as per section 46 of the Government of the NCT of Delhi Act, 1991, the Government of India was required to deposit the amounts collected by it in regard to matters for which the Legislative Assembly has the authority to legislate, into the Consolidated Fund of the Capital. It stated that the GOI should transfer the cess that it was collecting on construction of buildings and other construction works, education and service tax on trade, professions, callings and employments into the Consolidated Fund of the Capital, which should, in turn, be shared with the municipalities.

Stand of the Government on DFC Recommendations

6.243. In respect of the 1st DFC Report, the state government made a single-line statement that “the recommendations of the Commission in regard to the

Table-6.36: Per Capita Professions Tax Collection of Some Municipal Corporations

State	Municipality	Revenue from Professions Tax* (₹ crore)		Population (Lakh)	Per capita Professions Tax in 2011-12 (Figures in ₹) (Col. 3 / Col.5)	Per capita Professions Tax in 2015-16 (Figures in ₹) (Col. 4 / Col.5)
		2011-12 (Ac)	2015-16 (RE)	2011		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
West Bengal	Kolkata Municipal Corporation	6.2	8.7	45.0	14	19
Tamil Nadu	Greater Chennai Corporation	155.6	250.0	46.5	335	538
Kerala	Corporation of Thiruvananthapuram	26.0	34.4	7.4	350	463
Telangana	Greater Hyderabad Municipal Corporation	50.5	55.0	67.3	75	82
Gujarat	Ahmadabad Municipal Corporation	82.4	130.0	55.8	148	233
Gujarat	Surat Municipal Corporation	N.A.	113.5	44.7	N.A.	254.

N.A.= Not available.
Source: Budget documents of Municipal Corporations concerned (from the website).
Population: Handbook of Urban Statistics, 2016, Ministry of Urban Development (Annexure-1: Directory of Urban Centres in the Country with Population (2011).

additional resource mobilization by the MCD and NDMC have been accepted." We are not sure if any follow up action was taken in respect of professions tax either by the municipalities or by the GNCTD. However, the professions tax was not introduced.

6.244. In respect of the 2nd DFC report, the state government in the explanatory memorandum stated that it had decided to refer to the MCD and NDMC, the recommendations for imposition of professions tax and betterment tax. We wish that the government had taken a more specific stand in the matter. Anyhow, the professions tax was not introduced.

6.245. In respect of the 3rd DFC report, the government in the explanatory memorandum did not make any categorical statement in respect of acceptance or otherwise, of the DFC recommendation in this regard.

6.246. In respect of the 4th DFC recommendation, the state government referred the matter to the GOI, but there has been no further development in the matter.

Memoranda of the Municipalities

6.247. MCD-East has not made any submission in this regard. However, we note that the Commissioner had proposed this levy in the Budget of 2017-18, but the Council did not approve the same. MCD-North has, in a note submitted on 25th July 2017, informed that in the budget proposal prepared by the Commissioner in 2010-11 for the erstwhile MCD, a projection of revenue of ₹ 100 crore was made under 'Tax on professions, trades, callings & employments' but the Corporation did not approve the proposal.

6.248. MCD-South has informed that the proposal for imposition of professions tax had been a part of the budget proposals of the MCD-South since 2012-13. However as the Corporation has not cleared the proposal, it could not be implemented.[18]

6.249. Over the years, the municipalities have been losing many sources of revenue. In case of Delhi, many functions, which could generate revenues for the municipalities, have gradually been taken away,

[18]Email dated 31.7.2017 from MCD-South.

particularly from the MCDs. These include the public transport, electricity supply, water supply and sanitation (sewerage). Now more taxes are going away from the folds of the municipalities, such as the advertisement tax and octroi, etc. Of course, municipalities are getting a share in the global tax receipts of the state government, still, municipalities need to strengthen their own resource bases too.

6.250. In this environment, we need to look for options and opportunities for the municipalities to augment their revenue base through taxes that are simple, reasonable and progressive. We have noted that professions tax being a direct tax is far more progressive than most indirect taxes. Moreover, more than 20 states are already imposing this levy. Further, professions tax is imposed only on those who are in organised professions, mostly in service sector. The economy of NCT is driven largely by the service sector and therefore there exists full justification for introduction of professions tax.

Rates for the Professions Tax

6.251. The rates for professions tax are defined by a Constitutional upper limit of ₹ 2,500 per annum, or about ₹ 208 per month. This upper limit was fixed in 1988, that is, almost 30 years ago and has remained unchanged since then. Therefore, there need not be much worry about any big burden on individuals, that too in the organised sector. Moreover, Delhi having the highest per capita income among all states and UTs and the economy of Delhi driven largely (over 80 per cent) by the services sector, introduction of this levy would be justified at rates comparable with the other states.

6.252. States have adopted varied structure for the rates of professions tax, which can be broadly classified into two groups. One is a multi-layer rates, as in Kerala, while the other is a simplified structure of 2 to 3 rates, like in Karnataka, Madhya Pradesh and Maharashtra. Details of these two types of rates are presented in Table-6.37A and Table-6.37B, respectively.

Table-6.37A: Multi-level Tax Slabs for Professions Tax Applicable in the State of Kerala

Salary (₹ per month)	**Professions Tax Rate** (₹ per month)
Up to 1,999	Nil
2,000- 2,999	20
3,000- 4,999	30
5,000- 7,499	50
7,500- 9,999	75
10,000- 12,499	100
12,500- 16,666	125
16,667- 20,833	166
20,833 or Above	208

Source: http://wealthtechspeaks.in/professional-tax-for-the-financial-year-2016-17.html (accessed on 1.9.2017).

Table-6.37B: Fewer level Professions Tax Rates in Karnataka, Madhya Pradesh and Maharashtra

State	**Categorisation of Tax Payers by Salary** (₹ per month)	**Tax Rates** (₹ per month)	**Penalty for late payment**
Karnataka	Less than 15,000	Nil	1.25% p.m.
	15,000 & above	200	
Madhya Pradesh	Less than 12,500	Nil	NA
	12,500 to 14,999	125	
	15,000 & above	208 from April to February & 212 in March	
Maharashtra	Up to 7,500	Nil	1.25% p.m.
	7,501 to 10,000	175	
	10,001 & above	200 from March to January & 300 in February	

Source: http://www.charteredclub.com/professional-tax/ (accessedon 31.8.2017).

The tax rates with fewer levels prevalent in some other states are indicated in Table-6.37B.

These rates also amount to around one to two per cent of the salaries.

6.253. Delhi has the highest per capita income among all states and UTs, being of the order of ₹ three lakh per annum. *Secondly*, the economy of Delhi is driven by the service sector to the extent of over 80 per cent. *Thirdly*, salaries have gone up several times, in nominal terms, over the past 30 years, while the upper limit for the professions tax has remained unchanged at ₹ 2,500 per annum. All these facts justify the introduction of the levy of professions tax in Delhi at the rate of 1.5 per cent of salary per month, but limited to ₹ 2,500 in a year.

Procedure for Collection of Professions Tax

6.254. In Kerala Municipal Act and Kerala Panchayats Act, all persons who are employees, and drawing salary of more than ₹ 12,000 per month, are required to pay professions tax. In Karnataka, professions tax is to be paid by every establishment or factory, club or society, self-employed or professional, government or private sector employees serving in the state and drawing salary of ₹ 15,000 or more per month. In general, the professions tax is normally collected by the employers and remitted to the state government/municipality, as the case may be. Some states like Kerala allow half-yearly payment of professions tax, whereas many states provide for monthly payments, as part of deduction from salary like income tax, provident fund, etc.

6.255. It may be noted that Section 16 of the Income Tax Act 1961 provides for deduction for the amount paid by the assesse to the government/municipality towards professions tax. Thus, the taxable income is reduced to the extent of professions tax paid.

Estimation of the Number of Eligible Tax Payers

6.256. For estimating the number of eligible tax payers for the levy of professions tax, we have used the statistics available in the recent Annual Employment-Unemployment Survey 2013-14 published by the Labour Bureau, Government of India, and adopt a three stage computation, as follows:

Stage-1: Assess the population of persons aged 15 years and above.

Stage-2: Assess the population of workers, in the total population of age 15 years and above.

Stage-3: Assess the number of wage/salary earners in the working population aged 15 years and above.

6.257. For stage-1, the survey document has provided the figures for population of persons aged 15 years and above for each state/UT and all India, for 2011 as per Census and the estimate for 2014, for male and female, for urban and rural areas. We consider the 2014 population figures, which is reported, after adding the figures for urban and rural, in columns 2 & 3 of Table-6.38A.

6.258. For stage-2, we have made use of the data reported in Table-8.1 of the Survey document and reported the figures in respect of all persons, male and female, in columns 4, 5 & 6, respectively, of Table-6.38A. However, we do not use these total persons figures any further and proceed to determine the population of male and female workers separately by multiplying the two sets of figures individually, as shown in columns 7 & 8. The figures for male and female thus arrived are added together to arrive at the total number of workers (column 9).

6.259. For Stage-3, we have sourced the data for activity-wise categorisation of workers, that is, self-employed, wage/salaried, contract workers and casual labourers, from Table-10 of the same Survey Report and presented in Table-6.38B.

6.260. The number of wage/salary earners indicated in column 8 of Table-6.38B is 20.6 lakh, which is the target for imposition of professions tax by the municipalities in Delhi.

Estimates of Revenue Collection from Professions Tax

6.261. We have indicated our estimation of the number of tax payers for professions tax as 20.6 lakh

Table-6.38A: Population of Persons aged 15& above, Worker-Population Ratio and Population of Workers in Delhi, Some Other States and All India[19] (2014 Estimate)- in Lakh

State/India	Population of Persons aged 15 & Above (2014 Estimate)- Lakh		Worker-Population Ratio by Principal Status per 1,000			Population of Workers (2014 Estimate)- Lakh		
	Male	Female	Person	Male	Female[20]	Male (2x5)	Female (3x6)	Total (7+8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Delhi	70.2	62.9	396	660	90	46.4	5.7	52.0
Karnataka	242.8	239.6	548	776	310	188.4	74.3	262.7
Kerala	127.8	145.1	438	687	218	87.8	31.6	119.4
Madhya Pradesh	269.7	253.0	560	803	286	216.6	72.4	289.0
Maharashtra	450.5	427.1	539	730	330	328.9	140.9	469.8
All India	4564.6	4381.1	499	714	238	3259.1	1042.7	4301.8

Source: For columns 2 &3, Tables-A1 & A2 and for columns 4-6, Table-8.1 of the Annual Employment-Unemployment Survey 2013-14, Labour Bureau, GOI.

Table-6.38B: Distribution of workers (per 1000) aged 15 years & above by Usual Principal Status Approach and Estimation (2014) of the Total No. of Wage/Salaried Persons in Delhi, Some Other States and All India

State/India	Categorisation of Workers per 1,000 Total Workers					Estimated Total No. of Workers in Lakh	
	Self-employed	Wage/ Salaried	Contract Worker	Casual Labourer	Total	All Workers (Col. 9 of Table-6.38A)	Wage/ Salaried Persons (3x7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Delhi	402	396	123	78	999	52.0	20.6
Karnataka	426	192	13	368	999	262.7	50.4
Kerala	282	259	24	436	1001	119.4	30.9
Madhya Pradesh	598	93	10	299	1000	289.0	26.9
Maharashtra	612	200	31	157	1000	469.8	94.0
All India	494	165	30	309	998	4301.8	709.8

Source: Table-10 of the Annual Employment-Unemployment Survey 2013-14, Labour Bureau, GOI and Table-6.38A above.

or, say, 20 lakh. We have also proposed a tax rate of 1.5 per cent of salary. The per capita income of Delhi being around ₹ three lakh a year, the tax rate mentioned by us should yield around ₹ 400 crore a year, for all the municipalities put together, given the Constitutional limit of ₹ 2,500 per year per tax payer. However, we give margin of 25 per cent and 15 per cent, respective, in the first two years (2018-19 and 2019-20), to account for teething problems.

6.262. To begin with, the professions tax may be introduced at 1.5 per cent of the gross salary of all salaried professionals, in terms of the existing provisions under the respective Municipal Acts. Subsequently, within three months of enforcement of the professions tax, an amendment may be introduced in the respective Municipal Acts to enable the levy of a "Cess for the Welfare of the Senior Citizens" on the professions tax. Till such time the arrangements for

[19]We have indicated figures for a few other states and All India, to facilitate further analysis by the municipalities.
[20]The worker-population ratio for females in Delhi is only 90 per 1,000, which is among the lowest in India.

levy of this cess become operational, 10 per cent of the annual collections from the professions tax should be set apart for the welfare of the senior citizens. Once the arrangements, legislative and administrative, for imposition of the cess for the senior citizens' welfare become operational, the rate of professions tax should be reduced by 10 per cent, so that there is no extra burden on the taxpayers on account of the new cess. We are stating more details about this cess later in this chapter.

6.263. The DCB should also revise its rates for the professions tax on the same pattern.

6.264. As stated above, we estimate the annual collections from professions tax for all the municipalities put together as ₹ 300 crore for 2018-19, ₹ 350 crore for 2019-20 and ₹ 400 crore, for 2020-21. Our estimation for individual municipalities is based on the ratio of their respective overall population, because we could not get the data for the workers in wage/salary category for the municipalities.

6.265. With the analyses and assumptions explained above, we assess the revenue collection by the five municipalities to be as given in Table-6.39.

6.266. We have also noted that while in some states the professions tax is being levied by the municipalities, in many other states, the state government levies and collects the professions tax and shares the proceeds with the municipalities. In our framework, professions tax should be a municipal levy, because the DMC Act 1957, the NDMC Act 1995 and the Cantonments Act 2006 already provide for this levy by the municipalities and no further new laws are required.

6.267. We have been informed by the MCDs that based on the recommendations of the earlier DFCs, they had resolved to introduce the levy of professions tax, but the proposal was not approved by their council and the GNCTD. We are not sure if the municipalities require any approval for imposition of the professions tax (and education cess), as the respective Municipal Acts already provide for imposition of the same.

6.268. Accordingly, we recommend state government to facilitate and motivate the municipalities to introduce this levy effective from 1st April 2018. To ensure that there is no blame game in the matter, we propose the following action framework for introduction of the professions tax by the NDMC and MCDs:

a. The three MCDs and the NDMC should introduce the levy of professions tax in a progressive structure of 1.5 per cent of the gross salary. The DCB should also revise its rates for professions tax on the same pattern. The applicable rates should, however, be limited to ₹ 2,500 per year (or say, ₹ 208 per month) for individual taxpayer, as per the Constitutional limit.

b. We have based our assessment of the devolution package for the municipalities on the premise that they would impose the professions tax effective from 1st April 2018. We recommend state government to facilitate and motivate the municipalities to introduce this levy accordingly.

c. State government should inform the municipalities, by 31st December 2017, to impose professions tax and education cess, on the lines indicated by us. State government should also clarify to the municipalities whether any approval from the state government is required or not, for imposition of these levies.

d. Municipalities should issue communication to the employers and public at large about the introduction of the professions tax during January and February 2018.

e. DCB should follow the same timelines for revision of the rates of professions tax.

f. In case any approval from the state government is required for imposition of professions tax and education cess, state government should accord such approval by 31st December 2017. We have factored in the receipts from the professions tax and education cess in determining the availability of resources for the municipalities. Therefore, if the state government fails to accord such approval, if required, for any reason whatsoever, then the state government should extend additional grants to the municipality concerned to compensate for the loss of revenue on this count. The amount of such compensation should be as per or estimation for receipts from the professions tax as indicated in Table-6.39.

g. We also propose an incentive grant from the state government for each municipality in proportion to the revenue collected by it from the professions tax. This incentive grant is to be utilised for retirement of the debt. We have mentioned the details in this regard in the chapter on Debt Liabilities of the Municipalities.

Education Cess

6.269. Primary Education is one of the obligatory functions of the MCDs. Section 42(r) of the DMC Act 1957 makes it incumbent upon the MCDs to make adequate provisions by any means or measures which an MCD may lawfully use or take, for the establishment and maintenance of, and aid to, schools for primary education subject to such grants as may be determined by the state government from time to time. Similar provisions exist in Section 11(r) of the NDMC Act 1994 and Section 62(xiv) of the Cantonments Act 2006, making it an obligatory function for the NDMC and the DCB, respectively.

6.270. The First and the Second DFCs noted that education cess is one of the discretionary taxes for the municipalities, but they did not examine the matter any further. The Third DFC observed that the NDMC had proposed to introduce the levy of electricity tax and of education cess and both proposals awaited approval of the Union government. The Fourth DFC observed that the Government of India was not justified in imposing a levy of education cess and not sharing it with the states and, in turn, with the municipalities.

6.271. The memoranda of the municipalities have not deliberated on this matter. The First DFC had recommended grant-in-aid to the extent of 60 per cent of eligible expenditure incurred by MCD on education. The Second DFC raised it to 70 per cent for the MCDs and 66 per cent for the NDMC and DCB. The Second DFC also recommended that five per cent of the funds thus devolved should be earmarked for the school buildings. The Third DFC retained these ratios. The Fourth DFC recommended for raising the limit of reimbursement to 100 per cent. The government had accepted and implemented the recommendations of the

Table-6.39: Actual (2015-16) and Projected Receipts from Professions Tax for 2016-17 to 2020-21 for the Municipalities (₹ crore)

Year	Total for 3 MCDs	MCD-East	MCD-North	MCD-South	NDMC	DCB	All Municipalities
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
Population (Lakh Persons 2011)➔	164	39.51	62.55	62.14	2.58	1.1	168
2015-16	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0
2018-19	293	71	112	111	5	2	300
2019-20	342	82	130	130	5	2	350
2020-21	391	94	149	148	6	3	400

For projections, Base: Expected revenue is ₹ 300 crore for 2018-19, ₹ 350 crore for 2019-20 and ₹ 400 crore for 2020-21; distributed among the municipalities in the ratio of their population 2011, which is considered as a proxy for the tax payers' number.

First, Second and the Third DFCs in relation to grants for the education sector. However, it did not accept the recommendations of the Fourth DFC, though it did not announce the decision in as many words.

6.272. The MCDs have been seeking hundred per cent reimbursement of the expenditure incurred by them on education, as they have stated in their respective memoranda to us. However, it appears difficult to accept this request, keeping in view the window of education cess available in the DMC Act 1957 and NDMC Act 1994. The DCB is also entitled to impose this levy, as the Cantonments Act 2006 allows the DCB to adopt the taxation provisions of the municipalities in the state. Moreover, the municipalities in many other states are already imposing the education cess and generating significant revenues, as we have explained in para 6.278.

6.273. MCD-South has stated that 'Section 113(2)(a) of the DMC Act, 1957, empowers the corporation to levy and collect education cess in addition to other taxes. The cess towards education can primarily be a part of other regular taxes and the amount so collected can be utilized for the betterment of educational facilities in the schools run by Local Bodies.'[21]

6.274. The DCB, in its supplementary memorandum dated 5th September 2017, has stated that it would prefer higher levels of grants than raising revenue from education cess, as their collection of service charge from defence establishments is under dispute. However, we are unable to endorse the proposition mooted by DCB and urge upon them to pursue the imposition of education cess. We are also recommending an incentive grant to the municipalities equivalent to the revenues collected by them from the education cess.

6.275. We have been able to secure information on the amount of education cess being collected by the Mumbai, Chennai and Ahmedabad Municipal Corporations, which we present in Table-6.40.

Rate of Education Cess

6.276. In respect of Ahmedabad, as per the provisions of the Gujarat Education Cess Act 1962, education cess is levied for residential properties at the rate of 5 per cent of property tax if the property tax is between ₹ 200 to ₹ 500 and increases progressively up to 15 per cent if property tax exceeds ₹ 3,000. For commercial properties, these rates are doubled. In Maharashtra, the rates for education cess range between two per cent and six per cent of annual letting value in respect of

Table-6.40: Education Cess Collections by Some Large Municipal Corporations

State	Municipality	Education Cess (₹ crore)		Population (Lakh)	Per Capita Education Cess in 2011-12 (₹)(Col. 3 / Col. 5)	Per Capita Education Cess in 2015-16 (₹) (Col. 4 / Col.5)
		2011-12 (Ac)	**2015-16** (RE)	**2011**		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Maharashtra	Bruhan Mumbai Mahanagar Palike	400.2	559.3	124.4	321.7	449.5
Tamil Nadu	Greater Chennai Municipal Corporation	66.1	136.5	46.5	142.2	293.8
Gujarat	Ahmedabad Municipal Corporation	39.8	90.0	55.8	71.3	161.4

Source: Budget documents of Municipal Corporations concerned (from the web).
Population : Handbook of Urban Statistics, 2016, MoHUA (Annexure-1: Directory of Urban Centers in the Country with Population (2011).

[21] Email dated 31.7.2017 from MCD-South.

residential properties and between four per cent and 12 per cent, in respect of non-residential properties.

6.277. We recommend adoption of the progressive framework of rates for education cess by the municipalities in Delhi on the lines of Gujarat. However, for the purposes of projections for the revenue mobilisation, we consider an average rate of education cess at 10 per cent of the rates for property tax. Accordingly, we arrive at the figures for the revenue collection from education cess as given in Table-6.41.

The above projections are included in the computation for devolution.

Table-6.41: Projections for Revenues from Education Cess

(₹ crore)

Municipality	2018-19	2019-20	2020-21
MCD-E	31	40	49
MCD-N	89	107	123
MCD-S	131	158	180
NDMC	69	77	86
DCB	14	15	16
All Municipalities	333	397	454

Incentive Grants for Education Cess

6.278. With a view to encouraging the municipalities proceed with the introduction of the education cess w.e.f. 1st April 2018, we propose that the GNCTD should extend a matching grant, equal to the revenue collected by a municipality from the education cess. Our other recommendations in regard to the professions tax, stated in para 6.271 above, would suitably apply in respect of the education cess also.

6.279. To sum up, we recommend that the municipalities should introduce the levy of education cess with effect from 1st April 2018. This levy should be imposed along with the property tax. The rates of tax prevalent for the municipalities in Gujarat may be adopted that is, for residential properties, five per cent of property tax if the property tax is between ₹ 200 to ₹ 500 and go progressively up to 15 per cent if property tax exceeds ₹ 3,000. For commercial properties, these rates should be doubled. State government should extend a matching grant to the municipalities equal to the collections from the education cess.

Other taxes

6.280. The taxes that we have examined above, contribute to over 99 per cent of the own tax revenues of the municipalities. For the purpose of record, we take note of the list of the ‘Other Taxes’. These include Water Tax, Conservancy/Scavenging Tax, Vehicle/Other Vehicles & Animals Tax, Milch Tax & Dog Tax, Betterment Charges/Tax and Building Tax. In addition, some of the municipalities have enlisted Sewerage Tax, Pilgrimage Tax, Lighting Tax and Education Tax also in their budget documents, but without any revenue collection showing against the same.

6.281. The revenue receipts from 'other taxes' during 2005-06 to 2017-18 (BE) have been as given in Table-6.42.

Projections for Other Taxes

6.282. As the ‘other’ taxes are numerous and contribute to a negligible share in the own tax receipts of each of the municipalities, we propose to adopt the figures reported by the municipalities for the Accounts of 2015-16 as the base year figures for our projection and for the subsequent years, we adopt an AGR of 12 per cent.

6.283. While the overall contribution of the 'other taxes' has been nominal, it would be worthwhile reviewing the situation in respect of betterment tax and scavenging tax, as these offer interesting scope for revenue mobilisation.

Betterment Tax

6.284. The 1st and 2nd DFCs had recommended tax on increase in urban land values caused by execution of any development or improvement work, stating that it has considerable potential and a great deal of appeal on grounds of equity. However, the 1st DFC had also cautioned that this levy could be caught in a maze of complications in actual implementation. The 3rdDFC observed that the betterment tax/impact fee needed to

Table-6.42: Revenue Collection of the Municipalities from Other Taxes#

(₹ crore)

Year	MCD / Combined MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	2.8	–	–	–	0.3	0.03	3.1
2006-07	2.9	–	–	–	0.3	0.06	3.3
2007-08	5.7	–	–	–	0.6	0.05	6.4
2008-09	4.7	–	–	–	0.5	0.05	5.2
2009-10	4.4	–	–	–	0.3	0.04	4.6
2010-11	42.9	–	–	–	0.4	0.04	43.3
2011-12	1.7	–	–	–	0.3	0.05	2.0
2012-13	2.1	0.3	1.5	0.4	0.3	0.04	2.5
2013-14	7.3	2.0	2.8	2.6	0.5	0.05	7.8
2014-15	7.2	2.3	2.7	2.2	0.5	0.04	7.7
2015-16	4.2	0.3	1.8	2.1	0.4	0.04	4.6
TGR	3.5	7.3	6.2	62.2	0.8	0.69	3.3
TGR (GSDP)*	14.9	12.0	12.0	12.0	14.9	14.91	14.9
Buoyancy	0.2	0.6	0.5	5.2	0.1	0.05	0.2
2016-17 (R.E.)	13.7	2.5	6.0	5.2	0.4	0.05	14.2
2017-18 (B.E.)	15.8	2.5	8.0	5.2	0.4	0.05	16.2

Source: 1. Actuals for 2005-06 to 2015-16 and 2016-17 (RE) & 2017-18 (BE) from the Budget documents of municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi in March, 2017.
3. GSDP for 2005-06 to 2010-11 (back series at current prices linked to base year 2011-12) as compiled by the Commission considering the previous GSDP series with base year 2004-05 by using splicing method.
Note: 1. Figure of NDMC for 2009-10 is RE in place of actual, which is not available.
2. Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
* Trend growth rate of GSDP is given for the years for which data have been shown in the Table.
# Other taxes include water tax, conservancy/ scavenging tax, vehicle/ other vehicles & animals tax, milch tax & dog tax, betterment charges/tax, building tax. In addition, some of the municipalities have enlisted sewerage tax, pilgrimage tax, lighting tax and education tax without any revenue collection against them

be imposed to recover cost of municipal infrastructure. The 4th DFC did not deliberate on this issue.

6.285. The National Transit Oriented Development (TOD) Policy, notified by Ministry of Housing & Urban Affairs (formerly, Ministry of Urban Development) in July 2015, states that in the TOD influence zones, land value capture could be done through enhanced or additional land value tax or one-time betterment levy, development charges or impact fee, transfer of development rights (TDRs), etc. The resources generated through such mechanism should be credited into a TOD fund created for funding the infrastructure upgradation/maintenance, enhancement of viability of transit systems, development and maintenance of transit corridor and public transport, etc. within and beyond the influence zone[22]. We have proposed a share for the municipalities in the proceeds from the TOD Cess, as explained in the next chapter.

6.286. We feel that while betterment tax or impact fee is a good idea, its implementation would be complex, at least for the present, for the reasons that follow. *First*, vast majority of the properties in Delhi are not covered in the tax net, and the immediate objective for us is to propose a road map for inclusion of all properties in the tax net. The issue of betterment tax can be considered soon thereafter. Moreover, we are proposing, besides expansion of the tax net, many additional levies on property tax such as the education cess, street tax, beggary cess, and library cess, besides user charges for sanitation. We are, therefore, not recommending further imposition of betterment tax, except wherever it is currently in vogue.

6.287. At the same time, we also hope that the 4th MVC shall be considering the issue of betterment tax or impact fee in one or the other way.

Scavenging Tax

6.288. The scavenging tax has been contributing close to nil revenues to the municipalities. In our view, neglect of this source of revenue has contributed significantly to the precarious finances of the municipalities, particularly the MCDs. However, we have examined this tax from the angle of user charges, on the lines of recommendations of the MoHUA, in the later part of this chapter under non-tax revenue.

New Levies of Taxes

6.289. Traditionally, municipalities in many states levy certain cesses on the property tax, to meet the requirements of activities such as education, beggars' homes, libraries and reading rooms, water supply, sewerage, solid waste management and street maintenance, etc. Levying of a cess helps in focussing the expenditure on such activities, which might get neglected in the normal course.

6.290. The Bruhat Bengaluru Mahanagar Palike already collects beggary cess (3%), library cess (6%), education cess (15%), health cess (10%), and street tax (25%) linked with property tax. All these cesses put together amount to around 60 per cent of the property tax. In addition, as per a new provision introduced in 2016, the corporation has been authorised to collect an urban transport cess at two per cent of the property tax, to augment city's transport infrastructure. It has also introduced solid waste management cess as per built-up area as follows:

Area up to 1000 sq. ft. - ₹ 10 per month

1001 sq. ft. to 3000 sq. ft. - ₹ 30 per month

Above 3000 sq. ft. - ₹ 50 per month

6.291. The Bruhan Mumbai Mahanagar Palika levies a fire tax, a water tax, water benefit tax, sewerage tax, sewerage benefit tax, education cess, and street tax along with property tax. It also collects the tree cess, the state education cess and employment guarantee cess on behalf of the state government as added cess on the property tax and gets two per cent collection charges from the state government.

6.292. We recommend the following new cesses to be introduced by the municipalities, though not immediately:

Water Cess and Sewerage Cess

6.293. The Commission have noted that water and sewerage have been taken away from the MCDs and assigned to the state agency, that is, the Delhi Jal Board (DJB). However, the collection of water and sewerage charges could be made far more efficient if it were transferred to the municipalities. This would enable the DJB to do away with all the staff involved in collection of water and sewerage charges.

6.294. The cost on revenue staff saved by the DJB could be transferred to the consumers as reduced water tariffs

[22]http://moud.gov.in/cms/policies.php (accessed on 30.8.2017).

after paying collection charges of, say, one per cent, to the municipality concerned. Municipalities would earn about ₹ 50 crore annually, which would reduce their expenditure on the assessment and collection staff, to that extent. This proposal would amount to no extra tax burden on the citizen and would be a win-win situation for the DJB, the municipalities and the citizens.

6.295. We would recommend the UD Department to examine further details of this proposition through an expert agency.

Street Tax

6.296. Roads are one of the major civic responsibilities for the municipalities. In terms of share in the revenue expenditure for the MCDs, expenditure on public works, of which roads constitute a very significant part, comes only after education and sanitation. In the case of education and, to some extent, sanitation, GNCTD provides considerable grants to the municipalities. However, in the case of roads and drains, municipalities get very little grants, as compared to the requirements.

6.297. In Chapter 7, we have presented our analysis of the road sector, where we have stated that the municipalities, that is the MCDs, are making very small expenditure on roads vis-à-vis the normative requirements, for which the main reason is lack of resources. About six years ago, the state government took away roads with width of 60 feet or more from the MCDs, on the grounds of lack of resources. Going back in time, if we could, we would have probably recommended for the MCDs to adopt numerous methods to garner resources for maintenance of even those roads. Anyhow, we have done that now for the existing roads of the municipalities.

6.298. One of such option is imposition of a street tax as a surcharge of 15 per cent on the property tax. This is already prevalent in Mumbai, where the Bruhan Mumbai Mahanagar Palika collects about ₹ 500 crore from street tax. We expect the municipalities to collect at least about ₹ 100 to ₹150 crore from this proposed levy, which should give a significant boost to the financial resources required for the municipal roads. However, we are not recommending for introduction of street tax immediately, mainly owing to the fact that we have proposed introduction of some other taxes, namely, the professions tax and the education cess. Once these two taxes stabilise in the next 2-3 years, the municipalities should work on introduction of street tax.

Senior Citizens' Welfare Cess

6.299. The share of the elderly (60+ age) in the population is growing rapidly, owing to the higher longevity coupled with declining population growth rate. As per Census 2011, the persons above 60 years of age constituted 6.8 per cent of the total population of Delhi. Though this ratio for Delhi is lower than that for many other states, all India average being 8.6 per cent, still, in absolute figures, the number of senior citizens in Delhi, being 11.47 lakh, is very large and significant too[23].

6.300. The faster pace of life for the persons in the working age groups leads the senior citizens to look for state support for their care. Accordingly, governments at all levels, commencing from the Union government and including the various state governments, have been introducing newer schemes to provide social and economic succor to the elderly.

6.301. The Parliament enacted the Maintenance and Welfare of Parents and Senior Citizens Act 2007 in December 2007, to ensure need based maintenance and welfare of theparents and senior citizens. The Act provides for:

(i) Maintenance of parents/senior citizens by children/relatives made obligatory and justiciable through tribunals.

(ii) Revocation of transfer of property by senior citizens in case of negligenceby relatives.

(iii) Penal provision for abandonment of senior citizens.

(iv) Establishment of old age homes for indigent senior citizens.

[23]Figures taken from 'Elderly in India 2016', M/o Statistics & Programme Implementation (www.mospi.gov.in), accessed on 30.8.2017.

(v) Protection of life and property of senior citizens.

(vi) Adequate medical facilities for senior citizens.

6.302. Pursuant to the enactment of the Union Act, the GNCTD notified the Delhi (Maintenance and Welfare of Parents and Senior Citizens) Rules, 2009.

6.303. We would like the municipalities also to enhance their attention to the welfare of the senior citizens. Accordingly, we suggest the municipalities to introduce a senior citizens' welfare cess on the professions tax. We have given contours of this cess in the part relating to the professions tax. The rates for the professions tax should be reduced by 10 per cent, which would be added as the senior citizens' welfare cess.

6.304. As we have explained in the part relating to the professions tax, to begin with, the professions tax may be introduced as 1.5 per cent of gross salary, but limited to ₹ 2,500 per annum, in terms of the existing provisions under the respective Acts w.e.f. 1st April 2018. Subsequently, within three months of enforcement of the professions tax, an amendment may be introduced in the respective municipal Acts to enable the levy of a "Cess for the Senior Citizens' Welfare" on the professions tax. Till such time the arrangements for levy of the Cess for the senior citizens' welfare become operational, 10 per cent of the annual collections from the professions tax should be set apart for the welfare of the senior citizens' welfare. Once the arrangements for imposition of the cess for the senior citizens' welfare become operational, the rate of professions tax should be reduced by 10 per cent, so that there is no extra burden on the taxpayers on account of the new cess. We have said the same in the part relating to professions tax (para 6.265).

6.305. State government is already implementing a variety of schemes and programmes for the welfare of the senior citizens. Therefore, to avoid any duplication of efforts, the collections made by the municipalities for the Senior Citizens' Welfare Cess should be transferred to the GNCTD on quarterly basis, after retaining 1 per cent towards collection charges.

Library Cess

6.306. Promotion of reading habits among citizens of all ages has turned out to be a very significant need for society. This can be best achieved through promotion of public libraries and reading rooms. Most states have made laws to promote public libraries and we could, through web search, get a list of at least 19 such states, including Andhra Pradesh (Hyderabad), Arunachal Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Manipur, Mizoram, Puducherry, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal.

6.307. Libraries are indicated as a discretionary function of the municipalities, vide section 43(b) of the DMC Act 1957, which reads as follows:

> "43(b) the establishment and maintenance of, and aid to, libraries, museums, art galleries, botanical and zoological collections."

Similar provisions exist for the NDMC under section 12(b) of the NDMC Act 1994 and for the DCB under section 64(1)(xxiv) of the Cantonments Act 2006.

6.308. While municipalities are maintaining some libraries, it is high time the municipalities gave higher attention to promotion of libraries. This may require additional resources. Accordingly, we propose 'Library Cess' to be added as a cess on property tax and @ five per cent. If it would require making suitable amendments to the DMC Act and the NDMC Act, the same may be done. We expect municipalities to collect around ₹ 100 crore to ₹120 crore a year, which should be used for operating libraries and reading rooms in every ward and colonies/ mohallas across the municipalities.

6.309. We also note that the GNCTD is already operating libraries and reading rooms at various levels. With a view to avoiding duplication of efforts, we recommend that the revenues collected from the library cess should be transferred to the GNCTD by the municipalities on quarterly basis, after retaining collection charge @ one per cent.

6.310. The libraries at ward and colonies/ mohallas may also function as a centre for providing certain other knowledge services to the citizens such as information kiosks with computers and internet facilities, museums of local arts, artifacts and cultural heritage, art galleries and botanical and zoological collections, so as to make these libraries not only a storehouse for books and magazines, but also a low-decibel knowledge dissemination hubs for the benefit of citizens at large. These centres should have special infrastructure for the elderly, the children and the visually/physically impaired.

Beggary Cess

6.311. Delhi being the national capital city, gives a very odd image of itself, with beggars hanging around various places. The NCT does not have its own law for regulating beggary and the issue of prohibition of beggary is covered under the Bombay Prevention of Begging Act 1959, which has been extended to the NCT since 1960. The MCD Act and the NDMC Act both indicate "construction and maintenance of poor houses" as one of the discretionary functions for the municipality. There is no doubt that beggary is a blot on the humanity and a big dent on the image of the NCT. However, the current provisions in the MCD and NDMC Acts do not appear adequate to eradicate the menace of beggary from the NCT.

6.312. The Bombay Prevention of Begging Act 1959 is not very appropriate for current times, as it treats beggary more as a crime than a social problem. For instance, section 4 of the Act states -

> "*Any police officer, or other person authorized in this behalf in accordance with rules made by the [Chief Commissioner] may arrest without a warrant any person who is found begging.*"

6.313. Such provisions are too harsh and liable to abuse by the authorities and, besides, may not achieve the purpose of making the cities free of beggars. We would recommend the GNCTD to enact its own beggary law, which should aim at eradication of beggary through social and economic measures, without treating it as a crime.

6.314. While the state government is already working on the matter, the municipalities too need to play a much bigger role in this area. The DMC Act, the NDMC Act and the Cantonments Act provide for construction and maintenance of shelters for the destitute and disabled persons as one of the discretionary functions of the municipality. We propose 'Abolition of Beggary' to be added as an obligatory function of the municipalities by making suitable amendments to the DMC Act and the NDMC Act. At the same time, the prohibitory provisions also need to be accompanied with generating financial resources for sustainable abolition of beggary through viable economic rehabilitation of the beggars. Accordingly, the municipal laws should also make provision for levy of a Beggary Cess, at three per cent of the property tax. We expect municipalities to collect around ₹ 60 crore a year, which should be used for operating shelter and rehabilitation facilities for the beggars.

6.315. We sought for opinion of the municipalities in the matter. We got response only from MCD-South, stating that the Karnataka state has enacted the Prohibition of Begging Act, and to enable that beggars are duly taken care of, it proposed that a three per cent cess is levied, which could be inbuilt in the property tax and that for the NCT, the subject matter has to be decided at Government level.[24]

6.316. We also note that the GNCTD is already running programmes for welfare of beggars and regulation of beggary, including construction and maintenance of shelters for the destitute and disabled persons. With a view to avoiding duplication of efforts, we recommend that the revenues collected from the beggary cess should be transferred by the municipalities to the GNCTD on quarterly basis, after retaining collection charge @ of one per cent.

6.317. GNCTD should hold detailed discussions with the municipalities and other agencies concerned and develop a state policy on eradication of beggary. The proposal for the beggary cess made by us may be examined as a part of those deliberations.

[24]Email dated 31.7.2017 from MCD-South.

Non-Tax Revenues

6.318. Article 265 of the Constitution states that no tax shall be levied or collected except by authority of law. While taxes are in the nature of contribution payable by the citizens in terms of statutory liabilities, there are other sources of revenues for any government, including the municipalities that need not necessarily be defined in a law. These are, broadly, the user charges, fees, dividends, profits, royalties, fines, proceeds from sale or renting of owned properties, etc., and are commonly called as non-tax revenue items. However, Constitution does not mention the term 'non-tax' and it has come by way of traditions.

6.319. As a general rule, a tax does not assure a service from the government as *quid pro quo*. A person who pays, say, income tax or sales tax (VAT/GST), cannot demand a particular service in return for the tax paid by him. However, non-tax revenues offer certain reasonable level of measurable returns. Even so, in some contexts, most local taxes including the property taxes are termed as benefit taxes, as the local authority collecting the tax assures of some benefit to the taxpayers.

6.320. Non-tax revenue could be classified in three broad categories: *first* are those that are commercial in nature, *second*, that are recovery of cost of services and the *third*, that are for enforcing discipline in society. There is, however, scope for overlap of such categorisation in some cases.

6.321. The commercial components of non-tax revenue are normally driven by market forces for determination of the rates, examples being dividends, profits, rents, recovery from sale of moveable and immoveable assets, etc. In view of the very nature of such non-tax revenues, these are based on efficiency of operation and management of the respective sources, such as user charges, rents, etc. Parking charges and fees for licences are in the nature of recovery of the cost of services, whereas, fines and penalties are for the regulatory/ social discipline services.

Share of Non-Tax Revenue in Own Revenues of the Municipalities

6.322. Non-tax revenues contribute almost 25 per cent of the own revenue receipts of the MCDs, but around 80 per cent, in case of NDMC and DCB, as the data in respect of 2015-16 presented in Table-6.43 would indicate.

6.323. To understand the sharp variation in the ratio of contribution of tax and non-tax sources in respect of the MCDs on one hand and the NDMC and DCB on the other, we will need to examine the composition of the respective revenue sources. While we have analysed the contribution of the taxes earlier, we shall

Table-6.43: *Inter se* Share of Tax and Non-Tax Revenues in Own Revenues of the Municipalities in 2015-16

Sl. No.	Item	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3 to 7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1	Total Tax Revenues (₹ crore)	587	1352	1809	521	22	4290
2	Total Non-Tax Revenue (₹ crore)	182	463	661	2295	85	3686
3	Total Own Revenue (₹ crore)	769	1815	2469	2816	107	7976
4	Share of Tax Revenue (%)	76	74	73	19	21	54
5	Share of Non-Tax Revenue (%)	24	26	27	81	79	46

Source: Budget documents of the municipalities concerned.

examine the same in respect of the non-tax sources in the succeeding paragraphs.

Relative Contribution of Various Non-Tax Sources

6.324. The details of the different types of non-tax revenue sources being made use of by the municipalities in Delhi, and their relative contributions, as sourced from the accounts of the municipalities for 2015-16, are presented in Table-6.44.

6.325. For the NDMC, the sale of electricity contributes a little over half of its non-tax revenues, and this ratio becomes almost 60 per cent when the water supply and sewerage are added on, because NDMC continues to handle distribution and management of electricity, water and sewerage, while these functions have been taken away from the MCDs in 1993. Moreover, NDMC and DCB are generally flush with funds and invest their surpluses in fixed deposits, which yield considerable return by way of interests. Also, NDMC gets 18-20 per cent of non-

Table-6.44: Share of Revenue from Various Own Non-Tax Sources of the Municipalities (2015-16)

Sl.No.	Item	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3 to 7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
	Total Non-Tax Revenue (₹ in crore)	182	463	661	2295	85	3686
Of which, share of various items of Non-Tax Revenue, in percentage							
1	Parking Charges /Parking Charges (Escrow Conversion)/ Car Parking	9.5	4.1	6.3	0.2	–	2.3
2	Road Restoration Charges	7.0	5.9	6.5	0.1	–	2.3
3	Interest on Investment	0.4	0.3	16.0	20.3	87.1	17.6
4	Escrow Account (Land use Conversion Charges)	22.0	41.3	33.2	–	–	12.2
5	One-time Parking Charges on Registration of New Vehicle	13.0	9.5	8.5	–	–	3.4
6	Recovery from Solid Waste Management (SWM)	–	–	–	–	–	–
6(a)	Sale of Recycled Materials under SWM	–	–	–	–	–	–
6(b)	User Charges under SWM	–	–	–	0.003	–	0.002
7	User Charges	–	–	–	59.9	–	37.3
	of which,						
7(a)	User Charges/Water Supply	–	–	–	6.4	–	4.0
7(b)	User Charges/ Sewerage	–	–	–	2.3	–	1.4
7(c)	User Charges/ Sale of Energy	–	–	–	51.1	–	31.8
7(d)	Other User Charges	–	–	–	0.1	–	0.0
8	Law Receipts and Fines imposed by Municipal Magistrates	1.6	0.6	0.4	–	–	0.2
9	License Fee	1.4	1.1	0.5	18.0	–	11.5
	of which,						
9(a)	License Fee(Food Trade/General Trade/ Factory)	1.4	1.1	0.5	–	0.01	0.3
9(b)	License Fee From Civic Amenities (Market/ shopping Complex, Kiosks, Telephone Booths, Hotels, etc.)	–	–	–	5.4	–	3.4

9(c)	License Fee From Buildings (Office Building, Staff Quarters)	–	–	–	12.3	–	7.7
9(d)	License Fee from Bus Q Shelters, Toilets etc.	–	–	–	0.3	–	0.2
9(e)	License Fee Remission & Refund	–	–	–	-0.004	–	-0.002
9(f)	License fee from Vatika / Farm Houses	–	0.03	–	–	–	0.004
10	Development/ Deficiency Charges	7.9	1.3	0.4	0.0003	–	0.6
11	Private Refuse Removal Charges	6.2	2.8	0.2	–	–	0.7
12	Income from Barat Ghar/ Community Centres	5.2	0.9	1.1	0.3	0.4	0.8
13	Tehbazari	0.4	1.2	0.5	–	–	0.3
14	Reimbursement of cost of administrative charges from different schemes	14.6	12.5	8.2	–	–	3.8
15	Rent for Civic Centre / Income Tax Department/ Land & Building/ Market transferred from L&DA/ House Rent	0.4	10.0	1.4	–	0.2	1.5
16	Fee from Mobile Tower	0.0	–	–	–	–	0.0
17	Regularisation of Unauthorised Constructions	–	–	–	–	–	–
18	Income installment from Safai Karamcharis for Quarters on Hire Purchase	1.4	0.3	–	–	–	0.1
19	Free hold charge from Municipal Markets	–	–	–	–	–	–
20	Fines for offences concerning building	0.1	1.4	9.2	–	–	1.8
21	Conservancy Receipts (other than taxes & rates)	–	–	–	–	10.0	0.2
22	Others	8.9	6.9	7.7	1.1	2.3	3.4
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Source : Budget document of the municipalities concerned

tax revenues from licence fee, from the major star hotels and posh shopping complexes like Connaught Place, which are largely located in its area. These situations bring in the variation in the ratio of non-tax receipts to total own revenue receipts in case of the NDMC vis-à-vis the MCDs. Having said that, we also believe that the MCDs could definitely take several leaves from the book of experience of the NDMC, to improve their finances and we have discussed many such opportunities at various places in our report.

6.326. In subsequent paragraphs, we analyse in further details the major sources of non-tax revenues, though we recommend to the state government to undertake a more detailed examination of each item of non-tax revenue, howsoever small it may be in revenue yield, as most of these relate also to governance reforms, such as in licensing, that could be useful to the municipalities and also to the citizens at large. We would also take a look at the analysis of the subject done by the previous DFCs and the memoranda submitted by the municipalities to us.

Analyses by the Earlier DFCs

6.327. The First DFC had observed that the non-tax revenue accrued from fees, rents for various services rendered by MCD and fines imposed for violation of laws and rules, etc. It also observed that the disturbing feature was the decline in the share of the non-tax revenue in the total receipts of MCD, from 9.1 per cent to 5.7 per cent between 1984-85 and 1995-96. In case of NDMC, it observed that the receipts from non-tax sources were an important source of revenue, and the total non-tax receipts had increased from ₹ 40.7 crore in 1984-85 to ₹ 313.4 crore in 1995-96, registering a growth rate of 20.1 per cent, with major contribution coming from supply of electricity, which rose from ₹ 24.2 crore in 1984-85 to ₹ 238.4 crore in 1995-96.

6.328. The Second DFC noted that the major elements of non-tax revenue for NDMC which had increased significantly during the period of its study were interest on investments, receipts from sale of energy, rent/licence fee and other miscellaneous receipts. The interest on investments had increased from ₹ 5.4 crore in 1990-91 to ₹ 30 crore in 2000-01 and from receipts from sale of energy, from ₹ 90.69 crore to ₹ 467.77 crore in 2000-01. In respect of MCD, it noted that non-tax revenue constituted 20 per cent of internal revenue with a trend growth rate of 13 per cent per annum, though the growth rate of non-tax revenue was less than that of the tax revenue. It also noted that in case of DCB, non-tax revenue contributed majorly to the growth of internal revenues, contributing between 91 and 100 per cent of internal revenue, major elements being service charges and interest on investments.

6.329. The Third DFC observed that the non-tax revenues for the MCD had become insignificant, ranging, as a percentage of total own revenue receipts, between 7.88 per cent in 1997-98 to 16.66 per cent in 1999-2000. It noted that the recommendations of the 2nd DFC for revision of the rates of fines, fees and rents, etc. did not appear to have been acted upon. In respect of NDMC, it noted that non-tax revenue, which had increased from ₹ 295.32 crore (1994-95) to ₹ 851.24 crore (2004-05), had always been more than the tax revenues mainly owing to the fact that the NDMC had been treating the revenue receipts by them on account of supply of electricity and water as non-tax revenue. It also noted that average collection during 1994-95 to 2004-05 from sale of electricity was ₹ 403.38 crore. It observed that only the difference between the sale price and purchase price of electricity could have been taken as a part of non-tax revenue.

6.330. In respect of DCB, the Third DFC observed that the main source of non-tax revenue was service charges received from the Ministry of Defence in lieu of property tax on government properties, while the receipts of interest from investments was the next highest contributor. It also observed that there was high degree of fluctuation in the receipts from the service charges from Ministry of Defence, which was as high as ₹ 3,456 lakh in 1999-2000 and as low as ₹ 208.05 lakh in 2004-05.

6.331. The Fourth DFC suggested that all out efforts should be made to mobilise the collection of revenue not only from taxes including the property tax but also from all the non-tax heads. It also observed that each municipality had a right to earn non-tax revenue from leasing or sub-leasing or licensing the use of the right of the municipalities in every bit of land, including the streets, so vested in the municipality by the respective laws. It recommended that each municipality needed to widen and deepen its revenue base while balancing the tax receipts with non-tax receipts as a means to increase allocation of funds for municipal services that are targeted for being improved in short and medium term.

Memoranda of the Municipalities

6.332. The MCD-East in its memorandum has stated that it did not inherit municipal markets or any such property that could fetch regular rent. Fees are collected from hospitals, licences and slaughterhouses; fines are collected from cattle and vehicles impounded and on various offences; and parking charges and conversions charges are the major sources of non-tax revenue. Receipts like road restoration charges are in the nature of reimbursement of actual expenditure and cannot be considered as net revenue generator.

6.333. MCD-North has stated that both in the years 2012-13 and 2013-14, it had received ₹ 300 crore each on account of long term lease of the Civic Centre to the Income Tax Department and these being one-time receipts, are not available in the normal course. Further, these were the last two installments of ₹ 1800 crore out of which ₹ 1200 crore were received by the unified MCD in 2010-11. MCD-South has stated that in view of the declining rates of interest on bank deposits, no increase in the receipts from such sources should be expected. NDMC has stated that it generates around 84-85 per cent of its total receipts through non-tax revenue sources, of which licence fee on municipal properties, user charges for sale of energy and water and interest on investments were the top contributors.

6.334. We now proceed to examine the individual items of non-tax receipts of the municipalities.

Parking Leases

6.335. Parking leases have become an important source of revenue for the municipalities in all major cities world over, even though it was recognised only as a public facility till about a decade ago. Municipalities in Delhi too have acknowledged the significance of parking leases as an emerging source of big revenues, as we noted in their respective memoranda.

6.336. MCD-East has, in its memorandum, stated that at the time of trifurcation of MCD, MCD-East had only nine authorised allotted parking sites. A comprehensive survey was conducted to identify viable parking sites that resulted in increase in parking sites to 26 at present, with revenue increase from ₹ 16 lakh to ₹ 80 lakh. Multi-level parking is under construction at Krishna Nagar. MCD-East has proposed certain measures to enhance the receipts from this source, which include construction of multi-level and stacked parking sites and regular revision of rates. The MCD-East expects to enhance the revenue by 100 per cent through these measures.

6.337. MCD-North has stated that they have undertaken parking projects under PPP to develop adequate parking spaces. These include automatic car parking facility in Kamla Nagar and stacked parking facility in Aryanagar and Karolbagh. Besides, there are certain projects under development in which commercial spaces are bundled with parking and auctioned on competitive basis, such as in Shiva market in Ranibagh and Shastri Market in Karol Bagh.

6.338. MCD-South has stated that it has made all out efforts and succeeded in reforming the processes in management of parking and weeding out the dominance of mafia, which led to achieving remarkable increase in the revenues from ₹ 6.44 crore in 2012-13 to ₹ 41.43 crore in 2015-16. MCD-South has also stated that it has identified three parking sites in Lajpat Nagar to be handed over to the local traders' association for enhanced revenue generation.

6.339. NDMC has stated that it has modernised 77 parking lots, introducing automated multilevel car parking in PPP mode at BKS Marg, Sarojini Nagar and Shivaji Stadium. Thus all these municipalities appear to have realised the significance of parking charges as a source of much higher revenues.

Trends in the receipts from parking leases

6.340. The year-wise data on the revenue received by the municipalities from the parking leases during 2012-13 to 2015-16 as per accounts with trend growth rate (TGR), the data for 2016-17 (RE) and 2017-18(BE) are presented in Table-6.45.

6.341. The statistics in Table-6.45 indicate that revenues received by the municipalities from the parking charges have shown high buoyancy, particularly for the three MCDs. The MCD-North and MCD-South have revised the parking rates recently, which has helped them fetch higher revenues. MCD-East also needs to revise the parking rates.

Projections of receipt from parking charges

6.342. We have received projections of receipts from parking charges only from MCD-North and MCD-South. We have also taken a look at the figures of 2016-17 (pre-actual) given to us by MCD-North, besides the RE figures for 2016-17 and the BE figures for 2017-18 of all the municipalities. In general, we

Table-6.45: Revenue Received by the Municipalities from Parking Leases

(₹ crore)

Sl. No.	Year	MCD/ Unified MCD (2+3+4)	MCD-East	MCD-North	MCD-South	NDMC	Total (3+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2012-13	9.2	1.4	1.4	6.4	13.2	22.5
2	2013-14	42.2	2.9	13.9	25.4	7.7	49.9
3	2014-15	36.2	2.7	17.5	16.0	6.4	42.5
4	2015-16	77.8	17.3	19.0	41.4	5.3	83.1
5	TGR	86.6	111.4	123.4	66.9	-25.2	45.7
6	TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0
7	Buoyancy	7.2	9.3	10.3	5.6	-2.1	3.8
8	2016-17 (RE)	107.4	17.4	35.0	55.0	6.9	114.3
9	2017-18 (BE)	115.2	20.2	40.0	55.0	6.9	122.1
	Population 2011	164.2	39.5	62.6	62.1	2.6	167.9
	Per capita Receipts 2015-16 (₹)#	47.4	43.8	30.4	66.7	207.3	49.5

Source : Budget document of the municipalities concerned.
* Trend growth rate of GSDP is given for the years for which data have been shown in the Table.
#Population is for 2011.

have taken the higher of the figures for the respective years for each municipality reported as RE and pre-actual as the base figures for 2016-17, for making projections for the subsequent years. As MCD-East has to revise the parking rates, which we expect them to do without any delay, we propose that they should double the receipts from the 2016-17 levels by 2020-21. In fact, MCD-East has, in its memorandum, also indicated their expectation to double the receipts in next five years. For MCD-North, MCD-South and NDMC, we have proposed an annual growth figure of 20 per cent, which should be taken as very reasonable.

6.343. The projections proposed by the municipalities and those made by us, are presented in Table-6.46.

On-street and Off-street Parking

6.344. At present, most of the streets are used for on-street parking in both, the commercial as well as residential areas. Our consultants have collected data on existing regularised on-street parking during the road inventory survey and observed that only one per cent of total road network in MCD-North area has regularised parking. Similarly, in MCD-East and MCD-South, six per cent and eight per cent respectively, of total road network length is utilised for regularised on-street parking.

6.345. Therefore, municipalities should introduce a policy of incremental on-street parking fee, while balancing the same with the fee for off-street parking. This move is required in order to not only discourage the usage of curb side of roads for parking but also to generate revenue from such parking.

6.346. Additionally, the municipalities should develop more parking lots for all types of vehicles, including four-wheeled motorised vehicles, auto rickshaws, two-wheelers, cycle rickshaws and bicycles. This will facilitate systematic parking, making the streets safer and cleaner, besides enhancing the revenues of the municipalities.

6.347. Operation of the parking lots in PPP modes

Table-6.46: Projections for the Receipts from Parking Charges

(₹ crore)

Sl. No.	Year	MCD/MCD (4+5+6)	MCD-East	MCD-North	MCD-South	NDMC	Total (3+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	(7)	(8)
Projection made by the Municipality concerned-							
1	2016-17	75	–	27	48	–	75
2	2017-18	86	–	30	56	–	86
3	2018-19	101	–	33	68	–	101
4	2019-20	116	–	36	80	–	116
5	2020-21	125	–	40	85	–	125
Note: The total given in columns 3 & 8 do not include MCD-East & NDMC, as they did not provide their projections.							
Projection made by the 5th DFC-							
(i) Base: MCD-East: 2016-17 (RE) , MCD-North: 2016-17(Pre-Ac), MCD-South: 2016-17 (Projection made by the Municipality) and NDMC: 2017-18 (RE). (ii) Annual Growth Rate: MCD-East: collection to be doubled by 2020-21, MCD-North, MCD-South and NDMC: 20%.							
1	2016-17	93	17	27	48	7	100
2	2017-18	110	20	32	58	8	118
3	2018-19	133	25	39	69	10	143
4	2019-20	160	30	47	83	12	172
5	2020-21	191	35	56	100	14	205

needs refinement in terms of greater regulation and vigil over the operators. Municipalities should review the concession agreement documents and also strengthen the administrative machinery for enforcing the vigil and regulation.

6.348. Moreover, the assignment of concession for operating the paid parking should cover the parking lots as well as on-street parking in the surrounding areas, so that the concessionaire/operator could regulate on-street parking also.

6.349. Municipalities should enforce the discipline of vehicle parking only in the authorised places. In the absence of such discipline, people tend to park their vehicles at all places leading to a messy situation on the streets and lanes. Besides, letting loose unauthorised parking adversely impacts the financial viability of the authorised parking. Mobile Municipal Magistrates, including Executive Magistrates, may be appointed for enforcing the discipline in the on-street parking.

6.350. We also recommend that GNCTD should notify a parking policy for the NCT, which should cover the requirements of all types of vehicles, including four-wheeled motorised vehicles, autorickshaws, two-wheelers, cycle rickshaws and bicycles. Besides, the parking policy should also be in accordance with the Master Plan for Delhi, the URDPFI Guidelines of the MoHUA, the UTTIPEC Guidelines of the DDA and the Street Vending Policy/Plans. It should also take care of the needs of the pedestrians and the requirements of the elderly and the physically challenged persons in accordance with the provisions of the Rights of Persons with Disabilities Act, 2016 (49 of 2016), which has come into force on the 19th April, 2017.

One-time Parking Charges on Registration of Motor Vehicles

6.351. The MCDs have been levying one-time parking charges upon registration of motor vehicles. This is implemented through the State Transport Department and the share of the respective municipalities is transferred after retaining 3.5 per cent towards collection charges. The NDMC and the DCB have not resorted to this levy. The MCDs have, in their respective memoranda, merely stated the procedure for collection of this revenue, but not offered any suggestions.

6.352. The annual revenue receipt figures from the one-time parking charges upon registration of motor vehicles for the municipalities are indicated in the Table-6.47.

6.353. We find that even though the municipalities (MCDs) are imposing this levy, but there are no enabling provisions in the respective municipal laws. This levy is imposed on new vehicles being purchased in the NCT. However, those who have purchased vehicle from, say, Gurugram or Ghaziabad, and are keeping the same in Delhi in the same or an adjoining place, are not required to pay this levy. Moreover, the framework for utilisation of this levy is also not supported by any legislation or policy or scheme of the GNCTD or the municipalities.

6.354. In examining this issue further, we came across the Order/Judgement of the Delhi High Court dated 7th August 2016 in WP(C) No.14371/2005 (Ramesh Chandra vs MCD & Anr.), wherein the imposition of this levy was found to be void, not supported by law and in violation of Article 265. Accordingly, we requested the GNCTD (UDD and Transport Department) as also the municipalities, to explain to us the legal background for imposition of this levy and the arrangements prescribed for utilisation of the proceeds.

Table-6.47: Revenue Received by the Municipalities from the One-time Parking Charges on Registration of Motor Vehicles

(₹ crore)

Year	MCD/ Combined MCD (3+4+5)	MCD-East	MCD-North	MCD-South
(1)	*(2)*	*(3)*	*(4)*	*(5)*
2005-06	51.17			
2006-07	62.13			
2007-08	56.23			
2008-09	62.76			
2009-10	54.09			
2010-11	102.73			
2011-12	92.95			
2012-13	85.75	12.86	31.93	40.96
2013-14	82.47	14.57	23.44	44.46
2014-15	93.15	18.28	31.48	43.39
2015-16	123.54	23.65	43.76	56.14
2016-17 (RE)	102.00	25.00	22.00	55.00
2017-18 (BE)	105.00	25.00	25.00	55.00

Source: Budget Documents of GNCTD and municipalities concerned.

Note: Since MCD was trifurcated into MCD-East, MCD-North & MCD-South, their combined revenues have been shown against Unified MCD from 2012-13 onwards. This explains the blank cells against the trifurcated MCDs prior to 2012-13.

6.355. The MCD-South had replied on 5th June 2017 that this levy of one-time parking charges was being imposed by the MCD drawing powers from Section 480(1) of the DMC Act 1957, read with Sections 41,43,108, 109, 304 and 321 of that Act. We have seen these provisions of the DMC Act and find that these may not be giving powers to the MCD to impose this levy. However, the MCD had filed an appeal before the Delhi high Court in LPA 737/2008 and secured a stay on 19th January 2009. The appeal came up for successive hearing, the last one being on 13th April 2017, but remains undecided yet[25].

[25] Status on the web portal of Delhi High Court, accessed on 2.10.2017. http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=73801&yr=2017

6.356. While we hope that the matter of legal validity of this levy of one-time parking charges upon registration of motor vehicles gets decided in the High Court soon, we have decided to examine the matter from the perspective of public policy. From the consideration of equity, we find that this levy is highly iniquitous, as the persons who suffer the burden of this levy get no extra benefit as compared to those who do not. If this money is required to develop parking facilities, as has been informed by MCD-North, we would suggest that such infrastructure should be taken up as commercial projects and any gap in viability should be met through the viability gap funding scheme of the Ministry of Finance.

6.357. Accordingly, we recommend that the levy of one-time parking charges upon registration of personal and commercial vehicles, being collected for the MCDs by the State Transport Department, should be withdrawn forthwith. Our devolution package is based on the premise that this levy stands withdrawn. However, if a municipality continues to levy this charge, then the amount received by the municipality concerned from this levy should be deducted from the tax devolution (BTA) amounts that such a municipality would receive otherwise. This should be computed from 1st April 2018.

6.358. We are separately recommending for provision of a share of the collections from the environment compensation charge to the municipalities, which will adequately compensate for loss of revenue from this source.

Collection Charges

6.359. While examining the gross and net collections of the municipalities on account of one-time parking charges on registration of new vehicles, we found that the State Transport Department is retaining as much as five per cent towards 'departmental charges'. This is unfairly high. While we are recommending for abolition of this levy, we would also recommend that effective from 1st April 2016 and till this levy continues to get collected by the transport department on behalf of the MCDs, the state government should limit the collection charges to one per cent only. This would provide additional revenue of about ₹ five crore to the MCDs collectively, per annum.

7.6. Interest Receipts

6.360. Interest on investments constitutes a significant source of revenue for the NDMC, DCB and the MCD-South. The time-series data for the income from interests earned by the local bodies is presented in Table-6.48.

Table-6.48: Revenue Received by the Municipalities from Interest on Investment

(₹ crore)

Year	MCD/ Combined MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2012-13	28.0	7.7	7.6	12.7	418.4	71.9	518.2
2013-14	62.4	0.0	18.6	43.8	434.0	76.5	572.9
2014-15	94.2	8.0	2.5	83.8	432.4	76.2	602.8
2015-16	107.6	0.8	1.3	105.5	466.1	74.5	648.1
TGR	56.1		-52.0	101.4	3.3	1.0	7.5
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Buoyancy	4.7	0.0	-4.3	8.4	0.3	0.1	0.6
2016-17 (RE)	88.0	1.0	2.0	85.0	433.9	94.9	616.9
2017-18 (BE)	88.0	1.0	2.0	85.0	433.9	81.2	603.1

Source : Budget document of the municipalities concerned.
* Trend Growth Rate of GSDP is given for the years for which data have been shown in the Table.

6.361. The share of interest receipts in the total non-tax receipts in 2015-16 was 87.1 per cent in DCB, 20.3 per cent in NDMC, 16.0 per cent in MCD-South and 0.3-0.4 per cent in respect of MCD-North and MCD-East. We fully endorse the traditional view that the municipalities should be investing their financial resources in improvement of public infrastructure and services and not for earning interest on fixed deposits. In fact, it is precisely for this reason that the panchayats and the municipalities have been exempted from the liability of income tax. However, the inflow of receipts and outflows for expenditure for any institution of this nature often allow short-term investments of the duration of at least a few weeks. We expect municipalities to make short-term investments to earn some interest on their liquidity, but this should not be done for the long term investments.

6.362. Keeping the overall objective of good governance in view, we recommend as follows:

a. No municipality should invest public moneys in long-term fixed deposits. Surpluses, after making provision for sinking funds and other statutory requirements, should be invested in improving the public infrastructure and services.

b. If a municipality finds that it needs no further investment in the public infrastructure and services, it should bring down the rates of property or other taxes. However, before doing so, it must certify that all infrastructure and services in its jurisdiction conform to the national standards.

c. All municipalities should carefully invest in short-term instruments that are permitted by the government, so that their short-term surpluses, lasting for up to four weeks, give them optimum returns.

6.363. Insofar as projections for the receipts from the interest income for the ensuing years is concerned, we have taken note of the falling interest rates, which we expect to remain low in the coming few years too. At the same time, we expect the municipalities to make short-term investments to secure optimal returns from their liquid cash. While we have generally adopted the 2015-16 accounts figures as the base year figures for making projections for the subsequent years, in case of interest receipts, we are modulating the base year figures for MCD-East and MCD-North, keeping in view their past performance which was much better and also assuming better days ahead. Keeping such factors in view, we are projecting the growth rate for interest receipts at 12 per cent over the modulated base year figures.

Environment Compensation Charge

6.364. The GNCTD has been levying Environment Compensation Charge (ECC) on commercial vehicles entering Delhi, pursuant to the orders of the Supreme Court (dated 9.10.2015 and 16.12.2015) in interlocutory application (IA) No. 345 of 2015 in IA No. 365 of 2015 in civil writ petition No. 13029/1985. This levy has been imposed since November 2015. As per notification dated 20th October 2015 of the Department Of Environment, GNCTD, the amounts so collected shall be deposited with the Finance Department and shall be used for augmenting public transport and improving roads, particularly for the most vulnerable users, that is the cyclists and the pedestrians, in Delhi.

6.365. The notification dated 20th October 2015 also requires the Finance Department to furnish the accounts of the receipts and expenditure relating to this levy, to the environment pollution (prevention and control) authority (EPCA) and the Supreme Court every quarter. Accordingly, we requested the Finance Department to make available the details of the receipts and expenditure relating to this levy. However, in reply, the Finance Department informed that they had requested the Department of Environment, GNCTD to let this matter be handled by the Transport Department.[26]

6.366. As per the initial orders of the Supreme Court, the Department of Environment, GNCTD had introduced this levy on an experimental basis for a period of four months starting 1st November 2015. However, we notice that the Department of

[26]Letter No. 2/13/2016-17/Fin(B)/Pt.I/1072-3 dt 12.7.2017 of the Finance Department, GNCTD.

Environment, GNCTD have issued a notification dated 4th March 2016, whereby the ECC has been extended *sine die*. Thus it becomes important for us to assess the expected collections from this levy and the ways of the utilisation of its proceeds.

6.367. The ECC is levied for all the light and heavy duty commercial vehicles entering territory of Delhi. The reasons for this levy, as indicated in the order of Supreme Court (dated 16.12.2015), is that these vehicles entering Delhi, cause pollution and inflicts heavy cost on health of the residents of Delhi. To tackle this situation the Supreme Court imposed an ECC on all light and heavy duty commercial vehicles entering Delhi. The amount collected for ECC should be utilised for augmenting public transport and improving roads, particularly for most vulnerable users, that is cyclists and pedestrians in Delhi.

6.368. Our interpretation is that the additional revenue collected from the ECC, can be utilised for augmentation of public transport system, maintenance and upgradation of roads and its adjunct infrastructure including drainage, footpaths, street lights and non-motorised transport (NMT) systems. This can be divided among road owning agencies based on the road lengths available with each agency for maintenance. All such assignments for utilisation of the ECC should help in restoration of the environment in Delhi.

6.369. Therefore, we suggest that the total revenue generated from the environment compensation charge should be utilised for the following two broad purposes:

Development and maintenance of roads, footpaths, drains and cycle ways;

and Augmenting the public transport systems.

6.370. Government of NCT of Delhi is imposing a fee of ₹ 0.25/Litre on the sale of diesel in Delhi and has set up a fund called the Air Ambience Fund to credit the above stated fee in the said fund for promoting clean air policies in the NCT of Delhi. Thus the GNCTD is already getting revenue from the fee on diesel for promoting clear air policies. Therefore, we propose that 75 per cent of the revenue mobilised from the ECC should be used for maintaining and improving road conditions, particularly for the most vulnerable segments including walkways/footpaths, drains and cycle ways and remaining 25 per cent of the fund should be used for augmentation of public transport. We call these two components as Part A and Part B, respectively. The allocation for road sector (Part A) should be distributed among the road maintaining agencies in proportion to the lane kilometers of roads maintained by them. We also propose that a part of the amounts earmarked for public transport (Part B) should be assigned to the municipalities for development and maintenance of intermediate public transport facilities including the non-motorised transport (NMT) and e-rickshaw facilities, such as the stands for the cycle-rickshaws, e-rickshaws and public bicycles.

6.371. The Transport Department informed us that the total amount collected on account of ECC during 6th November 2015 to 13th July 2017 stood at ₹ 681.85 crore. Thus the average daily collection as environment compensation charge from vehicles entering Delhi comes out to be ₹ 1.1 crore, or ₹ 400 crore a year.

6.372. With an annual collection of nearly ₹ 400 crore in FY2016-17, the estimated collection from the ECC is forecasted to grow @4.5 per cent for future years based on growth in volumes of light and heavy duty commercial vehicles on Delhi roads in past years.

Sectoral Allocation for Utilisation of the Collections from ECC

6.373. The utilisation of the revenue collected from the Environment Compensation Charge (ECC) should be done by dividing it into two parts, A and B, as follows:

- **Part A** shall comprise 75 per cent of the revenue collected from the ECC and should be utilised for development and maintenance of roads, footpaths, drains and cycle ways. This part will be divided among the various road-maintaining agencies in the ratio of the road length (in Lane kms) maintained by them. The share of the five municipalities put together works out to 63.83 per cent and would be called **Part A1**, whereas the share of the other road agencies, which put together would be 36.17 per cent, would be called **Part A2**.

- **Part B** shall comprise 25 per cent of the revenue collected from the ECC and should be utilised for augmenting the public transport systems.

- Of the Part B, 80 per cent should be allocated for augmenting mass transport Systems, including the bus stand system through DTC , DIMTS, etc. This part shall be named as **Part B1**. This Part shall be administered by the State Transport Department for augmenting the bus based mass transport arrangements through DTC, DIMTS, etc.

- The remaining 20 per cent of Part B, should be utilised for augmenting the parking facilities for intermediate public transport (IPT) systems, which we name as **Part B2**. This Part should go entirely to the five municipalities shared in proportion to their respective population (2011 Census) and should be used for developing and maintaining parking facilities for non-motorised IPT systems such as bicycles, cycle-rickshaws and e-rickshaws. The parking facilities should include battery charging arrangements for e-rickshaws and sundry facilities like ATM, mobile charging, seating for the rickshaw pullers, etc. Solar energy should be fully harnessed in these parking facilities.

6.374. The estimated collections from ECC and sectoral distribution of the same- year-wise for the years 2016-17 to 2020-21 is calculated and presented in Table-6.49.

Inter se Distribution of the Collections from ECC among Agencies

6.375. We propose to distribute the *inter se* distribution of the collections from ECC based on the road share and population of the various agencies/ municipalities. The basic data that we have used are presented in Table-6.50. The road lengths indicated for each agency have been gathered by our consultants (DIMTS).

6.376. As mentioned before, the share of the five municipalities put together would be 63.83% of the annual allocation for Part A and we call it **Part A1**. However, we modify the *inter se* distribution of the Part A1 share so determined for the municipalities, by adding the weight for population and give equal weight to the road length and population (2011 Census). We feel reasonable in doing this, so as to give weight to the number of road users, for which the respective population figures can be considered as a good proxy.

Table-6.49: Estimated Collections from ECC & Sectoral Distribution of the Same- Year-wise

(₹ crore)

S. No.	Year	Estimated Collection under ECC	Part A: Share for Roads, Footpaths, Cycleways etc. @75%	Part A1: Share of Municipalities in Part A @ 63.83%	Part A2: Share of Other Agencies in Part A @ 36.17%	Part B: Share for Public Transport @25%	Part B1: Share for Bus Services @80% of Part B	Part B2: Share for Development of Parking Lots for NMT & E-Rickshaws @20% of Part B
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
1	2016-17	400	300	191	109	100	80	20
2	2017-18	418	314	200	113	105	84	21
3	2018-19	437	328	209	118	109	87	22
4	2019-20	456	342	219	124	114	91	23
5	2020-21	477	358	228	129	119	95	24

Table-6.50: Road Length Maintained by Various Agencies (in Lane Kms), Population and Geographical Area of the Municipalities

Sl. No.	Agency	Road Length	Road Share	Population-2011 Census	Share in population	Area
		Lane km	%	Lakh Persons	%	Sq. kms
1	MCD-East	486	1.44	39.51	23.5	105.98
2	MCD-North	10153	30.11	62.55	37.3	636.37
3	MCD-South	9592	28.44	62.14	37.0	656.91
4	NDMC	1280	3.80	2.6	1.5	42.74
5	DCB	15	0.04	1.1	0.7	42.97
	Total for 5 Municipalities	21526	63.83	167.9	100.	1484.97
6	PWD	7910	23.46			
7	DSIIDC	1434	4.25			
8	DDA	435	1.29			
9	Roads in Unauthorised colonies	840	2.49			
10	Border Security Force	7	0.02			
11	Indian Air Force	7	0.02			
12	Forest Department	56	0.17			
13	Inland Container Depot	12	0.04			
14	Indo Tibetan Border Police	4	0.01			
15	Airports Authority (AAI)	211	0.63			
16	Archaeology Department	16	0.05			
17	Railways	39	0.12			
18	DJB	60	0.18			
19	JJ Colony	69	0.20			
20	DUSIB	283	0.84			
21	I & FC	815	2.42			
	Total- NCT	33724	100	167.9	100.0	1484.97

Source: For road length, Study by DIMTS for the 5th DFC; for population computation Census 2011; and area figures are as reported by the municipalities concerned.

The *inter se* shares of municipalities so determined are given in Table-6.51.

6.377. Part A2 would be handled by the State Transport Department on the lines broadly indicated by us earlier.

6.378. As for Part B2, which is meant for developing and augmenting the parking facilities for non-motorised public transport systems, which will generally be the intermediate public transport systems, such as the cycle-rickshaws, bicycles, e-rickshaws, etc., we recommend population to be the criterion, because such transport modes are used by a vast majority of population on close to personal basis. The *inter se* shares of the municipalities are presented in Table-6.52.

6.379. Thus the Municipalities would get a share in the ECC in both, Part A and Part B.

6.380. We also note that the ECC is being levied only on the basis of a Court order and does not have a specific legislative sanction. There is also a possibility that the Court might itself withdraw this levy. Therefore, we also recommend that if this levy does not become available to the municipalities for

Table-6.51: Projected Annual Allocation for the Municipalities in the Part A1 Component of the Collections from ECC (Meant for roads, footpaths, cycleways & related road furniture)

Road Agency	Road Length	Road Share	Population share	Weighted average of Road Length & Population (50:50)	Annual allocation in the ratio of weighted average (₹ crore)				
Municipality	Lane Kms	%	%	%	2016-17	2017-18	2018-19	2019-20	2020-21
MCD-East	486	2.3	23.5	12.9	25	26	27	28	29
MCD-North	10153	47.2	37.3	42.2	81	84	88	92	96
MCD-South	9592	44.6	37.0	40.8	78	82	85	89	93
NDMC	1280	5.9	1.5	3.7	7.2	7.5	7.8	8.2	8.5
DCB	15	0.1	0.7	0.4	0.7	0.7	0.8	0.8	0.8
Total- 5 Municipalities	21526	100.0	100.0	100.0	191	200	209	219	228

Source: As in Table-6.50.

Table-6.52: Projected Annual Allocation for the Municipalities in the Part B Component of the Collections from ECC (Meant for development of parking lots for NMT & e-rickshaws)

Road Agency	Population share (Census 2011)	Estimated Annual Allocation in the ratio of Population (₹ crore)				
Municipality	%	2016-17	2017-18	2018-19	2019-20	2020-21
MCD-East	23.5	4.7	4.9	5.1	5.4	5.6
MCD-North	37.3	7.5	7.8	8.1	8.5	8.9
MCD-South	37.0	7.4	7.7	8.1	8.4	8.8
NDMC	1.5	0.3	0.3	0.3	0.4	0.4
DCB	0.7	0.1	0.1	0.1	0.1	0.2
Total- All municipalities	100.0	20.0	20.9	21.8	22.8	23.9

any reason, then the state government should provide equivalent amount to the respective municipalities as 'Special (ECC) Grant', to be released in four equal quarterly installments every financial year, in April, July, October and January.

Transit Oriented Development (TOD) Cess along Mass Transit Corridors

6.381. The Ministry of Housing & Urban Affairs had approved the Transit Oriented Development (TOD) Policy for Delhi on 14th July 2015. The objectives of the TOD Policy include low-carbon, high-density, compact, mixed land use, minimising travel time, promoting use of public transport, reducing pollution and congestion, creating more homogeneous neighborhoods, having work places near residences, creating public amenities within walking distances and providing safe environment through redevelopment along MRTS (mass rapid transport system) corridors.

6.382. The TOD Policy provides a significantly higher Floor Area Ratio (FAR) of 400 on the entire amalgamated plot being developed/redeveloped. However, additional FAR may be availed only through transferable development rights (TDR), for schemes larger than one hectare. The TOD policy is to be adopted for development within the influence zone extending up to 500 metres on both sides of MRTS corridors, so that maximum number of people can live, work and find means of recreation within walking/ cycling distance of the MRTS corridors/stations. The TOD zone would comprise approximately 20 per cent of Delhi's overall area. However, TOD will not be applicable in Lutyen's bungalow zone, civil lines bungalows area, monument regulated zone, zone 'O' (around river Yamuna) and low density residential areas.

6.383. The additional developments on account of the TOD policy are expected to add additional load on the existing infrastructure including roads. As an extra option of financing of agencies involved in provision of infrastructure, we recommend introduction of an additional cess to be charged for purchase of FAR in TOD, the proceeds of which should be utilised for maintenance and development of road and its adjunct assets including drainage, street lighting, footpaths and others. We propose the rate of TOD cess as five per cent of the applicable circle rate.

6.384. The total length of MRTS corridors in NCR is 209 km at present and an additional length of 156 km is expected to be operational with phase-3 of the Delhi metro. However, taking out the excluded areas, the total effective length to be considered for TOD development comes out to be 156 km. With an influence zone of 500 metres on each side, the total TOD zone area that can be considered, comes out to be 156.5 sq. km. This area is further classified based on the municipal area in which the metro line is existing or proposed under phase-3.

6.385. For assessing the on-ground impact of TOD, we make the following assumptions:

- Development of built spaces shall occur at 50 per cent of the area available for TOD development. Out of this 50 per cent area, forty per cent shall be utilised for residential purpose, while 60 per cent shall be utilised for commercial purpose.
- The entire FAR increase in TOD area shall take a time period of nearly 10 years, with 10 per cent of total TOD influence zone getting developed annually.
- As a part of road maintenance fund generation process, additional FAR will be sold with a rate of 5 per cent TOD cess imposed by GNCTD at the applicable circle rate.
- Out of the total funds generated from TOD, 20 per cent shall be set apart for road works and remaining could be used by agencies for improving other infrastructure in TOD area.

6.386. Based on the above assumptions, we compute the expected share from the cess on TOD for the three MCDs in each of the years commencing 2018-19 as indicated in Table-6.53.

Table-6.53: Estimated Annual Share for each Municipality from the Cess on TOD for Road Maintenance & Related Activities

Item	Unit	MCD-East	MCD-North	MCD-South	Total-3 MCDs
MRT Line Length for TOD*	Kms	40.1	60.1	56.3	156.5
Annual Cess Receipts (2018-19)**	₹ crore	19.3	30.7	53.9	103.9

* Including Metro Phase-3, but excluding areas exempted from TOD.

** For 2019-20& 2020-21, AGR is assumed @5% (see para 6.389).

6.387. In computing the *inter se* share of the three MCDs, we have given due weight to the distribution of categories (A, B, C, etc.) of colonies and the circle rates for the cost of construction, which led to a relatively higher weight for the MCD-South. As this is a new levy, which we expect the GNCTD to launch effective 1st April 2018, we propose to adopt a modest growth rate of five per cent

6.388. We also note that the Transit Oriented Development (TOD) Cess is yet to be enforced and we are anxious that procedural wrangles might delay the anticipated access to this source of revenue by the municipalities. Therefore, we also recommend that if this levy does not become available to the municipalities to the extent indicated in our assessment for any reason, then the state government should provide the amount equal to the shortfall to the respective municipalities as 'Special (TOD) Grant', to be released in four equal quarterly installments every year, in April, July, October and January.

Land Monetisation

6.389. The major source of revenue for New Delhi Municipal Council is the rental and property tax income from commercial properties. Ministry of Housing & Urban Affairs (MoHUA) converted part of the Moti Bagh residential estate into commercial property by auctioning around four acres of land, wherein now the Leela Palace Hotel stands, and garnered over ₹ 300 crore as one-time revenue for itself and with that money, it redeveloped the New Moti Bagh residential estate with about 500 modern large flats and over 100 bungalows, besides around 500 EWS flats and still saved money. Similar benefits are being derived from yet another project of redevelopment of the residential estate of the MoHUA in East Kidwai Nagar. Such developments not only provide upfront capital receipts of large orders to the estate owners, but also provide a host of other regular streams of revenue such as property tax, stamp/transfer duties, GST/VAT, etc. that never existed from that property before.

6.390. In a similar but more recent development, the NBCC Ltd., on behalf of MoHUA, has auctioned a part of the Naoroji Nagar residential estate and garnered a revenue of as much as ₹ 1,100 crore. The per sq. ft rate of ₹ 38,000 secured through e-action in this process is reportedly higher than the price of office space even in Connaught Place, the heart of the national capital. Such commercial developments would subsequently also fetch huge property tax to the municipality concerned.

6.391. We consider it necessary for the municipalities to redevelop their own residential, commercial and other estates on similar footing, which would generate one-time capital receipts as well as lasting revenue receipts in the form of property tax and rentals, besides transfer duties, etc. For instance, the MoHUA has transferred as many as 39 markets from its Land & Development Office and Directorate of Estates to MCD-North. These include Azad Market, Gaffar Market, Kamla Market, and Timarpur Market, etc. Such markets can be taken up for redevelopment in public-private partnership mode.

6.392. MCD-North has informed in a note dated 13.6.2017 that it has identified ten properties including those located at Azadpur, Model Town, Novelty, Minto Road, Idgah, Mansarovar Garden, Sector-4 Rohini, Pilli Kothi, and Bungalow Road, etc. for such possible redevelopment, which could yield upfront payments of ₹ 1,763 crore, besides ₹ 673 crore as annual recurring income/rent. In addition, it would also create assets equivalent to 2895 Type III flats, 400 Type II flats for its employees and 3440 ECS[27] parking space. It has also identified 15 parking plots for development of 15,472 ECS parking through commercially viable projects.

6.393. Such efforts need to be undertaken by all other municipalities also by learning from each others' experience, as well as by taking technical/procedural guidance from organisations like the NBCC and IL&FS, etc. Such 'Guiding Organisation' could be chosen either for a profit sharing mode or for purely transaction advisory purposes.

Other Non-Tax Revenue Receipts

6.394. Municipalities operate over two dozen non-tax revenue items, as could be seen in Table-6.44 above. Many of these have further sub-classification, as these are regulated under different byelaws. While we have examined the major non-tax revenue items individually in the preceding part of this chapter, we are clubbing the remaining items together for common projection. This has been a complex exercise still, because there are some items, which have a one-time major spurt in receipt. For instance, the Civic Centre was leased out for 99 years by the then MCD, but the lease amount was receivable over eight years, of which only the last instalments were received by the MCD-North. This item was therefore excluded from making projections.

Table-6.54: Revenue Received by the Municipalities from Other Non-Tax items #

(₹ crore)

Sl. No.	Year	MCD/ Combined MCD (4+5+6)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3+7+8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	2012-13	1112.9	106.0	626.9	380.0	1721.6	82.1	2916.7
2	2013-14	1060.9	90.2	647.4	323.3	1851.8	95.3	3008.0
3	2014-15	1307.2	150.9	356.4	799.9	2176.0	93.9	3577.1
4	2015-16	1104.6	141.4	400.2	563.0	2289.6	85.5	3479.7
5	TGR	1.9	14.8	-17.7	23.2	10.7	1.1	7.3
6	TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0	12.0
7	Buoyancy	0.16	1.23	-1.47	1.93	0.89	0.09	0.60
8	2016-17 (RE)	1515.1	216.5	636.4	662.2	2264.3	148.0	3927.3
9	2017-18 (BE)	2113.5	264.9	1161.2	687.4	2352.6	142.5	4608.7

Source: Budget document of the municipalities concerned.
* Trend Growth Rate of GSDP is given for the years for which data have been shown in the Table.
# Other Non-Tax items include all items other than (i) Parking charges/Car Parking charges (ii) One time Parking Charges on Registration of vehicles and (iii) Recovery from Solid Waste Management (SWM).

Projection made by the 5th DFC-

For Projections:(i) Base: 2016-17 (RE) for each of Municipality. (ii) Annual Growth Rate: MCD-East and MCD-North: 20%, MCD-South: 23%, NDMC and DCB: 12%

Sl. No.	Year	MCD/ Combined MCD (4+5+6)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3+7+8)
1	2016-17	1515	217	636	662	2264	148	3927
2	2017-18	1838	260	764	815	2536	166	4540
3	2018-19	2230	312	916	1002	2840	186	5256
4	2019-20	2706	374	1100	1232	3181	208	6095
5	2020-21	3284	449	1320	1516	3563	233	7080

6.395. Additionally, we are examining some new non-tax revenue items such as the user charges on sanitation, in the next chapter, on expenditure of the municipalities. In chapter 9, we are bringing all revenue and expenditure items in one place. With this clarification, we present the data on receipts from the other non-tax items, and propose the projections for the ensuing years. The projections are based primarily on the 2016-17 RE data for the respective municipalities, as we found that the BE data has been at considerable variance from the finally achieved results in most cases. Keeping in view the past performance and the growth potential of respective municipality, we have proposed differential rates of growth for the municipalities for our award period, retaining the 2016-17 projections at par with the RE figures reported in the Budgets for 2017-18. The finally determined figures are indicated in Table-6.54.

6.396. While a large number of other non-tax revenue items have been clubbed together here, many of them offer considerable scope for process reforms, which would lead to betterment of the society in the short and medium run and of the economy of the NCT in the long run. We hope that each municipality would work carefully on each one of them to optimise the returns for itself and for the citizens.

Chapter 7

Expenditure of the Municipalities

Framework for the Analysis

7.1. Municipalities are required to defray expenditure on their obligatory and discretionary functions, as described under their respective Acts. For the purposes of accounting, the expenditure of the MCDs are classified among following 14 major heads of account:

i. General Administration

ii. Licensing

iii. Community Services

iv. Education

v. Medical & Public Heath

vi. Sanitation

vii. Public Works (Engineering)

viii. Veterinary

ix. Horticulture

x. Land & Estate

xi. Exclusive Development Expenses

xii. Maintenance of Resettlement Colonies

xiii. Other Expenditure

xiv. Loan Repayment

The expenditure classification adopted by the NDMC and the DCB are, by and large, similar.

7.2. From out of the above-mentioned 14 heads, we have identified four, namely, Primary Education, Sanitation, Medical Relief & Public Healthcare and Roads & Drainage, which are functionally most critical for the municipalities. We have analysed these four sectors in greater details. The data sources utilised for the analysis of the expenditure of the municipalities in this chapter are, by and large, the same as those that have been mentioned in the preceding chapter on revenue resources of the municipalities.

7.3. Our terms of reference (TOR) expect us, and rightly so, to analyse the financial data series of past 10 to 15 years. We could do that for the state's finances. However, in respect of the MCDs, we could not do so, because the MCD was trifurcated only during 2012-13. Still, we tried to consolidate the information relating to the three MCDs to develop a longer time series. However, that turned out to be a theoretical exercise, because each of the three MCDs operates quite independent of each other and there is not much advantage in consolidating the figures of the three MCDs. Still, wherever the consolidation of the data relating to the three MCDs could give some useful insights, we have done so.

Share of Various Heads of Expenditure

7.4. We started off with identifying the relative share of the various heads of expenditure of the municipalities. In doing so, we realised that the municipalities do not, in general, carefully maintain accounts in revenue and capital classification, mainly because their expenditure is largely on maintenance activities and they, particularly the MCD-East and the MCD-North, are perpetually in arrears of clearing pending bills and hence they rarely keep account of expenditure in terms of Plan/non-Plan or revenue/ capital. In addition, we also noticed that there are very significant year-on-year variations in the annual growth rate of the expenditure under different heads within the same municipality. This happens owing to pendency of bills/dues of a year that are discharged in the subsequent years and that too, in installments. Though this problem is not serious in case of the NDMC and DCB, we could not adopt a different framework for analysing the information for different municipalities. Therefore, we have taken the total of four years of the MCDs, for which the accounts have been finalised, that is, FY 2012-13 to FY 2015-16, to work out the share of each expenditure head in the total expenditure for each MCD. We have followed the same pattern for the NDMC and the DCB also, for the sake of uniformity. The results are presented in Table-7.1.

7.5. It is apparent that, for the MCDs, sanitation is the single largest item of expenditure accounting for 20-25 per cent of their total expenditure. This is followed by education, public works (including roads), general administration and medical & public health. These five heads account for around 80-85 per cent of the total expenditure of the MCDs. For the NDMC, electricity & water supply and general administration and for the DCB, investment (usually in bank fixed deposits) account for the majority of their expenditure. We now examine the expenditure trends under different heads/sectors.

Table-7.1: Share of Expenditure of the Municipalities under various Heads during 2012-2016

Sl. No.	Item	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total (3 to 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total Ex penditure (₹ crore)	6752	14694	12997	10689	3831	48962
Of which, share of various items of Expenditure, in percentage-							
1	General Administration	12.5	10.0	12.0	26.1	0.4	13.6
2	Licensing	0.1	0.1	0.04	0.02	–	0.04
3	Community Services	1.7	2.2	–	–	–	0.89
4	Education	21.9	19.0	18.8	5.1	1.2	14.9
5	Medical & Public Heath	9.4	15.5	5.6	3.8	1.4	8.4
6	Sanitation	25.6	20.8	21.2	3.6	2.6	16.4
7	Public Works (Engineering)	18.2	18.2	22.5	4.4	5.1	15.3
8	Veterinary	0.3	0.4	0.4	0.1	–	0.3
9	Horticulture	2.4	3.0	3.8	2.9	1.0	3.0
10	Land & Estate	0.3	0.2	0.11	1.0	–	0.3
11	Exclusive Development Expenses	1.1	2.6	6.8	–	–	2.7
12	Loan repayment	5.3	6.0	7.7	–	–	4.6
13	Resettlement colonies	1.3	2.1	1.0	–	–	1.1
14	Other Expenditure*	–	–	–	53.1	88.3	18.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Municipalities concerned (August 2017).
* Other expenditure includes, in case of DCB: Collection of Revenue, Public Safety and Convenience, Water Supply, Epidemics, Public Institution, Contribution of General Purposes, Pension Gratuities, Annuities, Extraordinary Debt, Miscellaneous; and, in case of NDMC: investment made by NDMC.

Primary Education

Legal framework for access to elementary education

7.6. Elementary education[1] is now a fundamental right, under Article 21A of the Constitution, which states: "The State shall provide free and compulsory education to all children of the age of six to fourteen years in such manner as the State may, by law, determine."[2] Accordingly, the Parliament enacted "The Right of Children to Free and Compulsory Education (RTE) Act 2009" on 4th August 2009. India became one of 135 countries to make education a fundamental right of every child when the Act came into force on 1st April 2010.

7.6A. The constitutional intent and the spirit of the RTE Act have been adopted by the Government of Delhi, as may be seen in the Budget speeches for 2017-18 and earlier years, supported by adequate budgetary provisions at various levels of the government. The flow of Plan assistance to the municipalities from the GNCTD for education has also increased.

7.7. We are also convinced that the spirit and letters of the Constitution and the RTE Act need our serious consideration and support to not only universalise elementary education, but also make it freely accessible and high in quality. We expect the municipalities to rise to the occasion by ensuring that the schools run by them give the best possible learnings to the pupils.

7.8. Delivery of primary education is one of the obligatory functions of the municipalities. This is detailed under Section 42(r) of the DMC Act 1957 as "the establishment, maintenance of, and aid to, schools for primary educations subject to such grants as may be determined by the Government from time to time" Similar provisions exist in the NDMC Act 1994 (Section 11). Additionally, the discretionary functions for the NDMC and the MCDs include "the furtherance of education including cultural and physical education, by measures other than the establishment and maintenance of, and aid to, schools for primary education". For the DCB, the "establishing and maintaining or assisting primary schools" is an obligatory function under Section 62(xiv) of the Cantonments Act 2006. Besides, the Act also provides for certain education related discretionary functions for the DCB.

Status of Primary Education in Delhi

7.9. To analyse the status of primary education in Delhi, we have adopted a two-step approach. First, we have compared Delhi with All India situation and thereafter, the role of different agencies handling primary education in Delhi. For these two stages, we had to obtain the core data from different sources, namely, the Ministry of HRD (GOI), the GNCTD and the municipalities. As it happened, we observed some mismatch between these different sets of data, which, luckily, was not significant enough to disturb our analysis.

7.10. For comparing the status of education related parameters in Delhi w.r.t. the all-India position, we examined the report of the annual survey under the Unified District Information System for Education (U-DISE) Programme of the MoHRD for 2015-16 The U-DISE had covered 5,755 schools in Delhi and 8,40,546 schools all over India. Of these, 47.9 per cent were only lower primary schools, 15.7 per cent were primary schools with upper primary schools, and 19.7 per cent were integrated schools, that is, primary schools with upper primary and secondary classes. This made the comparison a bit uncertain, but we still proceeded with it, for lack of a better and feasible option. The main conclusions for the status of Delhi vis-à-vis all India, as reflected in U-DISE (2015-16) are presented in Box-7.1.

7.11. The information in Box-7.1 suggests that in terms of educational indicators, such as gross enrolment ratio, pupil-teacher ratio and infrastructure in the primary schools, Delhi compares, by and large, favourably with the all-India average. However, in

[1] The term 'elementary education' includes the primary and the upper primary levels.
[2] Article 21A was inserted vice the 86th Amendment to the Constitution in December 2002.

Box-7.1: Comparison of Indicators for Primary Education for Delhi with All India, As per U-DISE (2015-16)

- Of the 5,755 schools in Delhi, 30.6% were managed by the Local Bodies, 17.5% by the state government, 46.4% are private unaided and 4.4% are private aided and the remaining by others.
- Of the total 42.15 lakh students enrolled in classes I to XII, 35.4% were enrolled in state government schools, 20.1% in local body schools, 37.7% in private unaided schools and the rest 6.8%, in others (private aided, Central government, etc.).
- Among all states and UTs, the ratio of schools (all types put together) managed by the local bodies, was highest in Andhra Pradesh (64.9%), followed by Gujarat (62.7%), Maharashtra (61.9%), Telangana (56.8%) and Tamil Nadu (51.3%), followed by Delhi (30.6%).
- Of the total 5,755 schools in Delhi, 66.2% were co-educational schools, 16.2% for girls only and 17.7% for boys only.
- All (100%) schools of all types in Delhi were having drinking water facility, while the all-India average was 96.81%.
- All (100%) schools in Delhi were having toilet facility for girls, while the all-India average was 97%.
- 83.3% of the primary schools in Delhi had playground, while the all India average was 54.1% and in this respect, the best in India was Punjab (97.1%).
- 83.7% of only primary schools in Delhi had conducted medical checkup for pupils during 2014-15, while the all-India average was 66% and 11states and UTs had this ratio as over 90%.
- 97% of the only primary schools in Delhi had library facility, while the all-India average was 79.6% 54.1% and 21 States and UTs had this ratio as over 90%
- Percentage of only primary schools having computers was 80.2% in Delhi, while better-placed states/UTs were Lakshadweep (100%), Puducherry (99.3%), and Kerala (90.9%), all-India average being 10.4%.
- All only primary schools in Delhi were having buildings, whereas the all-India average was 98.7%
- In regard to the condition of classrooms, 92% of the elementary schools in Delhi were in good condition, while the remaining required minor or major repairs. All-India average was 81.8%.
- Average student-classroom ratio at elementary level in Delhi was 38 against all-India ratio of 27.
- Delhi was one of those States/UTs where enrolment in Class I, being 1.81 lakhs for boys and 1.63 lakhs for girls, was less than that for Class V, being 2.22 lakhs for boys and 1.87. Other States/UTs showing this trend were, Andhra Pradesh, Chandigarh, Chhattisgarh, Gujarat, Haryana, Odisha, Tamil Nadu, and Tripura.
- Transition rate for primary to upper primary (2014-15) was 94.6% for all (93.1% for boys and 96.3% for girls). Corresponding ratios for all-India were 90.1% for all, 89.8% for boys and 90.5% for girls.
- Total pupil enrolment in primary schools in Delhi was 18.87 lakhs (10.07 lakh boys, 8.80 lakh girls), compared to all-India total of 1291.23 lakh (668.73 lakh boys, 622.50 lakhs girls). Thus boys-to-girls ratio was 114:100 in Delhi and 101:100 for all-India.
- Gross enrolment ratio for primary was 110.7 (108.0 for boys and 113.9 for girls) in 2015-16. All-India ratio was 99.21 for all, 97.9 for boys and 100.7 for girls).
- Net enrolment ratio for primary was 93.4 (91.1 for boys and 96.2 for girls) in 2015-16. All-India ratio was 87.3 for all, 86.0 for boys and 88.8 for girls).
- Dropout rate for primary (2014-15) was nil/negative for both boys and girls in Delhi, while for all-India, it was 4.4% and 3.9%, respectively.
- All (100%) teachers in primary schools in Delhi were professionally trained teachers, while for all-India, it was 75.5%.
- Pupil-teacher ratio for primary only schools is 24 for Delhi and 23, for all-India in 2015-16.

certain respects, Delhi compares rather unfavourably with all-India. For instance, in pupil enrolment at primary level, the boys-to-girls ratio for Delhi (114) was much higher than the all-India level (101). The pupil-teacher ratio at primary level in Delhi being 24, was slightly higher than the all-India ratio of 23.

7.12. We have also secured information regarding the number of schools, pupils and teachers relating to primary education in Delhi for 2016-17 from the municipalities and the state education department, which is presented in the Table-7.2.

7.13. We note many interesting inferences that could be drawn from the above Box-7.1 and Table-7.2, such as:

- The three MCDs put together had 33 per cent of the total number of schools having primary classes in the NCT, though the share of the three MCDs in the total number of pupils was 39.5 per cent.

Table-7.2: Status of Primary Education in the NCT of Delhi during 2016-17*

S.No.	Agency	No. of Schools having Primary classes	No. of Teachers	No. of Students / Pupil			Pupil-Teacher Ratio
				Boys	Girls	Total	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(1)*	*(2)*
1	MCD-North	715 (14.2)	8365 (15.6)	146871 (49.5)	150051 (50.5)	296922 (16.6)	35.5
2	MCD - South	581 (11.6)	6307 (11.7)	120039 (48.1)	129620 (51.9)	249659 (13.9)	39.6
3	MCD - East	365 (7.3)	4739 (8.8)	82674 (51.3)	78605 (48.7)	161279 (9.0)	34.0
4	Total -MCD	1661 (33.0)	19411 (36.1)	349584 (49.4)	358276 (50.6)	707860 (39.5)	36.5
5	NDMC	48 (0.95)	495 (0.9)	6235 (53.5)	5417 (46.5)	11652 (0.7)	23.5
6	DCB	6 (0.12)	78 (0.14)	983 (55.8)	777 (44.2)	1760 (0.1)	22.6
7	All Local Bodies	1715 (34.1)	19984 (37.1)	356802 (49.5)	364470 (50.5)	721272 (40.2)	36.1
8	GNCTD	436 (8.7)	4102 (7.6)	52946 (44.3)	66702 (55.7)	119648 (6.7)	29.2
9	Private (aided)	162 (3.2)	967 (1.8)	21589 (46.3)	25045 (53.7)	46634 (2.6)	48.2
10	Private (unaided)	2662 (52.9)	27395 (50.9)	501963 (58.6)	355404 (41.4)	857367 (47.8)	31.3
11	Total-Private	2824 (56.2)	28362 (52.7)	523552 (57.9)	380449 (42.1)	904001 (50.4)	31.9
12	Others**	52 (1.0)	1346 (2.5)	27580 (57.5)	20385 (42.5)	47965 (2.7)	33.7
13	NCT of Delhi	5027 (100)	53794 (100)	960880 (53.6)	832006 (46.4)	1792886 (100)	34.3

Note: *Figures in parentheses in Col. 3, 4 &7 indicate share in the NCT, and in Col. 5&6, *inter se* ratio between boys and girls.
**Others include Kendriya Vidyalaya, Jawahar Navodaya Vidyalaya, Jamia Millia Islamia, etc.
Source: Department of Education GNCTD and the Municipalities.

- Private unaided schools were, as a category, the single largest agency for having schools with primary classes, accounting for as much as 52.9 per cent of the total such schools.
- Only 3.2 per cent of all such schools were in the category of 'Aided' schools.
- Ratio of enrolment between girls and boys was above 50 per cent in respect of state government schools (55.7%), private aided (53.7%), MCD-South (51.9%) and MCD-North (50.5%). In respect of the other categories of management, the ratio for boys was higher, being the highest in case of private unaided schools (58.6%).
- The three MCDs accounted for 36.1 per cent of the population of the teachers and 36.5 per cent of the pupils.
- The pupil-teacher ratio was lowest in case of DCB (22.6), followed by NDMC (23.5), and highest in case of private aided (48.2) and MCD-South (39.6), whereas the ratio expected under the Sarva Shiksha Abhiyan stood at 40 as the upper limit.

7.14. Thus, the unaided schools and the municipalities turn out to be largest participants in providing primary education in the NCT.

Analysis by the Earlier DFCs

7.15. Delivery of primary education by the municipalities had received considerable attention of the earlier DFCs. The First DFC had recommended a basic annual fiscal transfer of 9.5 per cent of GNCTD's tax revenue to MCD and NDMC, including grants for primary education. The GNCTD modified it to break this into two parts, that is, a basic tax assignment of 5.5 per cent and a non-Plan grant component of four per cent. The non-Plan grant was largely for reimbursement of expenditure on primary education limited to 60 per cent of the net expenditure of the MCD and 66 per cent of the net expenditure in case of the NDMC and the DCB.

7.16. The Second DFC raised the non-Plan grant component to five per cent and also raised the ratio of reimbursement of expenditure on primary education to 70 per cent in case of MCD, observing that primary education was a fundamental right and Delhi being the national capital, MCD needed to be encouraged to incur expenditure required for this purpose. It retained the imbursement ratio of 66 per cent for NDMC and DCB. The Second DFC had also recommended that an amount of five per cent of the funds devolved should be utilised for maintenance of the school buildings.

7.17. The Third DFC highlighted the role of government in elementary education in the wake of the 93rd Constitutional Amendment that had made education a fundamental right for children in age group 6 to 14. It also observed that Delhi was lagging behind many other states in respect of indicators such as literacy rate, enrolment and drop out ratios, etc. It also observed that the government and municipalities in the NCT needed to re-orient policies to emphasise quality in education. It also suggested per capita education grant to meet primary education expenditure based on pre-determined state norms. It noted that the total expenditure under the general education sector during the period from 1994-1995 to 2005-2006 was 6.73 per cent of the total Plan expenditure and 2.77 per cent of the total expenditure (Plan + non-Plan). It also noted that the per capita Plan expenditure under the general education sector has been in the range of ₹ 87.59 (1994-1995) to ₹ 202.56 (2004-2005).

7.18. In making its award, the Third DFC retained the ratios of reimbursement recommended by the Second DFC. However, it also proposed that obligatory functions involving the provision of primary education and primary health should be reviewed for an assessment of actual ground level conditions and with a view to determining teacher absenteeism, strength of students, availability of basic facilities in schools, etc. It also suggested for encouraging the use of IT in educational institutions so as to improve skills, knowledge and job prospects.

7.19. The Fourth DFC observed that the state government must provide 100% grant-in-aid to the municipalities for providing education, being statutory in nature. It also recommended that the government should introduce a Plan scheme for developing primary school related infrastructure, with an annual provision of ₹ 200 crore on matching contribution basis. It also recommended that the Grant-in-Aid to Local Bodies within the Union Territory of Delhi Rules, 1990 be repealed, being repugnant to the provisions of municipal laws, since these guidelines did not provide for full reimbursement of expenditure incurred by the municipalities. It recommended promulgation of new rules to provide for full reimbursement of expenses incurred by the municipalities on establishment of schools including the cost of land, cost of construction of school buildings and school furniture as also the recurring expenditure incurred on teaching and the administrative staff, educational aids and related consumables.

Views of the State Education Department

7.20. We had requested the State Education Department to offer their views on the various issues contained in our TOR, which include the roles and responsibilities of municipalities that cover primary education as one of their obligatory functions. In response, we received a note from the Education Secretary on 22nd December 2016. However, the note merely narrated the status of educational services being rendered by the state government and the local bodies in Delhi and the Plan grants released to the municipalities, but without any views on any of the issues. We have also not received the memorandum from the Urban Development, Education and Finance Departments. As a result, we could not have the benefit of the views of the state government on this important item of our TOR.

Memoranda of the Municipalities

7.21. Each of the five Municipalities has deliberated on the requirements relating to the primary education sector. MCD-East has stated that the literacy rate in East Delhi was lower than other parts of Delhi. The requirement to increase the primary education facilities and infrastructure keeping in view that the percentage of children below the age of six is the highest in this area, who need to be provided with primary education in coming years. MCD-East has provided the statistics in the form of two tables, which are reproduced as Tables- 7.3 & 7.4.

7.22. MCD-East has contended that adequate facilities have to be made available not only to the present school going children, but also to the below six year children, who would be joining the primary schools shortly. The share of such children in the population being higher in case of MCD-East vis-à-vis other municipalities, would call for higher allocation for MCD-East in the Education Grants.

7.23. MCD-East has also stated that it has started an "In-Service Teacher's Training Institute" with Tech Mahindra Foundation. This institute also has teacher's helpline for assisting the teachers in their problems through toll-free number. It has stated that even though physical education and mid-day meal are listed under

Table-7.3: Literacy Rate in the Municipalities

Sl. No.	Municipality	Total Population	Literate	Literacy rate
1	MCD-East	3943789	2958908	75.03%
2	MCD-North	6254873	4682816	74.87%
3	MCD-South	6213944	4790859	77.10%
4	DCB	110351	87721	79.49%
5	NDMC	257803	211785	82.15%

Source: Memorandum of MCD-East.

Table-7.4: Population below age group 6 in the areas of the Municipalities

Sl. No.	Municipality	Total Population	Population below age group 6	Share in Total Population (%)
1	MCD-East	3943789	495483	12.56
2	MCD-North	6254873	747953	11.96
3	MCD-South	6213944	733474	11.80
4	DCB	110351	12686	11.50
5	NDMC	257803	22037	8.55

the DMC Act as discretionary functions of the MCD, these are also being handled by the state government, leading to duplication of efforts.

7.24. MCD-East has also stated that it has 365 primary schools, three nursery schools and 11 aided schools. There are 230 school buildings and the schools are run in shifts. A total of 2,04,873 children are enrolled in primary school (1,24,315 boys & 80,558 girls). The number of students in aided schools is 2,752 (1628 boys, 1124 girls), while 9,130 kids are enrolled in nursery schools out of which 5,223 are girls. The current teacher-student ratio is 1:41.

7.25. MCD-East has also stated that the DFC grants for primary education received by the MCD-East have been ₹ 217.96 crore in 2012-13, increasing gradually to ₹ 267.09 crore in 2016-17. In addition, grants for maintenance of school buildings ranged from ₹8.54 crore to ₹ 11.94 crore during the said period. It has also reported the actual expenditure figures for primary education have been at a higher level, being, for example, ₹ 310.97 crore in 2015-16. It has stated that the proposals for levy of professions tax, education cess, and betterment tax were turned down by the deliberative wing every time it was proposed.

7.26. MCD-North has stated that it has 737 primary, 16 nursery and 23 aided schools. Besides, there are 165 schools recognised by the Corporation. There are 3.60 lakh students and 8,130 teachers in MCD-North, which imparts free education to the children in age group 5 to 11 years. Free mid-day meals, textbooks and uniforms are also provided to the children. The MCD-North is ensuring access to education for all children under the Right to Education Act. Infrastructure pertaining to schools are developed based on grants from GNCTD.

7.27. MCD-North has further stated that after implementation of the First DFC recommendations, the norms for release of grant-in-aid for educational purpose had been limited to 60 per cent of actual expenditure incurred by MCD/NDMC. The Second DFC raised the same to 70 per cent. This was to be within the overall ceiling of five per cent of tax revenues of GNCTD, which formed the non-Plan grant. This system continued after recommendations of Third DFC also. The Fourth DFC recommended for 100 per cent grant-in-aid to municipalities on account of providing education, being statutory in nature. The Fourth DFC had also recommended for establishment of separate funds for education, special development, road development and maintenance, public amenities development and for promotion of preventive health care.

7.28. MCD-North has stated that its expenditure on education was ₹ 456 crore in 2012-13 and it rose to ₹ 631 crore in 2015-16. It has presented data comparing the actual amount received as grant-in-aid for education and for maintenance of school buildings and the actual expenditure incurred under education, as in Table-7.5.

7.29. MCD- North has also stated that they have spent an average of Rs 84 crore per year over the last four years on education and has submitted that the same should have been fully reimbursed by GNCTD on account of the following:

a) The substantial gap between the overall expenditure and income of MCD-North,

Table- 7.5: Comparison of Grants-in-Aid Received for Education with Actual Expenditure Incurred by MCD-North

(₹ crore)

Item	2012-13	2013-14	2014-15	2015-16
Expenditure on Education	456	592	536	631
Grants-in-aid received from GNCTD for Education including for maintenance of school buildings	428	471	484	497
Amount met by MCD-North from own resources	28	121	52	134

Source: Memorandum of MCD-North.

which made provision of such resources difficult.

b) The obligations of the State under Right to Education.

c) The Fourth DFC had also recommended re-imbursement for full expenditure for primary education to the MCD.

7.30. MCD-North has also stated that while the Fourth DFC had recommended that besides the devolution @ 12.5 per cent of gross taxes and duties, the entire expenditure being incurred on education by the municipalities should be reimbursed to them as grant-in-aid, being a statutory function, the MCD-North has proposed that a simple flat devolution @ 12.5% per cent of gross taxes and duties will suffice. The additional financial liability to GNCTD for dividing the gross tax collections instead of net tax collections will be offset completely if no additional grant-in-aid for providing primary education is given to the municipalities.

7.31. MCD-North has also stated that in addition to the DFC Award Grants, GNCTD had also been releasing Plan grants, which for education sector was ₹ 131.32 crore in 2012-13 and rose to ₹ 145.26 crore in 2015-16 and now that the Plan, non-Plan distinction has been done away with, the scheme of devolution would undergo a paradigm shift.

7.32. MCD-South has stated that it provides primary education, which is an obligatory function, to the needy through 592 schools. Consequent upon abolition of all the panchayati raj institutions in Delhi, the function of providing the civic services, including primary education, to the citizens in these geographical areas has been assigned to the municipalities. While revenue generation from these villages has remained nil, no specific grant has been provided by the government to cater to the required services for these villages. For providing more effective services in these areas, additional financial assistance from the government is needed.

7.33. MCD-South has provided details of non-Plan grants received by it under various heads from GNCTD during the award periods of the First DFC onwards for the erstwhile MCD and later, for MCD-South. The non-Plan grants received by it for primary education was ₹ 313.94 crore in 2012-13 and rose to ₹ 420.48 crore in 2016-17, while the Plan grants changed from ₹ 144.12 crore to ₹ 110.60 crore during this period. Its expenditure on the primary education comprising Plan and non-Plan was ₹526.23 crore in 2014-15, and rose to ₹ 727.04 crore in 2016-17, which amounted to 19.95 per cent and 17.85 per cent, respectively, of the total expenditure on all accounts.

7.34. MCD-South has also stated that the Fourth DFC had observed that the statutory grant-in-aid to the municipalities for providing primary education is determined under the administrative 'Guidelines/ Pattern of Assistance/Norms of Grant in aid to Local Bodies within the Union Territory of Delhi Rules, 1990'. These rules are bad in law, *first,* because these do not appear to have been enforced by authority empowered to do so; *secondly*, because providing primary education is not a primary function of the municipalities as per 12th Schedule of the Constitution; *thirdly*, because the government, by limiting the entitlement to few of the several items of expenses which are required to be incurred for providing quality education has accentuated the decline in the standard of education; and *finally*, these rules merely aim at reducing the liability of the government without justification. It has stated that the Fourth DFC had recommended for 100 per cent imbursement of expenditure incurred by the municipalities on primary education.

7.35. MCD-South has also stated that it proposes to take up the construction of new schools in certain segments as well as additional class rooms, toilet blocks and upgrade the laboratories and other infrastructure, which are in the nature of consumables or non-consumables but life span is restricted to around two to three years. It has to fill the vacancies of teachers and other cadres to improve the educational facilities with more focus on "beti padhao". However, the Corporation is not in a position to take up several such projects as the expenses are not reimbursed fully by the GNCTD, rendering the Corporation to defer certain projects.

7.36. NDMC has stated that Primary Education is an obligatory function of the Council under Section 11(r) of the NDMC Act, 1994. It has also stated that it receives direct transfers from the GNCTD in the form of devolution of funds as per the formula prescribed by the Delhi Finance Commission, which includes, *inter alia*, partial reimbursement of expenditure on primary and secondary education. The expenditure by NDMC on primary education, yoga and Swatch Bharat Mission is increasing year after year. It was ₹ 105.41 crore in 2009-10 (RE), and ₹ 196.16 crore in 2016-17 (RE), of which the establishment expenses constituted 55-60 per cent. NDMC has been spending significant sums on the maintenance of capital assets, which are more than five per cent of the total devolution of funds to NDMC.

7.37. DCB has stated that it operates eight schools including six senior secondary schools, one secondary school and one school for special children. The number of students is 4,524 and of teachers, 176. Seven schools have been equipped with smart classrooms and every school has got a computer lab. The expenditure on education was ₹ 11.40 crore in 2013-14 and ₹ 12.88 crore in 2015-16, which amount to about 10 per cent of the total expenditure of the DCB. Its school for special children (Kripa) is very popular and has 126 children, with another 50 in the wait list, wherefore the DCB is undertaking expansion of the school.

Sarva Shiksha Abhiyan

7.38. The Sarva Shiksha Abhiyan (SSA) Mission of the GOI provides an excellent structure for analysing the current status of the educational system prevalent in the state and at sub-state levels and preparation of action plans to achieve the goal of universalisation of elementary education. In fact, SSA is the foundation for the success of many other programmes such as the Skill India and Digital India. SSA involves preparation of state and district profile and situation analysis, leading to preparation of state and district plans.

7.39. Unfortunately, the SSA has adopted the geographical framework of state-district, which is not very relevant for the NCT, because NCT requires the framework of state-municipality, as primary education is the obligatory function of the municipalities and there are no panchayats in the NCT. Our impression is that this skewed structural orientation of SSA, which focuses on district level planning ignoring municipality level planning, has impeded the achievements of the SSA objectives.

7.40. One reflection of the structural weakness of the current arrangements is the portal of the Department of Education, GNCTD, wherein the page titled "Status of Education and Major Achievements-A Quick Report" displays the status of education up to 2008[3], which leads to two conclusions. One is that the State Education Department does not update the information about the status of education in Delhi for eight to ten years, which is not correct. Second, the data does not report the status of schools on parameters identified under SSA for the schools owned by different agencies, like the private schools and municipal schools. The State Education Department should update their portal and display information on critical parameters of schools in different categories along with the Sarva Shiksha Abhiyan standards.

7.41. It is high time for the state government to accord to the municipalities the leader status in various missions, especially in the areas that are the obligatory functions of the municipalities. This is particularly required for the Sarva Shiksha Abhiyan in the NCT, where municipalities are the only local governments.

Planning for Primary Education at Ward levels

7.42. The Sarva Shiksha Abhiyan (SSA) has prescribed certain standards/norms for various aspects of the primary education sector, including the pupil-teacher ratio and scale of expenditure, etc. Some of the

[3] As accessed on 1.8.2017.

Box-7.2: Norms/Standards under the Sarva Shiksha Abhiyan (SSA)

- Pupil-Teacher Ratio (PTR): One teacher for every 40 children in primary and upper primary. A minimum of two teachers for primary schools and one teacher for every class in the upper primary schools.
- Of the three teachers sanctioned under SSA for every new upper primary school, one each will need to be a teacher with mathematics and science specific educational background.
- The maximum number of upper primary teachers would depend on the strength of upper primary sections and would not be guided by the provision of one teacher for every 40 children.
- PTR to be calculated based on the enrolment of students and sanctioned strength of teachers.
- At least 50% of the new teachers appointed should be women.
- New primary schools would be opened only in those areas, which do not have any school within one km of every habitation.
- Classrooms: A room for every teacher or for every grade/class, whichever is lower in primary & upper primary, with the provision that there would be two classrooms with verandah to every primary school with at least two teachers.
- Free textbooks: will be provided to all children of Government schools; Local Body Schools, and Government aided schools/Madarsas.
- Indicative cost ceiling for free textbooks, etc.: ₹ 150 per child at primary level and ₹ 250 per child at upper primary level.
- Maintenance grant: Schools with up to three classrooms will be eligible for maintenance grant up to a maximum of ₹ 5,000 per school per year, while schools having more than three classrooms would get a maintenance grant up to a maximum of ₹ 10,000 per school per year, subject to the condition that the overall eligibility for the district would be ₹ 7,500 per school per year.
- Grant will be available also to those government schools in urban areas, which are running in rented buildings.
- States would first have to put in place a decentralised system of technical and financial assessment and approvals for the major repair tasks.
- Teacher Learning Equipment (TLE) provided @ ₹ 20,000 per new primary/up-graded primary schools and @₹ 50,000 per new upper primary/upgraded upper primary schools.
- School Grant @₹ 5,000 per year per primary school and ₹ 7,000 per year per upper primary schools for replacement of non-functional school equipment and for other recurring costs such as consumables, Library books, etc. The amount for upper primary school will include items for science laboratories and computer education requirements. Primary schools and upper primary schools would be treated as separate schools for the purpose of school grant even if they are functioning from the same premises. Teacher grant @ ₹ 500 per teacher per year.
- Teacher training: Provision of up to 10 days in-service training for all teachers each year, at Block Resource Centre level and above, @ ₹100 per teacher per day.

core SSA standards are described in the Box-7.2.

7.43. We would recommend each municipality to prepare primary education plans for each zone and ward, to achieve the standards described in the Sarva Shiksha Abhiyan. The output standards for each school, ward, zone and municipality should also be defined by the GNCTD and measured at least annually through self-reporting and selective independent evaluation.

Database for School Education

7.44. We attempted to analyse the quality of the education being imparted in the MCD schools, to compare the same with the state government and private sector schools. Unfortunately, we could get only limited statistical information for the MCD schools vis-à-vis state government and private sector schools, which we have presented in Table-7.2. We expect the State Education Department to maintain such comparative information and its dissemination system, as they conduct annual survey under the Unified District Information System for Education (U-DISE) Programme. The U-DISE data are being compiled in terms of revenue districts, whereas in Delhi, the municipalities are playing a major role in primary education sector. GNCTD should modify the format of compilation of the educational surveys, including under the U-DISE, to enable compilation of data for the municipalities as well.

7.45. We also came to learn from the Mayor and the Commissioner of MCD-South about the significant improvements being brought out in the pre-primary and primary schools through public-private partnership. All municipalities should initiate efforts to involve non-government organisations for improvement of the quality and performance of the schools, on the lines of the successful initiatives of MCD-South.

7.46. State government should develop arrangements for periodic (quarterly) collection of core educational statistics for schools being operated by MCDs, state government and private sector, etc. and make a comparative analysis for identifying the strength and weaknesses of the MCD schools. The education department of the state government should act as a handholding guide for the municipalities in school education.

Analysis of Expenditure Incurred by the Municipalities

7.47. The expenditure of the municipalities under education covers five major items, namely, primary education, aids to schools, physical education, mid-day meal, and uniforms & scholarships. The concern that the three MCDs differ significantly in their needs and resources, led us to focus on their individual data. In Table-7.6, the expenditure of municipalities on education (Plan + non-Plan) from 2012-13 onwards is presented along with the per capita figures and share of education in the total expenditure of the municipalities. The BE figures for 2017-18 are to be discounted, because, as seen often, the BE figures are usually quite unrealistic and, in several instances, even the RE figures are very significantly different from the finally arrived actual/accounts figures. This is a general problem with the MCDs and needs attention.

Share of education in the total expenditure of the municipalities

7.47A. Part-C of Table-7.6 indicates that education accounts for about 20 per cent of the total expenditure of the MCDs, but only about five per cent in respect of NDMC and 10 per cent, in case of DCB. The very low figure for NDMC can be explained as owing to the functions relating to electricity supply and such other functions, which the MCDs are not performing. DCB shows investments in bank deposits as expenditure, which leads to lower ratio for other items including education.

Growth rate for expenditure on education

7.48. The annual rate of growth of the expenditure on education during 2012-13 to 2015-16 shows very high fluctuations in respect of all municipalities. This is not a desirable situation and requires close examination by the municipalities as also by the state government.

Per capita expenditure on education

7.49. For computing the per capita expenditure, we had to use the figures for overall population for Census 2011 as a proxy for the population of children in the primary schooling age, as the figures for the population in different age groups for the MCDs have not been published so far. In terms of per capita expenditure, measured as average for 2012-2016, NDMC with ₹ 5,293, is far ahead of other municipalities, as the average for the three MCDs put together is ₹ 1,022. Among the MCDs, there is variation, ₹ 1,113 for MCD-North, ₹ 984 for MCD-South and ₹ 935 for MCD-East.

Table-7.6: Expenditure of Municipalities on Education (Plan + Non-Plan)- Its share in Total Expenditure & Per Capita: from 2012-13 to 2017-18 (BE)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North *	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
A. Total Expenditure on Education by Municipalities (₹ crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2012-13	1441	311	606	524	118	9	1568
2013-14	1708	367	746	595	119	12	1839
AGR	18.5	18.0	23.1	13.5	0.6	35.5	17.3
2014-15	1710	402	661	647	154	12	1876
AGR	0.1	9.4	-11.3	8.8	29.8	-3.6	2.0
2015-16	1849	396	772	681	155	14	2018
AGR	8.1	-1.4	16.7	5.3	0.7	16.5	7.5
TGR	7.8	8.5	6.2	9.1	11.4	13.0	8.1
2016-17 (RE)#	2798	930	1017	851	196	15	3009
AGR	51.3	134.6	31.9	24.9	26.3	6.7	49.1
2017-18 (BE)	3187	995	1163	1029	207	27	3422
AGR	13.9	7.0	14.3	21.0	5.7	85.1	13.7
Population 2011 (in crore)	1.64	0.40	0.63	0.62	0.026	0.011	1.68
B. Total Expenditure of Municipalities under all Heads							
2012-13	7842	1408	3434	2999	2094	117	10053
2013-14	8823	1580	3950	3293	2628	134	11585
AGR	12.5	12.2	15.0	9.8	25.5	15.2	15.2
2014-15	9029	1957	3786	3286	3041	113	12184
AGR	2.3	23.9	-4.1	-0.2	15.7	-15.6	5.2
2015-16	8749	1807	3523	3418	2926	156	11831
AGR	-3.1	-7.6	-7.0	4.0	-3.8	37.7	-2.9
TGR	3.6	10.1	0.3	4.0	12.2	7.3	5.5
2016-17 (RE)	14152	3995	5550	4607	3296	231	17679
AGR	61.8	121.0	57.5	34.8	12.7	47.7	49.4
2017-18 (BE)	17811	4322	8390	5099	3622	317	21750
AGR	25.9	8.2	51.2	10.7	9.9	37.5	23.0
C. Share of Expenditure on Education of Total Expenditure of Municipalities (in %)							
2012-13	18.4	22.1	17.6	17.5	5.6	7.7	15.6
2013-14	19.4	23.3	18.9	18.1	4.5	9.1	15.9

2014-15	18.9	20.5	17.5	19.7	5.1	10.3	15.4
2015-16	21.1	21.9	21.9	19.9	5.3	8.7	17.1
2016-17 (RE)	19.8	23.3	18.3	18.5	6.0	6.3	17.0
2017-18 (BE)	17.9	23.0	13.9	20.2	5.7	8.5	15.7
D. Per Capita Expenditure on Education by Municipalities (in ₹)							
2012-13	878	788	969	843	4576	816	934
2013-14	1040	930	1193	957	4604	1106	1095
2014-15	1042	1018	1057	1041	5975	1066	1118
2015-16	1126	1003	1234	1096	6018	1242	1202
2016-17 (RE)	1704	2354	1627	1369	7603	1325	1792
2017-18 (BE)	1941	2519	1859	1656	8035	2452	2038

Source: Municipalities concerned (August 2017).
* Expenditure of DCB does not include disbursement under the Head of Extraordinary & Debt, which amounted to ₹ 955.10 crore in 2015-16 and similar amounts in other years.
#For MCD-South, figures for 2016-17(RE) are RE for non-Plan and BE for Plan components, respectively, as reported by MCD-S and in case of DCB, the figure of pre-actual shown as RE.

7.50. In terms of the average per capita expenditure for 2012-2016 also, NDMC stands apart with the figure of ₹ 4,500 to ₹5,000, which is almost four times the figures for the remaining four municipalities. This is owing to the fact that NDMC operates secondary and senior secondary schools also and does not maintain separate accounts for primary education. we recommend the NDMC to maintain separate accounts for primary and secondary education for planning and budgetary purposes. In addition, each municipality should closely scrutinise the contents of the expenditure on education through independent audit and evaluation.

7.51. Another noticeable factor is that while all the municipalities (other than NDMC) have almost similar figures for the per capita expenditure, MCD-North shows relatively higher figures. At the same time, MCD-East informed us during interactions that they have considerable arrears on account of salaries and pensions, etc. Thus, the effective per capita expenditure for the MCDs and DCB could be construed as reasonably at par.

Sources of funding of the expenditure on education

7.52. The sources for the funding of the expenditure on education are three-fold, (*i*) the Plan grants, (*ii*) the non-Plan grants, and (*iii*) the own sources of the municipalities. The Plan grants are without any concomitant share from the municipalities, whereas the non-Plan grants are limited to 70 per cent of the eligible expenditure for MCDs and 66 per cent, for the NDMC and DCB, leaving the municipalities to meet the remaining expenditure from their own sources. However, after clubbing the Plan and non-Plan components of the grants, the share of grants works out much higher. The data on grants for education in relation to the MCDs for the years 2012-13 onwards are presented in Table-7.7.

7.53. The actual ratio of grants comes close to 95 per cent in case of MCD-East, 90 per cent for MCD-North and 80-85 per cent, in case of MCD-South. An undefined pattern of the Plan grants could be the reason behind this variation. Anyhow, it is important to note that the state government is extending grants, which are much higher than the ratio of 70/66 per cent mooted by the Second and the Third DFCs and close to the ratio of 100 per cent proposed by the Fourth DFC. Now that the Plan and the non-Plan components of the expenditure and receipts have converged, we are considering the total expenditure for assessing the future requirements.

Table-7.7: Expenditure and Government Grants on Education for the MCDs

A. Expenditure on Education by the MCDs

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2012-13	1441	94	217	311	150	456	606	128	396	524
2013-14	1708	102	266	367	154	592	746	124	470	595
2014-15	1710	98	304	402	125	536	661	121	526	647
2015-16	1849	85	311	396	140	631	772	96	584	681
2016-17 (R.E.)#	2798	110	820	930	126	891	1017	124	727	851
2017-18 (B.E.)	3187	110	885	995	184	979	1163	146	883	1029

Source: Municipalities concerned (August 2017).
*Figure relates to release / provision made by GNCTD.
#For MCD-South, figures for 2016-17(RE) are RE for Non-Plan and BE for Plan components, respectively, as reported by MCD-S.

B. Government Grants on Education to Municipalities

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South		
		Plan	Non-Plan	Total	Plan	Non-Plan*	Total	Plan	Non-Plan	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2012-13	1351	94	208	302	150	428	578	144	327	471
2013-14	1453	106	229	335	154	471	626	132	360	492
2014-15	1462	100	234	334	125	484	609	149	369	519
2015-16	1516	111	260	371	140	497	638	127	380	507
2016-17 (R.E.)#	1915	96	267	363	126	575	701	111	439	851
2017-18 (B.E.)	1930	96	270	366	184	637	821	146	596	742

Source: Municipalities concerned (August 2017).
#For MCD-South, figures for 2016-17(RE) are RE for Non-Plan and BE for Plan components, respectively, as reported by MCD-S.

C. Percentage (%) of Government Grants on Education to Municipalities

(in %)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2012-13	94	100	96	97	100	94	95	113	83	90
2013-14	85	104	86	91	100	80	84	104	77	83
2014-15	85	102	77	83	100	90	92	124	70	80
2015-16	82	130	84	94	100	79	83	132	65	74
2016-17 (R.E.)#	38	87	33	39	100	65	69	119	70	76
2017-18 (B.E.)	61	87	31	37	100	65	71	100	68	72

Projections for the Award Period

7.54. In making the projections for the estimated expenditure and grants for the award period, we decided to converge the Plan and non-Plan components, as this distinction is not relevant anymore. Also, the 2016-17 figures have become a *fait accompli*, and even the next FY (2017-18) is half gone. We are conscious, however, that certain arrears on account of pension liabilities and some other contractual liabilities pertaining to not only 2016-17, but also of a few earlier years would be due for settlement, This is the case not only in the education sector, but some other key sectors as well and we are dealing with it suitably.

7.55. We accept that primary education needs higher investment by the municipalities, particularly the MCDs, to improve the quality of education. Accordingly, we propose annual growth of 12 per cent over the 2015-16 figures as reported in the accounts of the respective municipalities. However, we also take note of the fact that salaries account for a major share of expenditure for the primary education sector and the additional requirement of funds on account of the 7th Central Pay Commission (CPC) recommendations. Accordingly, we propose AGR of 15 per cent for 2017-18 and 2018-19, to facilitate payment of 7th CPC arrears in two installments. For 2019-20 and 2020-21, the AGR would remain at 12 per cent. These rates are significantly higher than the recent trends seen in Table-7.6.

The Proposed Ratio of State Grants

7.56. The ratio of state grants to the municipalities on non-Plan account for primary education continues to be at 70/66 per cent level since the Second DFC award period, which was retained by the Third DFC too. The Fourth DFC had recommended raising the level of state grants to 100 per cent, but the government has not accepted/implemented that so far. At the same time, state government has been extending Plan assistance to the municipalities in the form of 100 per cent grants. The activities relating to upgradation and augmentation of school buildings and other infrastructure are taken up under the Plan component. Thus Plan and the non-Plan grants put together amount to about 90 per cent of the total expenditure of the municipalities on education.

7.57. We propose to revise the state grants to the level of at least 80 per cent, which is the current minimum level of non-Plan plus Plan grants, though it is usually around 90 per cent. We also expect the municipalities to raise additional resources on their own, so as to meet at least 10 per cent of the expenditure on education. Accordingly, as we have stated in the preceding chapter on revenues, we propose that each of the five municipalities should introduce an education cess @10 per cent of the property taxes. This is a discretionary tax for the municipalities and does not need any statutory amendments. This cess should meet about 10 per cent

Table-7.8: Projected Expenditure on Education for 2016-17 to 2020-21 for the Municipalities

(₹ crore)

Year	Total for 3 MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	1849	396	772	681	155	14	2018
2016-17	2071	444	865	763	174	16	2260
2017-18	2382	510	994	877	200	18	2599
2018-19	2739	587	1143	1009	230	21	2989
2019-20	3067	657	1281	1130	257	23	3348
2020-21	3435	736	1434	1265	288	26	3749

For Projections, (i) Base : 2015-16 (Ac) & (ii) Annual growth rate: 15%, for 2017-18 & 2018-19 for 7th CPC arrears; 12% for other years.

of the expenditure of the municipalities on education. State government should incentivise the municipalities for raising resources from education cess by way of matching incentive grants.

7.58. Thus, the state government's assistance to the municipalities for the education sector would comprise two components, one would be the Basic Grant, which would be equal to 80 per cent of the expenditure on education and the other would be the Incentive Grant, equal to the revenue raised from education cess, but limited to 10 per cent of the expenditure on education.

7.59. As the education cess is expected to be introduced w.e.f. 1.4.2018, we propose the State Grant for education to be 90 per cent of the expenditure of the respective municipalities for 2016-17 and 2017-18 only. From 2018-19, the arrangements of Basic Grants and Incentive Grant, as explained above, should apply.

7.60. For the NDMC and DCB, we propose no basic grant but only Incentive Grants, for education from 2018-19 onwards. However, whatever grants have been given to the NDMC and DCB during 2016-17 and 2017-18 under the existing ad hoc dispensation, need not be recovered, as they might have either already expended or committed the released amounts.

7.61. The budget of the municipalities on education should include all components of expenditure, including salaries, maintenance of school buildings and upgradation of infrastructure. A minimum of five per cent of the budget of each municipality on education should be set apart for maintenance of school buildings and another five per cent on upgradation of infrastructure relating to primary education, in terms of the activities and norms indicated under the Sarva Shiksha Abhiyan Guidelines.

Sanitation and Solid Waste Management

Overview of the solid waste scenario

7.62. A clean city is not only a beautiful city but a healthy one too. Municipal sanitation including solid waste management is, therefore, most appropriately termed as one of the obligatory functions of the municipalities in Delhi, duly stated in the respective municipal laws for the MCDs, NDMC and the DCB. This would include not only the collection and safe processing/disposal of the municipal solid waste (MSW), but would also extend to cleaning the streets and other public places, drains and other related activities. The National Swachh Bharat Mission places the solid waste management (SWM) in greater focus than ever before.

7.63. The following functions are covered under this head of expenditure for the municipalities:

- Sweeping and cleaning of public places
- Collection and disposal of solid waste
- Collection and disposal of malba, construction and demolition waste
- Desilting of drains
- Mechanisation of sanitation services
- Construction and maintenance of public toilets, community toilets and urinals

7.64. In the following paragraphs, we would assess the expenditure requirements of the municipalities on sanitation including SWM during our award period of 2016-17 to 2020-21, keeping in view the situation during the preceding years, 2012-13 to 2015-16. However, as in respect of other items of receipt and expenditure, here too, the year 2016-17 is already over and we factor in this part in our analysis.

Generation of MSW

7.65. The generation of MSW has been going up in all cities across the country, which is globally accepted as a normal phenomenon associated with changing lifestyles, rising income levels and globalisation of the economy. The information provided by the municipalities, presented in Table-7.9, shows a similar trend.

7.66. The generation of MSW in Delhi, as presented in Table-7.9, indicates an average annual growth of about four per cent in the recent times, that is, from

8,030 MT per day in 2012-13 to 9616 MT per day in 2016-17. For the remaining four years of our award period, the municipalities have projected it to grow to the level of 13,000 MT per day, which indicates about eight per cent annual growth. Keeping in view the changing lifestyles coupled with growing household incomes, we expect these projections to be reasonably correct.

Typology of Municipal Waste

7.67. The MSW consists of a variety of components, such as the household and green waste, plastic waste, hospital waste, e-waste, construction and demolition (C&D) waste and drain silt, etc. each of which has normally a further sub-classification of recyclable and non-recyclable components. Incineration of the MSW in the waste to energy (W2E) plants generates residue ash, which is yet another type of solid waste. Furthermore, each component of MSW usually requires a different type of treatment. For the sake of simplification, we are considering the MSW in the limited categories as in Table-7.10, which relates to MCD-South and is a typical example:

Table-7.9: Generation of MSW in the Municipal Areas of Delhi (Metric Tonnes/day)

Municipality	Total MSW generated per day in MTs		
	2012-13	2016-17	2020-21 (Estimates)
MCD-East	1200	2400	3000
MCD-North	2400	3600	4500
MCD-South	2200	3250	5000
NDMC	230	300	400
DCB	Not reported.	66	100
Total	8030	9616	13000

Source: Municipalities.
Note: MCD figures, being large, are rounded off to nearest 100.

Table-7.10: Waste Generation in MCD-South

(MT per day)

Type of Waste	Quantity (MTs)	Share in Total (%)
MSW	3400	72.3
C&D	500	10.6
Drain Silt	200	4.3
Residue Ash	600	12.8
Total	4700	100.0

Source: MCD-South.

7.68. The residue ash, which contributes 10-15 per cent of the MSW, is effectively a waste generated out of waste. It is also important to take note that the drain silt and the residue ash, which put together contribute about 20 per cent of the MSW, end up in the land-fills and usually carry toxins in varying measures. It would be desirable for the municipalities to work on models that convert the drain silt and the residue ash into safe and useful materials, such as bricks or tiles, to prevent loading the earth through landfills.

7.69. A good part of the MSW in our country, Delhi being a good example, is dirt and soils, which can be noted from the data presented to us by MCD-East, which gives the break-up of the MSW that reaches the Ghazipur land-fill site. The composition is as follows:soil: 68.6 per cent, plastic: 12.0 per cent, stone: 14.4 per cent, rubber/stock leather: 0.9 per cent, clothes: 3.2 per cent, glass: 0.2 per cent and metal: 0.7 per cent. This composition offers a big challenge for economic and environmental viability of MSW management including recycling.

7.70. We would also like to recommend that the municipalities should sponsor research studies for identifying the possible ways of converting the drain silt, the residue ash and all other types of waste that are considered non-recyclable, into safe and useful materials, to achieve the objective of zero-landfill in MSW management.

Road Sweeping

7.71. The single largest portion of expenditure of the municipalities, mainly the MCDs, is on MSW management, of which the largest share is on street sweeping. Street sweeping and MSW activities engage almost 60,000 safai karmacharis (MCD-E: 15397; MCD-N: 23800; MCD-S: 22756). In our view, the current method of street sweeping is outdated and cost-ineffective, for reasons as follows.

7.72. The cost of each safai karmachari (SK) including salary and allowances alone is ₹ 45,000 per month, which will go still higher if the indirect costs are added. Such costs cannot be recovered from any reasonable amount of user fee, at the current level of output from each SK. Moreover, street waste is largely dust and does not lend itself to any significant commercially viable recycling.

7.73. Secondly, street sweeping by human beings is not a dignified sight, especially in the wake of ever-increasing awareness among all sections of the society. Thirdly, street sweeping raises dust, which is harmful for the safai karmachari, as well as for the persons and places in the surroundings.

7.74. Considering all aspects, that is, social, environmental and financial, we are convinced that municipalities should replace manual street sweeping by mechanised arrangements. While doing so, care has to be taken to retrain the existing safai karmacharis to deploy them in the mechanised operations. Moreover, mechanisation should lead to reduction in manpower also and, therefore, municipalities should stop recruiting safai karmacharis forthwith, including on compassionate grounds.

Swachh Bharat Mission

7.75. The Swachh Bharat Mission (SBM) is a recent visionary initiative of the Government of India, aiming at making the cities cleaner by way of better SWM, improved availability of and access to toilet facilities in public as well as personal spaces, augmenting the capacities of the implementing agencies and enhancing the awareness levels among the people at large. The mission period, as currently notified, is 2014-2019.

7.76. The envisioned investment in the urban component of the SBM, based on the approved unit and per capita costs for its various components, is ₹ 62,009 crore for the country. The Government of India share as per approved funding pattern would be 25–35 per cent, with a minimum share coming from the state government and/or the municipality concerned amounting to 25 per cent of the GOI funding. The balance funds is expected to be generated through various other sources including the private sector participation, additional resources from state government/ municipality, beneficiary share, user charges, land leveraging, innovative revenue streams, Swachh Bharat Kosh, corporate social responsibility funds, market borrowing, and external assistance. Thus, the SBM offers considerable opportunities for raising financial resources with flexibility in the approach.

Budget Allocation and Utilisation under Swachh Bharat Mission (SBM)

7.77. The national Budget allocation for the Swachh Bharat Mission is ₹ 14,787 crore, of which share for the NCT is ₹ 360 crore, which includes ₹ 264 crore for SWM, ₹ 50 crore for individual household toilets, ₹ 5 crore for community toilets, ₹ 25 crore for IEC activities and ₹ 6 crore for capacity building activities. As against this allocation, the funds released by the GOI for the NCT were ₹ 63 crore, whereas the municipalities reported an expenditure of ₹ 4.4 crore, which was 6.9 per cent of the released amount. In fact, the funds released for Delhi relate to the years 2014-15 and 2015-16 only and no funds were released during 2016-17 and in 2017-18 (till 28.7.2017).[4]

7.78. The information provided to us by municipalities (MCD-North and MCD-South) about the projects sanctioned and progress achieved under the SBM was somewhat different. MCD-South informed that it had got approval for projects under each of the four components of the SBM amounting in all to ₹ 3176.66 lakh, which included ₹ 2381.50 lakh from the GOI and the balance ₹ 795.16 lakh from the state government. The expenditure till 28.7.2017 was 2021.24 lakh, as per details in Tables-7.11.Similar details came from MCD-North and are presented in Table-7.12.

7.79. The information provided by MCD-North and MCD-South indicates that they have secured adequate

[4] MoHUA (SBM) Website, accessed on 28.7.2017. Figures have been rounded off to nearest crore.

projects sanctioned under SBM, with reference to the allocation of funds made by GOI for the NCT. However, the pace of expenditure in respect of the MCD-North needs to be improved. We would expect other municipalities also to approach the GOI with more project proposals under the Swachh Bharat Mission, to secure the entire quota allocated for Delhi for the Mission period, which would be ending within next 2 year.

Swachh Sarvekshan 2017

7.80. The MoUD (now MoHUA) had conducted a Swachh Sarvekshan survey of 434 cities in January-February 2017 to assess the comprehensive status of cleanliness and sanitation of the surveyed cities. The survey was based on municipal documentation, independent observations and citizens' feedback, with weights assigned at 45 per cent, 25 per cent and 30 per cent, respectively. The results were assessed on a scale of 2,000. While Indore topped the list and NDMC got a significant 7th rank, but other municipalities of Delhi remained far behind, as may be seen in Table-7.13.

7.81. NDMC had improved its rank by one compared to the last such survey done in 2015 and was also declared as the cleanest city in the north zone in the category of cities with over 10 lakh population. MCDs should make efforts to improve their ranking in the ensuing Swachh Sarvekshan Survey.

Analysis by the Earlier DFCs

7.82. The First DFC had noted that the expenditure on conservancy accounted for 15.9 per cent of the total expenditure of the MCD and in that respect this

Table-7.11: Projects Sanctioned under SBM for MCD-South and Progress Achieved till 31.7.2017

Component of SBM	**Funds received till 28.7.2017** (₹ lakh)				**Expenditure till 31.7.17**
	Central Share	**State Share**	**SDMC share**	**Total Receipts**	(₹ lakh)
Capacity Building	3.50	1.16	0.00	4.66	4.45
IEC	154.00	52.00	0.00	206.00	167.75
Individual House Hold Toilet	462.00	154.00	0.00	616.00	242.31
Solid Waste Management	1762.00	588.00	0.00	2350.00	1606.73
Total	2381.50	795.16	0.00	3176.66	2021.24

IEC: Information, Education & Communication.
Source: MCD-South.

Table-7.12: Projects Sanctioned under SBM for MCD-North and Progress Achieved till 31.7.2017

Component of SBM	**Funds received till 31.7.2017** (₹ in lakh)				**Expenditure till 31.7.17**
	Central Share	**State Share**	**Municipality share**	**Total Receipts**	**(₹ in lakh)**
Capacity Building	3.50	1.16	-	4.66	686.36
Information, Education & Communication	224.00	75.00	-	299.00	
Individual House Hold Toilet	600.00	200.00	-	800.00	
Solid Waste Management	2643.00	881.00	-	3524.00	
Total	3470.50	1157.16	-	4627.66	686.36

Source: MCD-Norths.

Table-7.13: Results of Swachh Sarvekshan 2017- Ranking of Selected Cities

Rank	City (Municipality)	Score (out of Max 2000)
1	Indore	1807.7
7	NDMC	1707.96
13	Pune	1660.19
32	Varanasi	1515.48
88	Faridabad	1277.07
112	Gurugram (Gurgaon)	1214.39
172	Delhi Cantonment	1061.90
196	MCD-East	1003.57
202	MCD-South	984.20
279	MCD-North	833.93

Source: http://swachh-survekshan.in/ (accessed on 20.9. 2017).

sector ranked 3rd, after education (20.8%) and roads (19.9%). The Second DFC recommended that the expenditure incurred on environmental conservation should be suitably enhanced by the municipalities to arrest the degradation of environment whether in the field of sanitation, roads, public toilets, solid waste management, air pollution noise pollution or decongestion.

7.83. The Third DFC recommended that the MCD should specifically examine solid waste management and develop a plan for partnerships similar to Hyderabad. It also stated that the infrastructure projects should clearly raise the standard of any essential service such as the distribution of water, sewerage systems and handling solid waste, etc.

7.84. The Fourth DFC recommended that the disposal of urban waste should be taken away from the Engineering Department and re-assigned to 'Department of Urban Environment' – a new department directly reporting to the Commissioner of the respective municipalities.

7.85. All the MCDs have informed that they have created a Department of Environment Management and the work on disposal of urban waste has been assigned to that department.

Memoranda of the Municipalities

7.86. All the municipalities have discussed the various issues associated with sanitation sector in their respective memoranda.

7.87. MCD-East has stated that their major civic responsibility is municipal solid waste (MSW) management. It collects 2,400-2,500 tonnes of garbage every day, which amounts to an increase of about 80% since its inception in 2012 and expects it to grow to 3,000 tonnes by 2020 and 3,200 tonnes, by 2024. These are collected over about 300 dhalaos/dustbins/open sites. It deploys about 12,000 SKs for street cleaning, which is supplemented by group sweeping.

7.88. MCD-East has also stated that it was against outsourcing primary MSW transportation to dhalaos. It intends to improve the wherewithal (vehicles, equipment, etc.) for primary MSW collection. The collected MSW is transported mainly to the Ghazipur landfill site for processing/landfill. Of the 2,500 tonnes of garbage collected, the MCD-East is currently processing only 1,300 tonnes (52%), leaving 1,200 tonnes per day as unprocessed MSW. Even from the 1,300 tonnes that it processes every day, 15% (200 tonnes) comes out as residue.

7.89. MCD-East has further stated that all the three dump sites of Delhi, i.e. Ghazipur, Bhalswa and Okhla, have already exceeded their capacity, and the piled up waste is a potential health hazard for the area. They have envisioned a zero garbage system with smaller waste processing plants located in various areas, in clusters of 4-5 wards. However, they have not projected any workable model/projects for the purpose. We would recommend each municipality, including MCD-East, to prepare their 'Net Zero Garbage' concept into viable projects and take the same to logical end.

7.90. MCD-North has stated that prior to trifurcation, the unified MCD had executed various development works such as construction of roads and drains in unauthorised colonies, for which funds were provided by the GNCTD. MCD-North has deployed around 5,000 safai karmacharis (SKs) for sanitation work in

449 unauthorised colonies. About 20 lakh population lives in the unauthorised colonies under MCD-North and approx. 700 MT municipal solid wastes are being generated in these colonies. It has deployed auto tippers for door-to-door garbage collection and thereafter the garbage is collected by the trucks from dhalaos and transported to the SLF sites for disposal. The MCD-North has requested that the GNCTD should provide adequate funds for the sanitation works being carried out by it in the unauthorised colonies.

7.91. MCD-North has further stated that the problem of solid waste management in Delhi is assuming serious proportions due to increasing population, urbanisation, changing lifestyles and consumption patterns. The garbage from unauthorised developments, slums and JJ settlements, etc. is not fully collected, which further adds to the environmental degradation. The projected average garbage generation upto the year 2021 is @ 0.68 kg per capita per day, which would work out to 15100 tons/day.

7.92. MCD-North has also stated that management of solid waste involves waste collection, segregation, storage, transportation, treatment, recycle, reuse, recovery and disposal. For effective waste management, its segregation at the community and neighbourhood level is imperative. For this, involvement of rag pickers with RWAs and NGOs is to be encouraged. The filled up sites may be reused for plantation or as recreational area. The area required for solid waste disposal through various technologies including sanitary landfill sites needs to be reserved in the zonal plans. This should also include buffer zone of 'no development' around landfill sites. As finding new sanitary landfill sites in Delhi is becoming extremely difficult, there is no option but to resort to alternative and decentralised methods of waste treatment, reduction, recycle and use, which include vermiculture, fossilisation and composting.

7.93. MCD-North have also stated that there are 22 rural wards and 106 rural villages under its jurisdiction, for which it provides sanitation and disposal of municipal solid waste to the sanitary land fill sites including deployment of auto tippers for collection of garbage from door to door. These require additional infrastructure including dhalaos with segregation facility and local level waste treatment facility.

7.94. MCD-North has sought for a clear approach towards management of four types of wastes generated in Delhi, namely, solid waste, hazardous waste, bio-medical waste and electronic waste. It has stated that the approach should take into account the need for adopting the clean development mechanism (CDM) and the awareness of the carbon credits that could be earned and encashed through a planned and organised mechanism, to be developed for this purpose.

7.95. MCD-North has also stated that the blockage of natural channels was a matter of concern. It is mainly because of the encroachment by slum dwellers along the drains, which causes choking of drains and flooding in the upstream areas due to reduced carrying capacity. The other major reason is dumping of solid waste in the drains causing blockage. The blockage of natural depressions and drainage channels must be prohibited.

7.96. Having analysed the status of the SWM, MCD-North have identified the key components of the action plan for management of solid waste as follows:

- Institutional developments of the Conservancy & Sanitation Engineering (CSE) Department (e.g. new management principles and new units).
- Development of new sanitary landfills with adequate capacities to cater for municipal solid waste arising over five year planning period.
- Closure and restoration of existing landfills to minimise the potential for further pollution from these sites.
- New composting schemes/facilities to minimise the demand for sanitary landfill facilities.
- New treatment options of refuse derived fuel (RDF) and methanisation to minimise the demand for sanitary landfill facilities.

- Public-private partnership for waste treatment projects.

7.97. MCD-South has stated that the solid waste generated by the city contributes the major share towards the environmental problems and challenges for better urban management.It has stated that the generation of domestic waste has increased considerably on account of tremendous increase in population and increase in per capita income. Some of the important factors like migration of people for employment and trade from other neighbouring states, industrialisation and urbanisation have added burden on the civic services.

7.98. MCD-South has also stated that about 3,200 MT of garbage is generated in its jurisdiction. There is one waste to energy (W2E) plant at Okhla, which is in operation since 2012. This plant consumes about 2,000MT garbage every day and in the process 20 MW electricity will be generated.The electricity will be sold to DISCOMS. The garbage sent from the SDMC to this plant is about 1,300 MT a day. There are plans to process more municipal solid waste by way of either setting up of another W2E plant in south Delhi area or augmenting the capacity of the existing W2E plant. This plant is expected to take another 1,000 MT of solid waste per day. The door to door collection of garbage is presently being done by the informal sector, which collects and segregates the household waste and dumps the leftover garbage to nearest dustbin/dhalao.

7.99. MCD-South has enlisted the major constraints faced by it as the following:

- Non-availability of land for setting up of transfer stations/ land-fill Sites.
- Non-enforcement of sanitation byelaws.
- Parking of vehicles in lanes causing hindrance to the sweeping work.
- Non-cooperation of public by way of throwing garbage in drains and open places.

7.99a. MCD-South has stated that the actual expenditure incurred by it on sanitation including solid waste management rose from ₹ 319 crore in 2012-13 to ₹ 724 crore in 2015-16, which indicates an average annual growth of 30 per cent. For 2016-17, it has reported expenditure of ₹ 890 crore, but projected it to grow to ₹ 1089 crore in 2017-18, ₹ 2000 crore in 2018-19, ₹ 2450 crore in 2019-20 and ₹ 3000 crore in 2020-21.

7.100. MCD-South has also stated that it is now exploring the possibility of levying a one-time fee on buildings for disposal of C&D waste. In addition, it has also stated that after due appraisal of the implementation of the municipal solid waste (MSW) project in central zone, it decided to amend certain tender conditions for wider participation and better implementation and for making the new system compatible with MSW Rules 2016. The project implementation mechanism and the model of sanitation work considered in the bid are with the objective of non-visibility of waste during its storage, secondary collection and transportation so as to achieve highest level of sanitation standards. This had resulted into a healthy competition among the bidders, leading to a likely saving of ₹ 461 crore during the next eight years. A comparison of the rates received earlier and new rates in south and west zone is given below.

- In the south zone, the new quoted rate is ₹ 1,875 per MT and total likely expenditure for eight years considering minimum projected quantity from 712 MT to 842 MT per day would be ₹ 424.58 crore. The rate quoted earlier was ₹ 2,952 per MT and total likely expenditure for eight years considering minimum projected quantity from 712 MT per day to 842 MT per day was ₹ 668.45 crore.
- In the west zone, the new quoted rate is ₹ 1,739 per MT and total likely expenditure for eight years considering minimum projected quantity from 787 MT per day to 939 MT per day is ₹ 437.01 crore. The rate quoted earlier was ₹ 2,601 per MT and total

likely expenditure for eight years considering minimum projected quantity from 787 MT to 939 MT per day would be ₹ 653.71 crore.

7.101. MCD-South has stated that presently about 3,300 MT of municipal solid waste (MSW), 500 MT of construction and demolition (C&D) waste, 150 MT of silt and 450 MT of ash are collected daily and the same is disposed/processed at the facilities listed in Table-7.14.

7.102. MCD-South expects that by the year 2024, a total of 5,000 MT of MSW, 2,500 MT of malba, 300 MT of silt and 1,500 MT of residue/ash would require to be disposed by it every day. It has proposed to set up processing/facilities of projected quantities of MSW, C&D waste and residue/ash, which are listed in Table-7.15.

7.103. MCD-South has stated that all the above-mentioned activities require large sum of capital as well as revenue expenditure. The funds currently available towards this important activity are inadequate and, as a result, full scale services are not being provided. Due to paucity of funds, Corporation could not fill the vacancies of safai karmacharis.

Table-7.14: Present Status of Disposal/Processing of Solid Waste by MCD-South

S. No.	Name of the Facility	Disposal/Processing of Waste			
		MSW (in MT)	Malba (in MT)	Silt (in MT)	Ash (in MT)
1.	Sanitary Land Fill Okhla	650	450	100	450
2.	Waste to Energy Plant, Okhla	1300	Nil	Nil	Nil
3.	Compost Plant Okhla	200	Nil	Nil	Nil
4.	Sanitary Land Fill Bhalswa, (North DMC)	1150	50	50	Nil
Total =		3300	500	150	450

Source: Memorandum of MCD-South.

Table-7.15: MSW Processing Projects Proposed by MCD-South

S. No.	Name of the Facility	Disposal/Processing of Waste (MT per day)			
		MSW	Malba	Silt	Ash/ Reject
1.	Proposed W2E plant at extension of existing SLF site Okhla Phase-I. (Area appx. 14 acres).	2000			
2.	Proposed compost pant & engineered SLF at Tekhand Okhla Ph-I. (Area appx. 15.36 acres).	500		200	750 MTD
3.	Proposed W2E plant Rohini Ph.-V near Ranikhera. (Area appx. 33.24 acres).	1000		-	
4	Existing W2E plant at Okhla.Capacity:1950 to 3000 MTD.	1300			
5	Existing compost plant at Okhla Capacity: 200 MTD	200		-	
6	Proposed engineered sanitary land fill site (Rohini Ph.V, Rani Khera). (Area 16.20 acres).	-	-	100	300 MTD
7	Proposed C&D waste plant at Ghummanhera.	-	500	-	-
8	Proposed construction & demolition (C&D) waste plant near Bakar Wala.	-	500	-	-
9	Proposed C&D waste plant on Tajpur/ Jaitpur. Area appx. 10 acres. Site is about 26 meter below ground level & would require filling.	-	1000	-	Malba 500+ Ash 450+ Silt 100
10	Any other piece of land made available to SDMC by DDA/GNCTD	-	500	-	-
Total =		5000	2500	300	1500

Source: Memorandum of MCD-South.

7.104. MCD-South has also stated that there are 22,308 safai karmacharis in SDMC, out of which 8,782 are the daily wage earners.As per the benchmark guidelines/norms set for the sweeping area per safai karmachari, SDMC need to double the strength of the safai karmacharis, i.e. 45,000 personnel. Filling these huge number of vacancies for safai karmacharis involve steep increase in the financial requirement. Apart from the above, 214 posts are lying vacant in the DEMS department. Unless substantial financial support is extended, SDMC will not be in a position to incur capital and revenue expenses and provide good sanitary environment in its area.

7.104a. NDMC has stated that it is processing cent per cent of MSW (300 TPD), including through waste-to-energy plant and less than five per cent residue is sent to land-fills. It is adopting residential door-to-door MSW collection and transportation since 2015 in PPP mode. It has abolished dhalaos and has commissioned four machines (8 TPD) to convert horticulture waste into fuel pellets in 2014. It had introduced mechanised sweeping and sewer cleaning in 2013-15.

7.105. DCB has stated that SWM is one of its main functions and that it is working for integrated MSW management, which includes basic activities like generation, collection, transfer and transport, separation and recycling. The DCB has given impetus to 4 R's, i.e. reduce, revise, recycle and recover, to strengthen MSW management. Door-to-door collection of MSW is extended to 17,700 houses. DCB has engaged an NGO, M/s People's Association for Total Health & Youth Applause (PATHYA), for segregation and disposal of recyclable waste. DCB has engaged 20 tippers and eight refuse compactors for transportation of MSW to Okhla land-fill site. For conservancy services it has engaged 1,100 persons.

7.105. DCB has also stated that it recognises the need for waste recycling plants for better handling of MSW and has invited expression of interest for establishing waste recycling plants for conversion of waste to organic compost/ energy, conversion of plastic waste to fuel and conversion of horticulture waste to bio-fuel. It has placed work order for establishing waste recycling plants, for which work is likely to commence within three months.

7.106. DCB has further stated that it is implementing guidelines of Swachh Bharat Mission. Ministry of Urban Development had ranked Delhi Cantonment as 15th cleanest city in India, ahead of NDMC. Delhi Cantonment received Raksha Mantri's award for Swachh Chhavni consecutively for the years 2014 and 2015.

Workforce of Sanitation Staff in MCDs

7.107. The workforce for the municipalities in respect of SWM, called Safai Karmacharis (SKs) is a combination of the staff assigned for the street sweeping, waste collection, transportation and related activities. The number of SKs is around 64,000 for all three MCDs put together. Whether the availability of the workforce is adequate or not, could be seen in an observation made by the Delhi High Court on 28.6.2017 in W.P.(C) 8917/2015 & W.P.(C) No. 9006/2015(Gauri Grover & Anr vs GNCTD & Others), which is cited below:

> "On the last occasion, we were informed that East MCD spanning 105 sq. kms area alone has 15000 safai karmacharis on its roles and 307 dhalaos. This, on the average, would mean assignment of almost 50 safai karmacharis to a single dhalao or round the dhalao. As far as North Delhi Municipal Corporation is concerned, it has 26000 safai karmacharis for an area of 600 sq. kms and 700 dhalaos (i.e. averaging about 40 safai karmacharis per dhalao). The South Delhi Municipal Corporation, has 23000 safai karmacharis for the area of 650 sq. kms including 781 dhalaos (which works out to more than 30 karmacharis per dhalao). Despite this huge work force, Delhi remains smothered in garbage and sewage."

7.108. We have compared the strength of safai karmacharis (SKs) in the three MCDs with that of the

Pune Municipal Corporation (MC) and presented the data in terms of the number of SKs per lakh population and per sq. kms. in Table-7.16.

7.109. The data in Table-7.16 indicate that the strength of the safai karmacharis per lakh population in the MCDs is 390, which is much higher than that in Pune Municipal Corporation (293). Pune MC had ranked 13th in the Swachh Sarvekshan 2017 while the three MCDs had ranked much lower, between 196 and 279. MCDs need to focus on reducing the number and improving the output per safai karmachari. We believe that the work assignment to the SKs needs a review, by way of switching over to more mechanised and automated operations. This would improve the efficiency of the operations, besides bringing in greater dignity to the workforce.

Land-filling for Waste and Residues

7.110. Delhi is generating over 8,000 tonnes of solid waste per day today and as per the estimates provided by the municipalities, this would increase to 13,000 tonnes per day by 2020-21. We held numerous meetings to assess the approaches for MSW management and the costs and returns involved. We were given to understand that as much as 30 per cent of the MSW would need to be dumped in land-fills, being inerts.

7.111. Land-filling has become embedded in the entire thought process of solid waste management, and this needs an urgent review. Almost all types of processing of MSW ends up with residues, which inevitably leads to polluting the soil, sub-soil including the aquifers and the surrounding ambient air. During the course of incineration of garbage at the waste to energy plant, the residue/ash, which amounts to approx. 30-40 per cent of the total garbage consumed, is required to be dumped on secured land-fill sites.

7.112. While we were analysing the subject, we came across the startling news of partial collapse of the Ghazipur land-fill site on 1st September 2017, in which not only two lives were lost, but also a part of the thousands of tonnes of garbage piled up over the years at this site, fell into the adjoining Hindon canal. Such a situation could happen in the other land-fills also, such as Bawana, Okhla and Bhalswa. The land-fills are a big hazard for the environment and health, safety and social well-being of the people.

7.113. Keeping the environmental and social considerations in view, we would suggest that the residue from various waste processing plants should also be considered for reuse, such as making bricks, at least for non-load bearing structures, so that there is no requirement for land-fill even for the residues.

Table-7.16: Comparison of Strength of Safai Karmacharis (SKs) in the 3 MCDs and Pune Municipal Corporation

Municipality	Population (2011 Census) (Lakh)	Area (sq. kms)	Population Density (Persons/sq. km.)	Total No. of SKs (including contractual)	No. of SKs per Lakh Population	No. of SKs per sq. kms. of area	Swachh Sarvekshan 2017 Rank
Pune MC	31.25	250	12500	9163	293	37	13
MCD-East	39.51	106	37281	15000	380	142	196
MCD-North	62.55	636	9829	26000	416	41	202
MCD-South	62.14	657	9459	23000	370	35	279
Total of 3 MCDs	164.2	1399	11735	64000	390	46	

Source: 1. Pune Municipal Corp. Letterr No. SWM/1678 dt 19.9.2017.
2. Population data for the 3 MCDs constructed by the 5th DFC in collaboration with GSDL.
3. Area data for MCDs as reported by the MCDs.
4. SK data for MCDs as recorded by the Delhi High Court, cited in Para 7.107.
5. For Swachh Sarvekshan 2017, see Table-7.13.

7.114. It is also desirable to appreciate that the concept of land-fill is not an acceptable proposition for the residents in the neighbourhoods of the land-fill sites. In fact, land-fills were mooted when many large patches of 'uncultivable' lands were available in the areas surrounding the cities. However, now no such patch is available, at least within Delhi and even in its immediate vicinity.

7.115. The sustainable solid waste management (SWM) for any area should be tested for its viability in terms of social, environmental, financial, legal and managerial perspectives. Such viability would come only though highly decentralised SWM plants, developed for each ward and even neighbourhoods (colonies or localities or mohallas). Waste must be recycled within each ward or locality, with zero land-fill concept.

Analysis of the Expenditure of Municipalities

7.116. The time series data for the expenditure of the municipalities on sanitation including SWM for the years 2012-13 to 2017-18 (BE), is presented in Table-7.17. The annual expenditure on sanitation is also indicated in terms of ratio to total expenditure of the respective municipalities on all accounts as well in terms of per capita. For the latter purposes, the Census 2011 population determined for the municipalities has been considered as constant.

7.117. The figures in the Table-7.17 indicate that sanitation accounts for almost a quarter of the total expenditure of the municipalities, except for the NDMC. Even among the three MCDs there is a variation, with this share being highest in case of MCD-East. The per capita expenditure is, however, slightly lower in case of MCD-East, vis-à-vis other two MCDs. Our analysis and understanding indicate that while all the three MCDs need to modernise their sanitation methods, this transformation is more extensively required in case of MCD-East, which is still operating the system largely in manual and traditional framework.

Comparison with Pune

7.118. We have secured data for the expenditure on sanitation services, city population, city area and number of sanitation staff in respect of the Pune Municipal Corporation, which is presented in Table-7.18(A).

7.119. We have examined the staff strength (SKs) in para 7.108. From the data of Table-7.18(A), we have also compared the three MCDs with Pune Municipal Corporation in terms of three ratios, namely, (a) expenditure per capita of city population, (b) expenditure per sq. km. of city area and (c) expenditure per safai karmachari. These ratios are presented in Table-7.18(B).

7.120. We note from the ratios indicated in Table-7.18(B)that the MCDs are incurring much higher expenditure vis-à-vis Pune Municipal Corporation not only in terms of per capita city population (₹ 1,596 *versus* ₹ 907), but also in terms of per square kilometers of city area (₹ 187 *versus* ₹ 113) . In terms of per employee expenditure also, the average for the three MCDs put together was ₹ 4.1 lakh for 2016-17, which was much higher than the corresponding figure of ₹ 3.1 lakh for Pune MC.

7.121. Thus, Pune, which ranks much higher than the MCDs in Swachh City Ranking (Table-7.13), spends much less than the MCDs. The MCDs need to reduce the number of sanitation staff by way of freezing any new recruitments, enhance the usage of mechanisation and bringing in more cost-efficient technologies and processes in respect of waste management including street cleaning.

Funding of Sanitation Expenditure

7.122. As of now, the MCDs are not collecting any user charges on account of waste management, though we have been assured that they are in the process of doing so. In the meantime, the municipalities are paying for the expenditure on sanitation through their general revenues, including property taxes. We examined the ratio of the expenditure of the municipalities on sanitation including SWM to their revenues from property taxes for the years 2012-13 to 2015-16, and present the results in Table-7.19.

Table-7.17: Expenditure on Sanitation of Municipalities- Share in the Total Expenditure, Per capita Expenditure and Annual Growth Rates

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
A. Expenditure on Sanitation byMunicipalities (₹ crore)							
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	1427	329	590	508	77	22	1526
2013-14	1744	369	761	614	72	22	1838
AGR	*22.2*	*12.2*	*29.0*	*20.8*	*-6.9*	*1.6*	*20.4*
2014-15	2004	482	816	706	106	24	2134
AGR	*14.9*	*30.7*	*7.2*	*15.0*	*46.5*	*10.7*	*16.1*
2015-16	2361	547	889	925	129	30	2520
AGR	*17.8*	*13.7*	*8.9*	*30.9*	*22.4*	*21.1*	*18.1*
TGR	17.9	19.7	13.9	21.3	21.2	10.8	18.0
2016-17 (RE)#	3279	999	1249	1031	148	31	3458
AGR	*38.9*	*82.6*	*40.5*	*11.5*	*14.3*	*5.8*	*37.2*
2017-18 (BE)	4587	1128	2052	1407	159	57	4803
AGR	*39.9*	*12.9*	*64.3*	*36.5*	*7.3*	*82.7*	*38.9*
Population 2011 (in crore)	1.64	0.40	0.63	0.62	0.026	0.011	1.68
B. Total Expenditure by Municipalities under all Heads (₹ crore)							
2012-13	7842	1408	3434	2999	2094	117	10053
2013-14	8823	1580	3950	3293	2628	134	11585
AGR	*12.5*	*12.2*	*15.0*	*9.8*	*25.5*	*15.2*	*15.2*
2014-15	9029	1957	3786	3286	3041	113	12184
AGR	*2.3*	*23.9*	*-4.1*	*-0.2*	*15.7*	*-15.6*	*5.2*
2015-16	8749	1807	3523	3418	2926	156	11831
AGR	*-3.1*	*-7.6*	*-7.0*	*4.0*	*-3.8*	*37.7*	*-2.9*
TGR	3.6	10.1	0.3	4.0	12.2	7.3	5.5
2016-17 (RE)	14152	3995	5550	4607	3296	231	17679
AGR	*61.8*	*121.0*	*57.5*	*34.8*	*12.7*	*47.7*	*49.4*
2017-18 (BE)	17811	4322	8390	5099	3622	317	21750
AGR	*25.9*	*8.2*	*51.2*	*10.7*	*9.9*	*37.5*	*23.0*
C. Percentage of Expenditure on Sanitation to Total Expenditure by Municipalities (%)							
2012-13	18.2	23.3	17.2	17.0	3.7	18.6	15.2
2013-14	19.8	23.3	19.3	18.7	2.7	16.4	15.9
2014-15	22.2	24.6	21.6	21.5	3.5	21.5	17.5
2015-16	27.0	30.3	25.2	27.1	4.4	18.9	21.3

2016-17 (RE)	23.2	25.0	22.5	22.4	4.5	13.5	19.6
2017-18 (BE)	25.8	26.1	24.5	27.6	4.4	18.0	22.1
D. Per Capita Expenditure on Sanitation by Municipalities (₹)							
2012-13	869	832	943	818	3003	1973	909
2013-14	1062	933	1217	988	2798	2004	1095
2014-15	1220	1219	1305	1137	4097	2217	1271
2015-16	1438	1385	1421	1488	5016	2685	1501
2016-17 (RE)	1997	2529	1997	1659	5735	2841	2060
0,2017-18 (BE)	2794	2856	3281	2264	6154	5189	2861

Source: Municipalities concerned (August 2017).
#For MCD-South, figures for 2016-17(RE) are RE for non-Planand BE for Plancomponents, respectively, as reported by MCD-S and in-case of DCB, the figure of pre-actual shown as RE.

Table-7.18(A): Population, Area, No. of Safai Karmacharis and Total Expenditure on Sanitation in the 3 MCDs and Pune Municipal Corporation

Municipality	Population (2011 Census) (Lakh)	Area (Sq. kms)	No. of Safai Karmacharis (SK)	Total Expenditure on Sanitation# (₹ crore)	
				2015-16	2016-17
Pune MC	31.25	250	9163	292	283
MCD-East	39.51	106	15000	547	631
MCD-North	62.55	636	26000	889	891
MCD-South	62.14	657	23000	925	1098
Total of 3 MCDs	164.2	1399	64000	2361	2620

Source: 1. For all data regarding Pune, Pune MC Lr. No. SWM/1678 dt 19.9.2017.
2. Population data for the 3 MCDs constructed from Census 2011 data by the 5th DFC in collaboration with GSDL.
Area data provided by the MCDs concerned.

Table-7.18(B): Expenditure on Sanitation of the 3 MCDs and Pune Municipal Corporation in terms of Per Capita, Per Sq Kms of Area and Per Employee (SK)

Municipality	Expenditure per capita of city population (₹)		Expenditure per sq. km. of city area (₹ lakh)		Expenditure per safai karmachari (₹ lakh)	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17#
Pune MC	933	907	117	113	3.2	3.1
MCD-East	1384	1597	516	595	3.6	4.2
MCD-North	1421	1424	140	140	3.4	3.4
MCD-South	1489	1768	141	167	4.0	4.8
Total of 3 MCDs	1438	1596	169	187	3.7	4.1

Source: Derived from Table-7.18(A). Note: Population as per Census 2011 is used for both years.

7.123. The ratios indicated in Table-7.19 suggest that the expenditure on sanitation is of the order of 200 to 300 per cent of the collections from property taxes. As we would see in a different part of this report, over 80 per cent of the expenditure of the municipalities is only on sanitation, public works (roads, etc.), general administration, education and medical relief and healthcare, none of which meets even 10 per cent of the costs. Looked this way, the municipalities, particularly the MCDs, must introduce economy in management

Table-7.19: Ratio of Expenditure on Sanitation bythe Municipalities to their Respective Property Tax Collections

Year	MCD / Unified MCD (3+4+5)	MCD- East	MCD-North	MCD-South	NDMC	DCB	All 5 Municipalities (2+6+7)
A. Property Tax Collections of the Municipalities (₹ crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2012-13	900	120	240	540	383	79	1361
2013-14	921	126	270	525	367	76	1363
2014-15	1015	128	342	545	370	34	1418
2015-16	1181	173	364	643	449	22	1652
B. Ratio of Expenditure on Sanitation by the Municipalities to their Respective Property Tax collections (%)							
2012-13	159	274	245	94	20	28	112
2013-14	189	292	282	117	20	29	135
2014-15	197	376	239	130	29	73	150
2015-16	200	316	244	144	29	135	153

Source: Budget documents of the municipalities.

of sanitation including solid waste and also get a reasonable costs recovered through user charges.

7.124. In the case of NDMC, the ratio of expenditure on sanitation and total expenditure is as low as 3-5 per cent which is owing to certain other major civic functions that it performs, like electricity and water supply, sewage management etc., which reduce the relative weight of SWM in its expenditure portfolio. Similar is the case of the DCB. However, the per capita expenditure of NDMC on account of sanitation/SWM is ₹ 3,000 to ₹ 5,000, which is 2 to 3 times that of the MCDs. NDMC as also other municipalities would be advised to undertake cost audit of its sanitation operations, to optimise the returns on expenditure.

Estimates of Expenditure for the Award Period

7.125. While we have received the estimates of projections for expenditure on sanitation from the respective municipalities, we find these to be on higher side. For instance, the MCD-East has projected a figure of ₹ 1,130 crore for 2017-18, including capital component of ₹ 180 crore, against the 2015-16 (A/c) and 2016-17 (pre-account) figures of ₹ 547 crore and ₹ 631 crore, respectively. For subsequent years, MCD-East has projected 15 per cent growth for revenue component, while seeking ₹ 180 crore each year for capital expenses. Similar is the case of the other two MCDs.

7.126. The past trends of expenditure on sanitation from 2012-13 to 2017-18 (BE) are presented in Table-7.20.

7.127. We have tried to rationalise the projections for expenditure on sanitation keeping in view the past trends and the possibilities of economy in the operations and management of MSW. Municipalities must switch over from manual operations to mechanised ones, at all levels of operation including street sweeping, garbage collection, handling and processing. The options of public-private partnership should be further explored, with a view to harnessing the efficiency of the private entrepreneurs in sanitation management.

7.128. Keeping the analysis stated in the preceding paragraphs in view, we have projected figures for expenditure on sanitation including SWM for each municipality that are at 10 per cent growth over 2015-16 (Account) figures for 2016-17, 15 per cent for 2017-18 (over 2016-17), 12 per cent for 2018-19 (over 2017-18), 10 per cent for 2019-20 and 9 per cent for 2020-21. We have proposed higher AGR for

Table-7.20: Past Trend of Expenditure on Sanitation & Solid Waste Management by Municipalities and Projections for the Award Period (2016-2021)

A. Expenditure on Sanitation including Solid Waste Management by Municipalities (₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for All Municipalities (2+12+13)
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total			
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*
2012-13 (Ac)	1427	68	261	329	133	457	590	189	319	508	77	22	1526
2013-14 (Ac)	1744	71	297	369	179	582	761	195	420	614	72	22	1838
2014-15 (Ac)	2004	109	373	482	205	611	816	191	516	706	106	24	2134
2015-16 (Ac)	2361	100	448	547	202	687	889	200	725	925	129	30	2520
TGR*	17.9	17.2	20.3	19.7	14.9	13.6	13.9	1.5	30.6	21.3	21.2	10.8	18.0
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Elasticity	1.49	1.43	1.68	1.64	1.24	1.13	1.15	0.12	2.54	1.77	1.76	0.90	1.49
2016-17 (R.E.)#	3279	180	819	999	206	1043	1249	140	891	1031	148	31	3458
2017-18 (B.E.)	4587	180	948	1128	408	1644	2052	318	1089	1407	159	57	4803

B. Projection by Municipalities concerned (₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for All Municipalities (2+12+13)
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total			
2017-18	3954	950	180	1130	1377	40	1417	1351	56	1407	–	–	–
2018-19	4818	1095	180	1275	1499	44	1543	1800	200	2000	–	–	–
2019-20	5571	1260	180	1440	1633	48	1681	2100	350	2450	–	–	–
2020-21	6513	1500	180	1680	1780	53	1833	2500	500	3000	–	–	–

Source: 1. Source: Municipalities concerned (August 2017).
2. GSDP at Current Prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi published in March, 2017.
Note: Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
#For MCD-South, figures for 2016-17(RE) are RE for non-Planand BE for Plan components, respectively, as reported by MCD-S and in case of DCB, the figure of pre-actual shown as RE.
*Trend Growth Rate is for 2012-2016.

2017-18 and 2018-19 to take care of the impact of the 7th Central Pay Commission. We have also indicated tapering growth rates for expenditure in anticipation of suggested economy in the management of sanitation by way of adoption of mechanisation and reduction of staff.

7.129. We are not proposing any specific share for the capital component, as the newer options are highly technology driven and that each of the municipalities is seriously attempting to identify the optimal option within next few months. Also, in the PPP mode, the capital cost need not be separately indicated.

Share of Government Grants

7.130. The state government has been supporting the municipalities, particularly the MCDs, by way of Plan grants, for meeting their expenses on sanitation. Year-wise details from 2012-13 are presented in Table-7.21.

7.131. The computation in Table-7.21indicates that the state government has been meeting around 25 per cent of the expenditure being incurred by the MCDs on sanitation, during 2012-13 to 2015-16.

7.132. We have considered the possibilities of improvement in the efficiency of operations in determining the levels of expenditure on sanitation for each of the municipalities. However, we expect the municipalities to consider the Pune model mentioned by us, as a benchmark and try to improve upon it for themselves.

7.133. For financing the expenditure on sanitation, we have proposed a three-fold scheme, comprising a basic grant, user charges and an incentive grant.We are giving details for the basic grant and incentive grant

Table-7.21: Share of Plan Grants in the Expenditure on Sanitation byMunicipalities

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
A. Expenditure on Sanitation of Municipalities (₹ crore)							
2012-13	1427	329	590	508	77	22	1526
2013-14	1744	369	761	614	72	22	1838
2014-15	2004	482	816	706	106	24	2134
2015-16	2361	547	889	925	129	30	2520
2016-17 (RE)#	3279	999	1249	1031	148	31	3458
2017-18 (BE)	4587	1128	2052	1407	159	57	4803
B. Government Grants Received for Plan Expenditure of Sanitation by Municipalities (₹ crore)							
2012-13 (Ac)	381	65	133	183	–	–	–
2013-14 (Ac)	467	89	179	199	–	–	–
2014-15 (Ac)	503	102	205	196	–	–	–
2015-16 (Ac)	536	102	202	233	–	–	–
2016-17 (R.E.)	592	180	206	206	–	–	–
2017-18 (B.E.)	906	180	408	318	–	–	–
C. Share of Government Grants to Total Expenditure on Sanitation by Municipalities (%)							
2012-13 (Ac)	26.7	19.8	22.5	35.9	–	–	–
2013-14 (Ac)	26.8	24.1	23.5	32.4	–	–	–
2014-15 (Ac)	25.1	21.1	25.1	27.7	–	–	–
2015-16 (Ac)	22.7	18.5	22.7	25.2	–	–	–
2016-17 (R.E.)	18.1	18.0	16.5	20.0	–	–	–
2017-18 (B.E.)	19.8	16.0	19.9	22.6	–	–	–

Source: As reported by the Municipalities concerned (August 2017). The figures indicated in GNCTD Budget are slightly different in Chapter 9. For the user charges, details are given below.

User Charges

7.134. The municipalities in Delhi were not imposing any user fee/charges on the generators of the solid wastes, until now. As a result, the entire expenses on the management of waste, right from picking/collecting from the households/source, onwards to transportation, processing and final disposal, were being met by the municipalities from their general revenues and the grants from GNCTD.

7.135. The Solid Waste Management Rules, 2016, notified by the Ministry of Environment, Forests & Climate Change on 8th April 2016, require, vide rule 4(3), that "all waste generators shall pay such user fee for solid waste management, as specified in the bye-laws of the local bodies". This is reflected in the Draft Model Municipal Solid Waste (Management & Handling), Cleanliness and Sanitation Rules / Bye-Laws notified by the Ministry of Housing & Urban Affairs in September 2016, of which Clause 6.21 reads as follows:

> "6.21 User charges: The urban local body shall levy user charges from the households /premises for the waste management services rendered as per the table given below as determined from time to time. For this purpose, the urban local body shall appoint its staff/ designated persons in all the regions/local body/wards of the corporation/council/ municipality to collect garbage from every home/premises in compliance with Solid Waste Management Rules, 2016."

7.136. Further, rule 6.24 incorporates a table indicating the suggested levels of user charges payable by the different categories of waste generators. Rule 11 of the SWM Rules 2016 requires each state to notify its solid waste management policy within one year of the notification of the rules and the municipalities are required, under rule 15, to notify their respective SWM Bye-laws indicating, among other things, user charges/fee, within six months.

7.137. The NDMC has informed that it has been levying the MSW User charges since November 2016 and collecting around ₹ five lakh per month, as stated in Table-7.22.

7.138. The average collection of NDMC from sanitation user charges being around ₹ five lakh, we can expect annual collection of not more than ₹ 1 crore in 2017-18. NDMC needs to review its framework for the rates of user charges, so as to collect at least 25 per cent of its expenditure on sanitation from user charges.

7.139. The DCB collects both, water tax as well as conservancy/scavenging tax, though the amounts are very small in per capita terms, as may be seen in Table-7.23.

7.140. As on date, only NDMC and DCB levy and collect MSW user charges, even though the rates are rather nominal. As for the MCDs, we were informed that the MCDs had proposed many changes in their Byelaws regulating the MSW management as early as in 2013, but the matter keeps resting with the UDD of GNCTD, interspersed with occasional back and forth communication between the UDD and the MCDs.

7.141. MCD-South has also stated that it had made provisions in the tender documents for implementation of provisions of MSW Rules 2016 including collection of user charges from households and commercial/ institutional establishments. However, these user charges can be levied after the approval and notification

Table-7.22: MSW User Charge Collections by NDMC till May 2017

Month	Collections (₹ lakh)
November 2016	0.007
December 2016	3.17
January 2017	3.45
February 2017	5.89
March 2017	4.59
April 2017	6.03
May 2017	2.81

Source: NDMC presentation to DFC on 28.7.2017.

Table-7.23: Total and Per Capita Revenues of DCB from Water Tax and Conservancy/Scavenging Tax From 2012-13 to 2017-18 (BE)

Year	Receipts from Water Tax	Receipts from Conservancy/ Scavenging Tax	Per capita Revenue from Water Tax*	Per capita Annual Revenue from Conservancy/ Scavenging Tax*
	₹ lakh	₹ lakh	₹	₹
(1)	(2)	(3)	(4)	(5)
2005-06	1.57	1.01	1.4	0.9
2006-07	3.82	2.05	3.5	1.9
2007-08	3.50	1.91	3.2	1.7
2008-09	2.91	1.68	2.6	1.5
2009-10	2.26	1.30	2.1	1.2
2010-11	2.90	1.48	2.6	1.3
2011-12	3.36	1.80	3.1	1.6
2012-13	2.54	1.51	2.3	1.4
2013-14	2.91	1.63	2.6	1.5
2014-15	2.67	1.55	2.4	1.4
2015-16	2.77	1.47	2.5	1.3
Trend Growth Rate (TGR)	0.88	0.38		
2016-17 (RE)	2.90	1.75	2.6	1.6
2017-18 (BE)	3.20	1.95	2.9	1.8

*Population considered constant at Census 2011 level of 1.1 lakh.
Source: DCB Budget documents.

of the sanitation Byelaws which are pending with GNCTD.

7.142. DCB informed us in its supplementary memorandum of September 2017 that it proposes to levy user charges for Swachh Bharat Mission and would initiate a proposal in this regard at the earliest.

7.143. During our meeting with the Principal Secretary (UDD) on 28th August 2017, we were informed that MCDs were competent to introduce the user charges without approval from UDD. There is apparently a confusion prevailing among the municipalities in the matter, which needs to be resolved by the UDD soon. Once user charges are levied, it should result in covering between 10 to 25 per cent of the expenditure on sanitation.

Projections for Receipt from SWM User Charges

7.144. Even though the SWM Rules 2016 have been notified about 18 months ago, municipalities have taken considerable time to notify/amend their byelaws relating to user charges on MSW management. Only NDMC has actually started collecting user charges, but the amounts collected are in the range of ₹ 5-6 lakh per month, that is, less than ₹ 1 crore a year. MCDs are yet to notify the user charges[5]. MCD-South has indicated estimated revenue of around ₹ 1.5 crore per year. These are very low figures and need to be revised upwards.

7.145. In fact, the rates mooted by the MoHUA of GOI for user charges for SWM are in terms of dimensions of the house, like 50-100 sq. metres, etc. This is not realistic, because a 100 sq mt. dwelling unit in category A colony would be far more valuable than a 100 sq. mt. unit in category G or H. Therefore, municipalities should impose user charges for SWM in terms of category of colonies and within each category, rates may be fixed in terms of the area of the property. In other words, user charges for SWM may be on the lines of property taxes and could be easily converted into a cess on property tax.

7.146. Accordingly, we recommend a 15 per cent sanitation cess on property taxes. We are recommending the rate of 15 per cent, as the revenue mobilised at this rate would meet somewhere between 5 and 15 per cent of the estimated expenditure on sanitation of the respective municipalities, even though we would like the user charges to meet around 25 per cent of the expenditure on sanitation. Our expectation can be met if municipalities reduce the expenditure levels.

7.147. We estimate the revenue yield from the user charges on SWM as presented in Table-7.24.

7.148. There is, however, a concern that a cess on property tax would lead to exclusion of about 75-80 per cent of property from the cess, as these are yet to come in the tax net. This concern would lead to a recommendation for imposing the user charges on 'all polluters pay' principle. We have sought information from a few major municipal corporations (MC) about imposition of user charges. We could get response from Pune MC, stating that they are not levying user charges for sanitation directly. Instead, a private NGO (SWaCH), which collects the segregated garbage from door-to-door, has been permitted to collect service charge at rates as indicated in Table-7.25.

7.149. Thus, in Pune, the households in the slums too are paying the user charges for sanitation.

7.150. We are aware that there could be many other options for collection of revenues towards sanitation. These may include, besides a cess on property tax, a direct user charge based on categorisation of the built spaces in one or the other way, sanitation user charges linked to electricity bill, etc. We are also broadly aware of the relative merits on legal and administrative grounds for the various options. However, for want of time on our part, we are not making a detailed analysis of these options and leave that to the municipalities and the state government. What we are definitely recommending is that each municipality must impose cess or user charges effective 2018-19 and collect at least the amount of revenue indicated by us in Table-7.24.

Comprehensive Picture of the Sources of Funding

7.151. The municipalities would be expected to meet the expenditure on sanitation from the following sources:

- Basic sanitation grants from government (for MCDs only)
- User charges/cess (all 5 municipalities)
- Incentive grants (all 5 municipalities)
- Own general revenues (all 5 municipalities)

We have given the method of determination of the basic grant in the chapter 9 (Suggested Scheme for Devolution). Incentive grant would be equal to the collection from user charges.

7.152. We now present a consolidated picture of the

Table-7.24: Projection of Collection from User Charges for Sanitation, Computed @15% of Property Taxes

(₹ crore)

Year	Total for 3 MCDs	MCD-E	MCD-N	MCD-S	NDMC	DCB	All Municipalities
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2018-19	378	47	134	197	104	28	510
2019-20	458	60	161	237	116	37	611
2020-21	529	74	185	270	129	41	699

[5]As of 7th August 2017.

Table-7.25: User charges for Sanitation collected by NGO (SWACH) in Pune

(₹ per month)

Year of Operation	Households	Commercial Establishments	Households in Slums
1st Year	50	100	30
2nd Year	55	110	35
3rd Year	60	120	40
4th Year	65	130	45
5th Year	70	140	50

projected estimation of the expenditure on sanitation including SWM, the estimated revenue collection from user charges/cess, the basic sanitation grant and incentive grant for sanitation, for each municipality for the period 2017-18 to 2020-21, in Table-7.26.

7.153. The model that we have proposed should lead to reducing the burden on account of sanitation, including SWM, on the own general revenue sources of the municipalities to only about 43 per cent, as against 80 per cent at present. Besides, this should also bring the citizens and their municipality closer, for making Swachh Delhi a bigger reality than at present.

7.154. The SWM Incentive Grants mooted by us are related to the collections from user charges and not to the expenditure on SWM. Therefore, municipalities should aim at minimising their expenditure on SWM, while maximising the collections from user charges. As they move on with this approach, the financial burden of managing the MSW on their general revenues would keep coming down further, allowing them the much needed fiscal space.

7.155. For 2016-17 and 2017-18, the basic grants for sanitation indicated for each municipality in Table-7.26 should be taken as their entitlement and the difference, if any, should be provided as arrears. However, if the grant for any municipality already provided in any of these two years, that is 2016-17 and the budget/revised estimates of 2017-18 of the GNCTD exceeds our recommendations, the same should not be recovered.

7.156. We are also convinced that the municipalities can successfully handle the huge responsibility that sanitation including the solid waste management sector requires them to discharge, provided a proper State Sanitation cum Solid Waste Management Policy is in place, which gets duly reflected in the respective municipal byelaws.

State SWM Policy and Municipal Byelaws

7.157. We have analysed the need for early notification of state SWM policy and municipal Byelaws in earlier paragraphs. Accordingly, we recommend the GNCTD to notify the State Municipal Solid Waste Management Policy along with the approval of the Municipal Solid Waste (Management & Handling), Cleanliness and Sanitation Rules/Byelaws of the respective municipalities, by 31st December 2017. To ensure that the municipalities do not suffer on account of delay at the level of the GNCTD in this regard, we recommend a monthly grant of ₹ 10 crore to each of the MCDs effective 1st April 2018 from the GNCTD, which should continue till the GNCTD formally notifies the State MSW Policy and accords approval to the Byelaws of the respective municipalities (both conditions to be satisfied).

7.158. In addition to the efforts mentioned above, municipalities should explore further options of resource mobilisation for SWM, including the viability gap funding scheme of Government of India, as described below.

The Viability Gap Funding Scheme of Government of India

7.159. The Government of India (GOI) had, in 2005-06, launched the scheme for financial support to public-private partnerships (PPP) in infrastructure. The scheme is administered by the Ministry of Finance, GOI and provides financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through PPP with a view to make them commercially viable.

7.160. The GOI provides viability gap funding (VGF) up to 20 per cent of the total project cost; normally in the form of a capital grant at the stage of project construction. The state government or statutory entity

Table-7.26: Actual (2015-16) and Projected Expenditure on Sanitation and Sources of Funding for 2016-17 to 2020-21 for the Municipalities

(₹ crore)

A. MCD-East

Year	Annual Growth Projection (%)	Expenditure	Basic Sanitation Grant	Sanitation Cess/ User Charges	Incentive Grants for Sanitation	Own Sources (General Revenues	Share of Own General Revenues (%)
2015-16 (Ac)	Base	547	100	0	0	447	82
2016-17	10	602	198	0	0	404	67
2017-18	15	692	220	0	0	472	68
2018-19	12	775	242	47	47	439	57
2019-20	10	852	264	60	60	469	55
2020-21	9	929	285	74	74	496	53

B. MCD-North

Year	Annual Growth Projection (%)	Expenditure	Basic Sanitation Grant	Sanitation Cess/ User Charges	Incentive Grants for Sanitation	Own Sources (General Revenues)	Share of Own General Revenues (%)
2015-16 (Ac)	Base	889	202	0	0	687	77
2016-17	10	978	314	0	0	664	68
2017-18	15	1125	349	0	0	776	69
2018-19	12	1260	383	134	134	608	48
2019-20	10	1385	418	161	161	646	47
2020-21	9	1510	451	185	185	689	46

C. MCD-South

Year	Annual Growth Projection (%)	Expenditure	Basic Sanitation Grant	Sanitation Cess/ User Charges	Incentive Grants for Sanitation	Own Sources (General revenues)	Share of Own General Revenues (%)
2015-16 (Ac)	Base	925	200	0	0	725	78
2016-17	10	1018	312	0	0	706	69
2017-18	15	1170	346	0	0	824	70
2018-19	12	1311	381	197	197	536	41
2019-20	10	1442	415	237	237	552	38
2020-21	9	1571	448	270	270	583	37

D. NDMC

Year	Annual Growth Projection (%)	Expenditure	Basic Sanitation Grant	Sanitation Cess/ User Charges	Incentive Grants for Sanitation	Own Sources (General revenues)	Share of Own General Revenues (%)
2015-16 (Ac)	Base	129	0	0	0	129	100
2016-17	10	142	0	0.2	0	142	100
2017-18	15	163	0	1	0	162	99
2018-19	12	183	0	104	26	53	29

2019-20	10	201	0	116	29	56	28
2020-21	9	219	0	129	32	58	26
E. DCB							
Year	**Annual Growth Projection (%)**	**Expenditure**	**Basic Sanitation Grant**	**Sanitation Cess/ User Charges**	**Incentive Grants for Sanitation**	**Own Sources (General revenues)**	**Share of Own General Revenues (%)**
2015-16 (Ac)	Base	30	0	0	0	30	100
2016-17	10	32	0	0	0	32	100
2017-18	15	37	0	0	0	37	100
2018-19	12	42	0	28	7	7	17
2019-20	10	46	0	37	9	-1	-1%
2020-21	9	50	0	41	10	-1	-2
F. All Municipalities							
Year	**Annual Growth Projection (%)**	**Expenditure**	**Basic Sanitation Grant**	**Sanitation Cess/ User Charges**	**Incentive Grants for Sanitation**	**Own Sources (General revenues)**	**Share of Own General Revenues (%)**
2015-16 (Ac)	Base	2520	502	0	0	2018	80
2016-17	10	2771	824	0	0	1948	70
2017-18	15	3187	915	1	0	2271	71
2018-19	12	3570	1007	510	411	1642	46
2019-20	10	3927	1097	611	496	1722	44
2020-21	9	4280	1185	699	572	1825	43

such as a municipality, that owns the project, may provide additional grants out of its budget up to further 20 per cent of the total project cost.

7.161. So far, 72 projects relating to SWM have been sanctioned under the VGF scheme for various municipalities and state entities handling SWM in different parts of the country, involving a total investment of ₹ 9,296.76 crore. However, as per the information posted on the GOI website, of these 72 projects, only one is from the NCT, that is, a 900 tonnes per day (TPD) integrated municipal waste processing complex at NDMC composite plant site, Okhla (Concession Agreement 2005, ₹ 65 crore)[6]. Further, NDMC clarified that the compost plant, Okhla was set up in public private partnership (PPP) framework by the Municipal Corporation of Delhi (now, MCD-South) in association with the IL&FS. Today, the plant processes 500 tons of MSW each day and produces 75 TPD of organic compost which is compliant with the Fertilizer Control Order.[7]

7.162. As MSW management projects are highly amenable to entrepreneurial management, we would recommend that the municipalities in Delhi should use the VGF scheme for implementing the MSW management projects in PPP mode. This will bring in higher efficiency in the management of the MSW projects, besides reducing the financial burden on the municipalities. State government can also encourage the municipalities in this regard by contributing another 20 per cent of the project cost.

Public Health Care and Medical Relief (Hospitals)

The Status of Health of the Citizens of Delhi

7.163. The Government of Delhi has been emphasising

[6] https://infrastructureindia.gov.in/ (accessed in August 2017).

[7] Email dated 31.7.2017 from NDMC.

that a high priority needs to be given to public health and medical care facilities, along with education. This resonates with the Sustainable Development Goals adopted by the United Nations in 2015 that have included "Ensuring healthy lives and promoting well-being for all at all ages" as one of its core components. The Twelfth Schedule of the Constitution provides the following as one of the functions to be assigned to the municipalities, namely, "Public health, sanitation conservancy and solid waste management." However, municipalities in Delhi, as also in many other parts of the country, are assigned far greater responsibilities in providing healthcare and related medical facilities to the people than what has been indicated in the Twelfth Schedule.

7.164. The DMC Act 1957, as amended, includes the following in the list of obligatory functions of the Corporation, relating to medical relief:

(a) The establishment and maintenance of dispensaries and maternity and child welfare centres and the carrying out of other measures necessary for public medical relief.

(b) The maintenance including the expansion and upgradation of facilities of the hospitals existing on the date of commencement of the DMC (Amendment) Act 1993.

7.165. Section 11 of the NDMC Act 1994 lists the obligatory functions of the NDMC, which include the following:

"The establishment and maintenance of hospitals, dispensaries and maternity and child welfare centres and the carrying out of other measures necessary for public medical relief" (clause j), and

"The maintenance including the expansion and upgradation of facilities of the hospitals existing on the date of the commencement of this Act (clause x)."

7.166. In respect of the DCB, Section 61(xii) of the Cantonments Act 2006 prescribes "establishing and maintaining or supporting public hospitals, maternity and child welfare centres and dispensaries, and providing public medical relief" as one of the obligatory functions of every cantonment board.

7.167. Paragraph 14 of our terms of reference requires us to also study the present activities of the municipalities and see whether some of their functions, i.e. major hospitals, etc. could be transferred to GNCTD, which may reduce their expenditure. We have examined the health service related functions of municipalities in totality including the aspect of reducing their expenditure, for the purposes of improving the efficiency of the health services in the NCT.

7.168. We examined the data of the National Family Health Survey-4, 2015-16, to compare Delhi with the other high urbanised states of Mizoram, Puducherry, Goa, Kerala and Tamil Nadu and identified some of the key indicators where Delhi was generally lagging behind. We have listed these in Table-7.27, while more details from this survey, covering some more indicators, are shown in three tables, placed at Annexures-7.1 to 7.3.

7.169. The figures in Table-7.27 show that Delhi is lagging behind in most of the health indicators when compared to five relatively high urbanised states but is slightly better than the urban India as a whole. For instance, the sex ratio at birth for children born in the last five years (females per 1,000 males) was 811, whereas the all India urban average was 899 and in respect of the other high urbanised states, this ratio was higher for all states except Puducherry (786). Delhi also lags behind in registration of births. Births of 86.8 per cent of the children under age were registered as compared to 88.8 per cent in urban India. The percentage of females of six years and above attending school is slightly better in Delhi (81.7%) as compared to urban India (80.6%). However, other urbanised states are still better with regard to this indicator.

7.170. The performance of Delhi is low on indicators of nutritional status of children as well as adult (age 15-59 years). Delhi has the highest proportion of stunted children (32.4%), underweight children (27.3%)

Table-7.27: National Family Health Survey-4, 2015-16-Selected Indicators

Sl.No.	Indicators	India	Delhi	Mizoram	Puducherry	Goa	Kerala	Tamil Nadu
	Population and Household Profile							
1	Population (female) age 6 years and above who ever attended school (%)	68.8	**81.7**	91.2	81.4	85	95.4	77.2
2	Population below age 15 years (%)	28.6	24.6	29.9	23.7	23.2	20.2	23.3
4	Sex ratio at birth for children born in the last five years (females per 1,000 males)	919	**817**	946	843	966	1,047	954
5	Children under age 5 years whose birth was registered (%)	79.7	**86.8**	97.9	99	98.9	97.7	98.3
	Nutritional Status of Children							
71	Children under 5 years who are stunted (height-for-age)**12** (%)	38.4	**32.3**	28	23.7	20.1	19.7	27.1
72	Children under 5 years who are wasted (weight-for-height)**12** (%)	21	17.1	6.1	23.6	21.9	15.7	19.7
73	Children under 5 years who are severely wasted (weight-for-height)**13** (%)	7.5	5	2.3	7.8	9.5	6.5	7.9
74	Children under 5 years who are underweight (weight-for-age)**12** (%)	35.7	**27**	11.9	22	23.8	16.1	23.8
	Nutritional Status of Adults (age 15-49 years)							
75	Women whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m2)**14** (%)	22.9	12.8	8.3	11.3	14.7	9.7	14.6
76	Men whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m2) (%)	20.2	**17.7**	7.2	10.2	10.8	8.5	12.4
77	Women who are overweight or obese (BMI ≥ 25.0 kg/m2)**14** (%)	20.7	34.9	21.1	36.7	33.5	32.4	30.9
78	Men who are overweight or obese (BMI ≥ 25.0 kg/m2) (%)	18.6	24.6	21	37.1	32.6	28.5	28.2
	Anaemia among Children and Adults 15							
79	Children age 6-59 months who are anaemic (<11.0 g/dl) (%)	58.4	**62.6**	17.7	44.9	48.3	35.6	50.7
80	Non-pregnant women age 15-49 years who are anaemic (<12.0 g/dl) (%)	53.1	52.8	22.4	53.4	31.4	34.6	55.4
81	Pregnant women age 15-49 years who are anaemic (<11.0 g/dl) (%)	50.3	**45.1**	24.5	26	(26.7)	22.6	44.4
82	All women age 15-49 years who are anaemic (%)	53	52.5	22.5	52.4	31.3	34.2	55.1
83	Men age 15-49 years who are anaemic (<13.0 g/dl) (%)	22.7	**21.6**	9.6	15.9	11	11.3	20.4

and anaemic children (62.3%) among the urbanised states. Delhi is better than urban India and some of the urbanised states in respect of children under five years of age who are wasted (17.2%) and severely wasted (5%).

7.171. Delhi has least proportion of obese men (24.1%) even less than the average urban India (26.3%), but highest proportion of men with body mass index below normal (17.9%). Delhi also has highest proportion of anaemic men and women indicating the challenge posed by malnourishment in the state. As many as 34.9 per cent of women in Delhi are obese, as compared to 31.3 per cent in urban India.

7.172. The overall conclusion that we can draw from the preceding analysis of the selected indicators of the National Family Health Servey-4, 2015-16, is that Delhi needs to accord greater attention to the healthcare for its citizens, focussing exclusively on men, women and children on one hand and, on the other hand, on the population in general, in the years to come. Moreover, dengue, chikungunya and similar newer vector borne diseases have started posing newer challenges to the health managers. We have taken note of the enhanced efforts that the municipalities ought to put in for public healthcare and medical relief, in examining their financial requirements for this sector.

7.173. We would also recommend the GNCTD to further examine the health indicators as well as highly skewed sex ratio for Delhi vis-à-vis other high urbanised states, in association with expert agencies. The role and responsibilities of various service providers, including the municipalities, should be re-worked pursuant to such deliberations. We are making some specific suggestions on these issues in the subsequent parts of this chapter.

View of the Earlier DFCs

7.174. The First DFC had noted that the share of expenditure of the MCD had shown an increasing trend for some sectors, which included public health and medical relief. It also noted that the MCD had stated in its memorandum, "Medical relief (curative health) consisting of a chain of hospitals, dispensaries and maternity homes, etc. is not strictly in the nature of local functions. There does not appear to be any justification for a municipal authority to maintain huge hospitals containing beds and specialties. This pertains to the state's functional domain and there is every justification for withdrawing of this function from MCD and its transfer to the GNCTD." The First DFC found merit in this view of the MCD and recommended accordingly, stating that this will result in a saving of ₹ 58 crore a year to the MCD.

7.175. The Second DFC recommended that "primary health care including dispensaries, maternity and child healthcare centres and small hospitals should remain with municipalities but all hospitals with more than 100 bed capacity should be transferred from municipalities to government of Delhi since these require specialised management logistics and diagnostic facilities, which is already available with governmentof Delhi. This is again a case of overlapping of functions between governmentof Delhi and the municipalities."

7.176. The Third DFC recommended that the 27 major hospitals under the local bodies (25 with MCD and 2 with NDMC) should be transferred to the jurisdiction of the state government.The Fourth DFC recommended that the government should consider taking over of Infectious Diseases hospital and Hindu Rao hospital, which needed massive investment for improving the health delivery infrastructure. It also recommended that a new 'Department of Preventive Health Care' be set up after signing a memorandum of understanding with the department of health and family welfare, government of Delhi regarding optimal utilisation of curative health care infrastructure regardless of the ownership.

7.177. The Fourth DFC recommended that the government should provide at least 10 per cent of the state health budget as special grant-in-aid from the consolidated fund of the capital every financial year for undertaking measures needed to improve the preventive health care facilities which would specifically cover measures to control water/vector borne diseases, movement of gravely sick persons and integration of the maternity and child welfare centres with secondary and tertiary level health care facilities. In return, each municipality should establish a fund known as 'Promotion of Public Health Services Fund' under Section 108 of the DMC Act 1957 and Section 54 of the NDMC Act 1994 and the rules regulating the use of this fund should specifically provide that no amount credited to this fund shall be used for paying salaries of staff.

Views of the State Government

7.178. As stated above, the First, Second and the Third DFC had specifically recommended for transferring the major hospitals to the GNCTD. However, in respect of the recommendation of the First DFC, the state government in their explanatory memorandum had stated that a decision would be taken in due course.

7.179. In respect of the recommendation of the Second DFC, the state government in their explanatory memorandum had stated "the transfer of MCD hospitals with capacity of 100 or more beds to the government recommended by the DFC is not considered necessary."

7.180. On the recommendation of the Third DFCin this matter, the state government in their explanatory memorandum had stated "the recommendation of the Finance Commission on transfer of major hospitals of MCD and NDMC to the Government has not been accepted."

7.181. As for the Fourth DFC, the state government in their explanatory memorandum had stated that the municipalities should implement the recommendation of the Fourth DFC relating to certain decisions including on the government taking over of the Infectious Diseases hospital and Hindu Rao hospital. However, no further action seems to have been taken by either side, as far as we could understand.

7.182. We had requested the H&FW Department to offer their view on the various issues contained in our TOR and, in particular, on the issue of transfer of major hospitals from the municipalities to the state government. We held a meeting with the Health Secretary on 23rd January 2017, following which he sent us a detailed note. However, his note merely narrates the status of health services in Delhi, but without any views on the issues. We have also not received the memorandum either from the UDD or the FD. As a result, we could not have the benefit of the views of the state government on this important item of our TOR.

Views of the Municipalities

7.183. MCD-East has stated that there are serious gaps in health infrastructure. The norms of gross floor area per bed for different categories of hospitals do not follow BIS standards. Major gaps exist in the category of 500-bed general hospital and 80-bed intermediate hospital. Against the norm of five beds per 1000 persons, the availability of beds is 1.9 per 1000 population. In absolute terms, as against the normative requirement of 68,340 beds, the number of beds available is 24,223 only.

7.184. MCD-East has also stated that as per norms of GOI, there should be one primary health care center for every 30,000 population, one sub-center for every 10000 population, one 100 bed hospital for every five lakh population and at least one district level hospital for every 5 lakh populations. The estimated population of East Delhi is 40 lakh, for which the service delivery outlets including those maintained by Government of Delhi are not adequate. The unmet requirements especially in the north-east district colonies like Karawal Nagar, Sonia Vihar, Harsh Vihar and Saboli need to be addressed. As against this, MCD-East has only one district level hospital (230 beds), one respiratory diseases hospital (50 beds), eight maternity homes, 23 mother & child dispensaries and four allopathic dispensaries, etc. A total of ₹ 198.71 crore will be required over the five year period for upgrading and strengthening the health care infrastructure.

7.185. MCD-North has stated that it has five major hospitals (Hindu Rao Hospital, RBIPMT Hospital, Kasturba Hospital, GLM Hospital, M.V.I.D. Hospital), 12 colony hospitals, 49 dispensaries, two BD clinics, six Chest Clinics, 77 M&CW centres, 10 IPP-VIII centres, 25 Homeopathy dispensaries and 17 Unani dispensaries. Two hospitals are specialised category hospitals: Rajan Babu Institute of Pulmonary Medicine and Tuberculosis (RBIPMT), specialised for pulmonary medicines and tuberculosis and Maharishi Valmiki Infections Diseases (MVID) hospital, specialised for infectious diseases. Special focus is given to providing the health services to the poor and deprived citizens. All the health care facilities are provided free of cost and attention is being given to maintain the quality of services. However, to relieve the pressure on general hospitals, there is a need to provide complimentary health facilities by the MCD.

7.186. MCD-North has also stated that the medical college established at Hindu Rao Hospital has completed three years and has successfully entered the 4th year. All the departments have been established in this medical college and these are successfully running as per MCI guidelines. The students of the Hindu Rao Medical College have consistently done well in the examinations conducted by the Guru Govind Singh Indraprastha University.

7.187. MCD-North has also stated that after trifurcation, the bulk of expenditure on hospitals has been inherited by MCD-North. This is explained by the fact that all but one of the hospitals in unified MCD, i.e. Hindu Rao Hospital, Rajan Babu Institute of Pulmonary Medicine and Tuberculosis, Maharishi Valmiki Infections Diseases Hospital, Kasturba Hospital and GL Maternity Hospital were inherited by MCD-North. While MCD-South did not have a major hospital, MCD-East had one hospital, namely, Swamy Dayanand (SDN) Hospital. The expenditure on the hospitals is without any corresponding revenue and has remained a financial strain on MCD- North's finances.

7.188. MCD-North has also stated that trifurcation has resulted into an advantage for MCD-South vis-a-vis MCDs-North and East, as it has the share of better colonies for the purpose of property tax and transfer duty and hence better revenues. Also, it had a lower share of expenditure on hospitals/healthcare vis-a-vis MCD-North. The better financial position of MCD-South after trifurcation has less to do with efficiency and more with the way MCD was trifurcated. Notwithstanding the same, four years of experience after trifurcation has seen that the North and East MCDs have been unfairly blamed for financial mismanagement, inefficiency and corruption. This merits special attention for the Fifth DFC. Additional devolution may be given to North and East MCDs for running of hospitals, which are unique functions carried out by these two municipalities.

7.189. MCD-North has presented the information in regard to expenditure on hospitals incurred by the three corporations since 2012-13, as in Table-7.28.

7.190. Analysing the figures provided by it, as inTable-7.28, MCD-North has stated that running of major hospitals entails a cost which is not compensated either by recovery of user charges or by grant-in-aid from GNCTD. These hospitals are public utilities catering to the weakest sections of society.

7.191. MCD-North has requested that an additional grant-in-aid at the level of expenditure incurred in 2015-16 be given extra to the two corporations, i.e. North and East MCDs. Combined with the extra devolution for lower collection of property tax and transfer duty, this will neutralise the disadvantageous position that the North and East MCDs have suffered on account of trifurcation.

7.192. Citing the above-mentioned disabilities, MCD-North has sought for special grant towards maintenance

Table-7.28: Expenditure Incurred by the 3 MCDs in Running of Hospitals: 2012-13 to 2015-16 (as presented by MCD-North)

(₹ crore)

MCD	2012-13	2013-14	2014-15	2015-16
South MCD	0	0	0	0
North MCD	200	244	273	260
East MCD	19	44	54	64

Source: Memorandum of the MCD-North

of hospitals @ ₹ 260 crore for 2016-17 and increasing gradually to reach ₹ 381 crore in 2020-21. It has sought for similar grants for MCD-East, which maintains one major hospital, @ ₹ 64 crore for 2016-17 and increasing gradually to reach ₹ 94 crore in 2020-21.

7.193. MCD-South has stated that it was providing secondary/specialised healthcare facilities through its five major hospitals and one colony hospital. These include the Purnima Sethi Multi-specialty (150 bed) hospital at Kalkaji, Chest hospital at Nehru Nagar (55 bed), a full-fledged hospital at Tilak Nagar (100 bed-work in progress) and 21 primary urban health centres. Special focus is given to provide the health services to the poor and deprived. All the healthcare facilities are provided free of cost and attention is being given to maintain the quality of the services that are rendered to the citizens.

7.194. MCD-South has also stated that despite good efforts carried out by the Corporation, there is a serious need for ensuring upgradation of the facilities and services. Required plans are drawn in this area, i.e. New Primary/Poly Clinics are to be established, recruitment of doctors in the general and also in the specialist category is to be taken up. It is proposed to construct new hospitals also in important locations. This segment itself needs around ₹ 300 crore to ensure that best of the health and medical facilities are provided to the public. With the increasing population, both resident and floating, health is an area that always gets a hit with spread of communicable and infectious ailments, which are a common phenomenon.The corporation has spent ₹156 crore during 2015-16, ₹230 crore during 2016-17 for medical relief and healthcare and has proposed a budget of ₹296 crore for 2017-18, which is insufficient if the proposed plans for improving the facilities are to be pursued.

7.195. MCD-South has also stated that as no adequate affordable healthcare facility exist in the areas, it has initiated action to upgrade all colony hospitals and dispensaries. Major project works for upgradation of the colony hospitals at Kalkaji and Tilak Nagar are at various stages of completion. The work of upgradation of Lajpat Nagar colony hospital into a multi-specialty 100-bed hospital is in pipeline but could not be taken up during the current year due to paucity of funds. The estimated cost of these two projects, i.e. upgradation of Tilak Nagar hospital and Lajpat Nagar colony hospital is more than ₹ 200 crore. MCD-South aims at providing quality primary and secondary healthcare to the public. It proposes to upgrade every primary clinic into polyclinic, where all kinds of pathology, ultrasound, X-ray and other scanning requirements could be provided with latest equipment and technology supported by qualified staff and specialist doctors.

7.196. NDMC has stated that 'public vaccination & innoculation', 'prevention and checking the spread of dangerous diseases' and 'carrying out measures necessary for public medical relief' were among the obligatory functions for the NDMC under sections 11(h), (i) & (j) of the NDMC Act. NDMC has stated that it is discharging all such functions as per the NDMC Act and thus, these services cannot be transferred to Delhi Government.[8]

7.197. DCB has stated that it is maintaining Cantonment General(CG) Hospital where best treatment and diagnostic facilities have been provisioned. The present bed strength at CG Hospital is 50 beds, which is being raised to 100 beds. The CG hospital has engaged medical specialists including gynecologists, pediatricians, anesthetists, medicine, surgeons, ophthalmologists, orthopaedics, radiologists, ENT specialists, dermatologists, pathologists and psychiatrists. Emergency services are available round the clock. Support/diagnostic services like ultrasound, X-ray, ECG, micro-biology/haematology and bio-chemistry laboratories are being provisioned satisfactorily. At CG Hospital, one minor operation theatre (OT) and one major OT is presently functioning while a second major OT is likely to be commissioned soon. In-patient (IPD) facilities are available 24x7. In the year 2014-15, outpatient (OPD) figures were 2.32 lakh whereas in 2015-16 the number increased to 3.10 lakh, whereas for 2016-17, the number was

2.83 lakh. The DCB is running a dedicated clinic for senior citizens wherein 22,682 senior citizens were treated during the year 2015. The CG Hospital is also running school health programme; health checkups of students are being done twice a year, health cards are being maintained. The CG Hospital is providing free medicines to all patients. Besides, the cantonment residents, patients from adjoining areas around the cantonment, viz. Sagarpur, Palam, Mahipalpur and Lajwanti Garden, etc. are also utilising the healthcare services provided by the Board. The DCB is maintaining two mobile dispensaries, which keep visiting various pockets in the cantonment for neighborhood health care services. The DCB is also maintaining a critical care ambulance equipped with high-end lifesaving equipment. Medical health camps are being organised by the CG hospital at regular intervals.

7.198. In the supplementary memorandum submitted on 5th September 2017, the DCB has submitted that the spectrum of services being offered in the Cantonment General (CG) Hospital is being expanded and, accordingly, the budgetary expenditure for the CG Hospital is expected to increase from ₹ 32 crore in 2017-18 to ₹ 54 crore in 2020-21. The DCB has stated that the CG hospital is not getting any financial assistance/grant from the GNCTD though it is taking care of a large number of patients from outside the Delhi Cantonment area. However, the DCB has not provided any figures for the number of such patients. The DCB has further stated that to make the CG Hospital financially sustainable, health grants from the GNCTD are absolutely essential, else it would be a major impediment to the proposed expansion Plan of the hospital.

National Urban Health Mission (NUHM)

7.199. The National Urban Health Mission (NUHM) was launched in May 2013, as a sub-mission under the National Health Mission (NHM) to provide a well-designed framework for strengthening the primary healthcare system in the cities, which includes the following:

- For each five lakh population in metro cities (2.5 lakh in other cities): One Urban Community Health Centre, with 30-50 bedded in-patient facility
- For each 50,000 population: One Urban Primary Health Centre with OPD facility
- For each 10,000 population: One Auxiliary Nurse cum Midwife (ANM).
- For each 1,000 to 2,500 population:One Community Health Volunteer (ASHA).
- For each 250 to 500 population, Mahila Aarogya Samiti.

7.200. The NUHM requires each municipality to prepare the city mapping and vulnerability assessment, health information management system, quality standards for health and medical care and monitoring & evaluation systems, for which the NUHM provides detailed guidelines.

7.201. The State H&FW Department should undertake mapping of the health related vulnerability details for the state as a whole, broken down into municipalities, zones and wards. The approach should be to identify the vulnerability issues holistically, and develop multi-pronged strategy for implementation of the plan, by way of integration of the state activities ranging from mohalla clinics to super-specialty hospitals on one hand and, on the other hand, the infrastructure and services owned and operated by the municipalities as well the GOI and other organisations in private and government sectors.

Analysis of the Expenditure of the Municipalities

7.202. The expenditure reported by the municipalities (MCDs) under 'Medical & Public Health' includes the following major items:

- Hospitals
- Dispensaries, Maternity and Child Welfare Centres, Chest clinics, Panchkarma Centres

[§]NDMC letter No. 173/HA/Finance(B)/2017/D-145 dated 12.5.2017.

- Public Health - Vaccination
- Public Health- Prevention of Diseases; Vector Borne Diseases
- Public Health- Vital Statistics
- Public Health - Establishment and Maintenance of Cremation Grounds

7.203. The figures for expenditure on medical relief and public Health services as reported by the municipalities—and the same converted into per capita figures, are presented in Table-7.29.

7.204. The figures in Table-7.29 lead to the following inferences. *First*, the expenditure on medical relief and health services is taking an increasingly higher share of the total expenditure of each of the municipalities. For the year 2015-16, the ratio is lowest in the case of NDMC (4.1%) and highest, for MCD-North (18%). The low rate for NDMC is on account of their substantial expenditure on electricity and water supply.

7.205. *Secondly*, the per capita expenditure on medical and health services being incurred by the NDMC @ ₹ 3,136 to ₹4,691 during 2012-13 to 2015-16 is ten times higher than that of MCD-East, four to six times higher than that of the MCD-North and MCD-South. *Thirdly*, among the MCDs, the per capita expenditure of MCD-North is the highest, followed by that of MCD-East and the lowest being that of MCD-South. This corroborates the statement made by the MCD-North in their memorandum, which we have cited before, that post trifurcation, the MCD-North had inherited five major hospitals, MCD-East inherited one and MCD-South, none and that this has led the MCD-North to incur expenditure ranging between ₹ 200 to ₹ 260 crore in each of the years 2012-13 to 2015-16. We have noted this argument of the MCD-North and would be dealing with the issue suitably. We also note that these disparities have reduced marginally in 2016-17, though the final picture of the expenditure is yet to emerge.

Grants to the Municipalities for Medical and Health Services

7.206. Government grants and own revenues are the only two sources of financing the medical relief and health services sector, which is one of the obligatory functions of the municipalities. This is so because the medical and healthcare services are made available almost entirely free to the citizens.

7.207. The total expenditure incurred by the municipalities on medical and public health services and the grants received from the GNCTD are presented in Table-7.30.

7.208. The figures in Table-7.30 indicate that (*a*) grants in nominal terms have remained practically stagnant during 2012-13 to 2016-17, (*b*) The share of the grants in the total expenditure on medical relief of the municipalities has shown almost similar decline, from 32 per cent in 2012-13 to 19.5 per cent in 2015-16, while the 2016-17 (RE) figures indicate a further decline to 15.2 per cent.

Transfer of Major Hospitals of the MCDs to the GNCTD

7.209. We have considered the issue of transfer of major hospitals from the municipalities to the GNCTD carefully. Our examination is also reflected indirectly in different places in this chapter. At some place, we have stated that hospitals are in the nature of social services, where from any provider in public sector, be it the state government or a municipality, cannot expect any significant direct monetary returns. Moreover, we could not get any clear impression, either from the state H&FW Department, or from the municipalities or any other forum, to indicate that the services being provided by the municipality-operated hospitals are sub-standard.

7.210. We had examined the recommendation made by the earlier DFCs on the issue of transfer of the major hospitals of the municipalities to the GNCTD, in para 7.174 to 7.182. As we had noted there, even when the earlier (First, Second and Third) DFCs had recommended specifically for such transfers, but the state government had not accepted the same. In our interactions with officers of H&FW sector of the state government, no specific argument was brought out in this regard.

Table-7.29: Expenditure on Medical Relief & Public Health of Municipalities- Share in Total Expenditure & Per Capita- 2012-13 to 2017-18 (BE)

A. Expenditure on Medical Relief & Public Health of Municipalities (₹ crore)							
Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	715	107	464	143	81	10	805
2013-14	879	141	558	180	83	13	974
AGR	23.0	31.1	20.3	25.7	2.1	32.4	21.0
2014-15	1006	184	625	198	117	12	1135
AGR	*14.5*	*30.5*	*11.9*	*10.1*	*41.0*	*-10.2*	*16.4*
2015-16	1046	202	635	209	121	19	1186
AGR	*103.9*	*110.0*	*101.6*	*105.7*	*103.9*	*162.1*	*104.5*
TGR	13.6	24.1	11.1	13.2	16.8	20.5	14.0
2016-17 (R.E.) #	1490	406	806	278	123	13	1626
AGR	*42.4*	*101.0*	*26.9*	*32.7*	*1.3*	*-29.5*	*37.1*
2017-18 (B.E.)	1752	430	953	370	138	27	1917
AGR	*17.6*	*5.9*	*18.2*	*33.0*	*12.4*	*103.3*	*17.9*
Population 2011 (crore)	1.64	0.40	0.63	0.62	0.026	0.011	1.68
B. Total Expenditure of Municipalities under all Heads (₹ crore)							
2012-13	7842	1408	3434	2999	2094	117	10053
2013-14	8823	1580	3950	3293	2628	134	11585
AGR	12.5	12.2	15.0	9.8	25.5	15.2	15.2
2014-15	9029	1957	3786	3286	3041	113	12184
AGR	2.3	23.9	-4.1	-0.2	15.7	-15.6	5.2
2015-16	8749	1807	3523	3418	2926	156	11831
AGR	-3.1	-7.6	-7.0	4.0	-3.8	37.7	-2.9
TGR	3.6	10.1	0.3	4.0	12.2	7.3	5.5
2016-17 (RE)	14152	3995	5550	4607	3296	231	17679
AGR	61.8	121.0	57.5	34.8	12.7	47.7	49.4
2017-18 (BE)	17811	4322	8390	5099	3622	317	21750
AGR	25.9	8.2	51.2	10.7	9.9	37.5	23.0
C. Percentage of Expenditure on Medical Relief & Public Health to Total Expenditure of Municipalities (In %)							
2012-13	9.1	7.6	13.5	4.8	3.9	8.3	8.0
2013-14	10.0	8.9	14.1	5.5	3.1	9.6	8.4
2014-15	11.1	9.4	16.5	6.0	3.8	10.2	9.3
2015-16	12.0	11.2	18.0	6.1	4.1	12.0	10.0
2016-17 (R.E.)	10.5	10.2	14.5	6.0	3.7	5.7	9.2

2017-18 (B.E.)	9.8	10.0	11.4	7.2	3.8	8.5	8.8
D. Per Capita Expenditure on Medical Relief & Public Health of Municipalities							
							(₹)
2012-13	435	272	742	230	3136	885	480
2013-14	535	357	892	289	3203	1173	580
2014-15	613	465	999	319	4517	1054	676
2015-16	637	512	1015	337	4691	1708	706
2016-17 (RE)	907	1029	1288	447	4752	1204	968
2017-18 (BE)	1067	1089	1523	595	5340	2447	1142

Source: Municipalities concerned (August 2017).
For MCD-South, figures for 2016-17(RE) are RE for non-Planand BE for Plancomponents, respectively, as reported by MCD-S and in-case of DCB, the figure of pre-actual shown as RE.

7.211. Municipalities have analysed the issue in their memoranda, which we have recalled in para 7.183 to 7.192. MCD-North has stated that a suitable amount of grant-in-aid may be given by the GNCTD to the municipal bodies for running the hospitals. This is particularly relevant for North and East MCDs, which run five and one major hospitals, respectively. These hospitals cater to the weakest sections of the society, for whom the MCDs extend practically free medical attendance including outdoor and indoor treatment and free medicines to the patients.

7.212. One measure of comparing the performance of the MCD hospitals with hospitals operated by the GNCTD could be the expenditure pattern. The figures presented in the Table-7.31 and Table-7.32 compare the expenditure incurred per bed (for in-patients, IPD) and per out-patient (OPD) in the hospitals operated by the MCDs and GNCTD, respectively. Plan expenditure of the municipalities has not been taken for the purpose of comparison as it is mostly towards building of capital assets in the hospital and does not reflect the operating costs of the hospitals.

7.213. The data in Tables-7.31and 7.32 indicate that the per bed average annual expenditure varies much significantly. It seems unfair to compare the figures without going into fuller details of the expenditure, which we could not do for want of time. All the same, in general, it seems that the per bed average annual expenditure in most of the hospitals of the GNCTD was much higher than that of the lone hospital of MCD-East (₹ 17.2 lakh), and higher than the corresponding figure for the Hindu Rao Hospital, which is the largest of the hospitals of MCD-North, which works out to ₹13.7 lakh.

7.214. The average monthly expenditure on out-patient department (OPD) of the MCD hospitals, more particularly those of the MCD-North, was, however, much higher than most of the GNCTD hospitals. MCD-North has stated in an email (dated 22.9.2017) that but for the Bara Hindu Rao Hospital, its other four hospitals were meant for specific types of patients, such as tuberculosis, infectious diseases and maternity cases.

7.215. Taking this comparison further, MCD-North has stated that should the GNCTD decide to compensate MCDs by way of grant-in-aid instead of take-over of the hospitals, it would work out to be much economical for GNCTD and accordingly, in their memorandum MCD-North had sought for a grant-in-aid for ₹260 crore for 2016-17, and an increase of 10 per cent per annum every year there after.

7.216. We feel that the analysis made by us in preceeding paragraphs needs to be supplemented by further detailed study to ascertain the relative efficiency in the operations of the hospitals owned by different authorities, namely, the MCDs, the GNCTD and others. However, from what we could conclude along with the information gathered through documents and our interaction with the various authorities, we record our recommendations as follows.

Table-7.30: Percentage of Government Grants to Total Expenditure on Medical & Public Health of Municipalities

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
A. Total Expenditure on Medical & Public Health of Municipalities (₹ crore)							
2012-13	715	107	464	143	81	10	805
2013-14	879	141	558	180	83	13	974
2014-15	1006	184	625	198	117	12	1135
2015-16	1046	202	635	209	121	19	1186
2016-17 (R.E.) #	1490	406	806	278	123	13	1626
2017-18 (B.E.)	1752	430	953	370	138	27	1917
B. Government Grants (Plan) Received for Expenditure on Medical Relief & Public Health of Municipalities** (₹ crore)							
2012-13	229	52	131	47	–	–	–
2013-14	210	46	119	45	–	–	–
2014-15	222	51	125	46	–	–	–
2015-16	204	41	113	50	–	–	–
2016-17 (R.E.) *	227	55	102	70	–	–	–
2017-18 (B.E.)	261	55	132	74	–	–	–
C. Percentage of Government Grants (Plan) to Total Expenditure on Medical Relief & Public Health of Municipalities							
2012-13	32.0	47.9	28.2	32.5	–	–	–
2013-14	23.9	32.7	21.3	25.2	–	–	–
2014-15	22.0	27.5	20.0	23.2	–	–	–
2015-16	19.5	20.0	17.8	23.9	–	–	–
2016-17 (R.E.)	15.2	13.5	12.7	25.1	–	–	–
2017-18 (B.E.)	14.9	12.8	13.9	19.9	–	–	–

Source: Municipalities concerned (August 2017).
* Incase of MCD-South, pre-actual figure is shown for 2016-17 (RE).
** In case of MCD-North, the Plan grant figures are as per GNCTD Budget.
# Figure for MCD-South for 2016-17 (RE) in respect of Plan in their BE and in-case of DCB, the figure of pre-actual shown as RE.

7.217. As for now, keeping all aspects in view, we do not recommend for transfer of major hospitals from the municipalities, but recommend suitable grants to be extended to the municipalities for maintaining the hospitals. At the same time, we recommend the state H&FW Department to integrate the medical relief facilities being operated by the municipalities into an integrated healthcare plan for the state, with sub-plans for each municipality, zone, ward and mohalla/colony/locality, in line with the framework of the National Urban Health Mission (NUHM), about which we have given some information in para 7.199-7.201. Such

Table-7.31: Details of the Number of Beds, Annual Expenditure, No. of Out-patients, Expenditure per Bed and Expenditure per Out-patient for the Hospitals of MCD-East and MCD-North for 2015-16

Ownership	S. No.	Name of Hospital	Number of beds	Expenditure* (₹ crore)	Average No. of Out-patients (OPD) Per month during the year	Average Expenditure per bed per annum (₹ lakh)	Average Expenditure per OPD patient per month(₹)
MCD-East	1	Swamy Dayanand Hospital,MCD-East	370	64	57153	17.2	926
MCD-North	1	Hindu Rao Hospital	980	134	62640	13.7	1777
	2	Rajan Babu Institute of Pulmonary Medicine &Tuberculosis	1155	46	8309	4.0	4570
	3	Maharishi Valmiki Infectious Diseases Hospital	230	12	6793	4.4	1446
	4	Kasturba Hospital	450	52	19506	11.5	2207
	5	Giridhari Lal Maternity Hospital	98	14	5471	14.8	2192

Source: Budget Document 2017-18 and supplementary communication of MCDs.
*MCDs have not reported break up of capital and revenue components.
**MCD-North has stated that, in addition, the expenditure on the Balak Ram Hospital, which is in preliminary stages of operation, was ₹ 2.77 crore.

integration should also encompass the institutions and infrastructure being operated by the Government of India and the non-government and private sectors.

7.218. We also recommend that the financially better off municipalities such as the NDMC and the DCB, should utilise their surplus funds to convert their existing hospitals into super-specialty hospitals, to reduce the load on the AIIMS, Safdarjung Hospital and Ram Manohar Lohia Hospital, which should function as referral hospitals only.

Projection for the Award period

7.219. The MCDs have, in their memoranda, which we have presented in summary earlier, sought for a substantial growth in the estimation of expenditure on medical relief and healthcare services as well as in the level of grants from the government for this sector.

7.220. The average annual growth rate achieved by the MCD-East, MDC-North, MCD-South, NDMC and DCB during the period 2012-13 to 2015-16 has been 24, 10, 18, 17 and 20 per cent respectively. The estimated expenditure projected by the MCDs for the award period are 15 per cent by MCD-East, 10 per cent by MCD-North and 20 per cent by MCD-South, on revenue account. However, MCDs have generally chosen to raise the base year figures (2016-17). MCD-South also sought for higher levels of expenditure on capital account, ₹ 150 crore in 2018-19, ₹ 160 crore in 2019-20 and ₹ 200 crore in 2020-21, for their multi-specialty hospital project.

7.221. We present the figures for trend of the annual expenditure of the municipalities on medical relief and public health services, the growth and elasticity figures, the projections made by the municipalities and the estimation that we finally recommend, in Table-7.33.

7.222. As in the case of all other items of expenditure, we need to take care of the merger of the Plan and non-

Table-7.32: List of Hospitals in GNCTD and Expenditure for 2015-16

Name of Hospital	**Number of beds**	**Expenditure Non-Plan** (₹ crore)	**Revenue Exp. (Plan)** (₹ crore)	**Total Plan (Rev.)+ Non-Plan Exp.** (₹ crore)	**Average Out-patient (OPD)** Per month **during the year**	**Average Expenditure per bed per annum*** (₹ lakh**)**	**Average Expenditure per OPD patient per month***(₹)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
L.N.J.P. Hospital	1837	254	50	304	123692	16.6	2051
Aruna Asaf Ali Hospital	100	31	3	34	28298	33.8	996
Deen Dayal Upadhyay Hospital	640	135	39	173	101207	27.1	1427
Gurunanak Eye Center	212	23	3	26	30029	12.2	720
Dr. Baba Saheb Ambedkar Hospital	500	72	26	98	127343	19.6	640
Sardar Vallabh Bhai Patel Hospital	50	20	5	24	42760	49.0	477
Bhagwan Mahavir Hospital	252	18	20	38	61670	15.0	510
Acharya Shree Bhikshu Hospital	150	22	7	30	52576	19.8	471
Jag Pravesh Chandra Hospital	210	26	10	36	72840	17.2	413
Rao Tularam Hospital	100	24	5	28	38540	28.4	613
Babu Jagjivan Ram Hospital	100	22	12	34	63624	33.8	443
Raja Harishchandra Hospital	200	24	6	31	56802	15.3	448
Lal Bahadur Shastri Hospital	100	31	14	45	74168	45.0	505
Maharshi Balmiki Hospital	150	26	6	32	30027	21.2	883

Source: Outcome Budget and Detailed Demands for Grants of GNCTD for 2017-18.
*Expenditure includes non-Plan and Plan (revenue) components.

Plan components of expenditure that was prevalent until 2016-17. Thus, now only the revenue, capital and total expenditure would have to be projected. Moreover, unlike in the past, this DFC will have to make recommendations for what was earlier considered as the 'Plan' component.

Table-7.33: Trend of Expenditure of Municipalities on Medical Relief & Public Health during 2012-13 to 2017-18(BE) and Projections for the Award Period as Reported by the Municipalities

A. Expenditure of Municipalities on Medical Relief & Public Health

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for All Municipalities (2+12+13)
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
2012-13	715	40	67	107	89	375	464	49	94	143	81	10	805
2013-14	879	32	109	141	98	460	558	49	131	180	83	13	974
2014-15	1006	58	125	184	124	500	625	50	148	198	117	12	1135
2015-16	1046	64	138	202	135	500	635	53	156	209	121	19	1186
TGR	13.6	22.1	25.9	24.1	16.0	9.9	11.1	2.6	17.9	13.2	16.8	20.5	14.0
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Elasticity	1.13	1.83	2.15	2.00	1.33	0.82	0.92	0.21	1.49	1.09	1.39	1.70	1.17
2016-17 (R.E.) #	1490	55	351	406	111	694	806	47	231	278	123	13	1626
2017-18 (B.E.)	1752	55	375	430	131	821	953	74	296	370	138	27	1917

B. Projection by Municipality Concerned

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for 5 Municipalities (2+12+13)
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total			
2016-17	–	–	–	–	640	12	652	–	–	–	–	–	–
2017-18	1506	313	50	363	759	14	773	326	44	370	–	–	–
2018-19	1861	360	50	410	835	16	851	450	150	600	–	–	–
2019-20	2106	414	55	469	919	18	937	540	160	700	–	–	–
2020-21	2417	476	60	536	1011	20	1031	650	200	850	–	–	–

Source: 1. Actuals for 2012-13 to 2015-16 and 2016-17 (RE) & 2017-18 (BE) from E-mail of municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Government of Delhi published in March 2017.
Note: 1. Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
2. Medical Relief & Public Health Sector includes (i) hospitals,(ii) dispensaries, maternity & child welfare centers, chest clinics, panchkarma centers, (iii) public health-vaccination (iv) public health- prevention of disease, vector borne diseases, (v) public health- vital statistics, (vi) public health- establishment and maintenance of cremation grounds
For MCD-South, figures for 2016-17 (RE) are RE for Non-Plan and BE for Plan components, respectively, as reported by MCD-S and in case of DCB, the figure of pre-actual shown RE.
*Trend growth rate (TGR) of GSDP is given for the years for which data have been shown in the Table.

7.223. We have an option of making separate recommendation for the revenue and capital components. However, as a general principle, we have adopted the approach of recommending a particular level of grant, with the ratio of capital component left to be worked out by the municipality concerned.

7.224. Keeping in view the past trend of expenditure of the municipalities in the medical and healthcare sector and the high priority that this sector deserves, we propose an annual growth rate of 12 per cent over the base year accounts figure of 2015-16, for our award period, for each municipality. However, for the years 2017-18 and 2018-19, we propose a higher growth rate of 15 per cent, to account for the 7th CPC impact.

7.225. Based on the principles described above, our estimation of the expenditure on medical relief and public healthcare sector works out as in Table-7.34.

7.226. As the figures in Table-7.34 indicate, we have projected the expenditure on medical relief and health care to increase to about 200 per cent of the 2015-16 levels by 2020-21 in respect of each of the five municipalities. We have proposed a suitable level grants also, in the chapter 9.

Roads, Walkways and Drains

7.227. Roads, including the lanes and footpaths, are the primary means of mobility in the NCT, cutting across various social and economic segments of the society. Even while the Delhi Metro is growing in popularity and its ridership is over 2.5 million commuters a day, vast majority of people still use the roads for movement. Construction and maintenance of roads/streets is, therefore, most appropriately an obligatory function of the MCD, NDMC and the DCB, under their respective Acts.

7.228. Drains are an integral part of the city road network as well as of the natural topography of the city. Ill-maintained drainage systems damaged the roads, hurt the commuters and also cause flooding in the city. Accordingly, the construction, maintenance and cleaning of drains too has been accorded the status of an obligatory function for the municipalities in their respective laws. However, drains are often neglected for maintenance and this situation has got to be reversed. Any arrangement or scheme/project for road development or maintenance should incorporate the drainage system as also the footpaths as an essential part. This approach is integral to our analysis in relation to roads and wherever it has not been specifically stated, should be deemed to be so.

7.229. According to the transport demand forecast study undertaken by the DIMTS through a detailed

Table-7.34: Estimation of the Expenditure of the Municipalities on Medical Relief and Public Health during the Award Period

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015-16 (Ac)	1046	202	635	209	121	19	1186
2016-17	1172	226	711	234	136	21	1328
2017-18	1347	260	817	270	156	24	1527
2018-19	1549	299	940	310	179	28	1757
2019-20	1735	335	1053	347	201	31	1967
2020-21	1944	376	1179	389	225	35	2203

house-to-house sample survey conducted in 2010, which is the latest study for Delhi of its kind, walking was the most popular mode of commutation, accounting for as much as 34.7 per cent of all person-trips. Walking was followed by bus (27.1), two-wheelers (12.1), cycle rickshaw (5.2), bicycles (4.5), metro-rail (2.7) and auto-rickshaws (2.4). Except for metro-rail, all these other modes of movement are road-based. In fact, even metro-rail uses the road medians very often, for setting up the via-ducts. Over the last eight years, though the metro-rail ridership has gone up from the level of 18-20 lakh in 2010-11 to 28-30 lakh now, yet, roads continue to remain the dominant infrastructure for mobility of the common man.

7.230. The storm water drains, which are adjunct to the roads, are the primary conveyers of the storm water into natural courses including the lakes, ponds, nallas, rivulets and rivers. Along with the footpaths, storm water drains form an integral part of the roads. Any investment in planning, development or maintenance of roads should, therefore, necessarily take care of the footpaths and drains. Alongside, the avenue plantation, street vending and vehicle parking also deserve to be considered as part of comprehensive road management.

Analysis by the Earlier DFCs

7.231. The First DFC observed that the per capita expenditure on roads and bridges of MCD had increased from ₹ 63.8 in 1984-85 to ₹ 164.8 in 1995-96. It made similar observation in respect of NDMC. However, it did not make any specific recommendation for the sector.

7.232. The Second DFC observed that roads and bridges were indicated as one of the functions to be entrusted to the municipalities under the 12th Schedule of Constitution and had actually been assigned to both, MCD and NDMC. It also noted that the roads and public lighting accounted for 11 per cent of total expenditure of the MCD in 1990-91 and eight per cent in 2000-01. For making projections for the expenditure for the award period, it assumed a five per cent increase in the elasticity coefficient in respect of roads and public lighting for both, MCD and NDMC.

7.233. The Third DFC observed that the AAGR for the overall revenue expenditure for the period 1993-2004 was 10.54 per cent, which was significantly lower than the AAGR of 14.93 per cent for the overall expenditure in respect of MCD, while the corresponding figures for NDMC were 8.29 per cent and 11.44 per cent, respectively, indicating the relatively lower priority that this sector was receiving.

7.234. On the issue of making projections for various items of expenditure, the Third DFC made a general observation that "projections constituting a purely mathematical exercise, even if dependent on a sophisticated application of mathematical techniques based, among other things, on growth rates, buoyancy or elasticity measures, etc. can take us up to a point and no further. Projections need to marry a number of policy strands (consisting, *inter alia,* of fiscal, developmental and investment policies) in a holistic manner. When budgetary data is not translated into development and investment plans, there cannot be a reliable projection of resource needs." Finally, for the GNCTD's receipts and expenditure, it made projections based on "a moderation of the trend growth data, the forecasts of the state government."

7.235. The Fourth DFC recommended that "each municipality should not only create a specialised engineering unit for development and maintenance of public pavements/streets/roads but also establish 'Road Development and Maintenance Fund' under Section 108 of the DMC Act, 1957 and Section 54 of the NDMC Act, 1994 and no amount credited into this fund should be used for paying salaries of staff. The objective of this fund would be to ensure that amounts credited into this fund remain with the specialised engineering unit for undertaking their works which in our view suffer due to uncertainty of funds."

Memoranda of the Municipalities

7.236. MCD-East has stated that roads having more than 60 feet right of way (ROW) and above, along with the drains alongside these roads, are under the jurisdiction of the State Public Works Department (PWD). It has also stated that the transfers from the Government of India are limited to transport sector grant in aid for roads and bridges and under the Central Road Fund.

7.237. MCD-East has also stated that it is carrying out the de-silting work of drains on roads/streets having ROW below 60 feet. Apart from the MCD-East and the PWD drains, 11 nos. of major drains maintained by the Irrigation & Flood Control Department (I&FC) carry the discharge of MCD-East and PWD drains. In addition, drains are also maintained by the DSIIDC and the DDA. The sewer lines are maintained by the Delhi Jal Board.

7.238. MCD-East has also stated that during monsoon season, special arrangements are being made to clear water logging. One control room in each zone has been set up and is functioning round the clock, by deploying manpower from drainage, works and sanitation departments. A complaint center with Phone No. 155303 is also working 24x7 at its headquarters.

7.239. MCD-East has also stated that as per their policy, de-silting work is being carried out throughout the year by deploying departmental labour numbering 1,142, three suction machine, three pocklane/excavator machine, six back-hoe loader and one super-sucker machine. Depending upon the requirement, trucks, tractor trolleys, backhoe loaders are also being hired from the market.

7.240. MCD-North has stated that it maintains 3,117.84 km of roads in terms of road length. Its engineering department carries out maintenance and improvement works relating to footpaths/walkways, works in approved colonies, unauthorised/unauthorised regularised colonies and urbanised villages, urban and rural roads, municipal buildings, hospitals and schools, etc. besides development works under the discretionary funds of the Mayor, Councilors and Chairpersons of various statutory/standing committees.

7.241. MCD-North has also stated that a redevelopment strategy for accommodating more population in a planned manner is to be taken up on priority in all use zones for efficient and optimum utilisation of the existing urban land, both in planned and unplanned areas. This would have to be based on provision of infrastructure, viz. water supply, sewerage, road network, open spaces and the essential social infrastructure. There are 22 rural wards and 106 rural villages under the jurisdiction of MCD-North, where in it executes many works including construction and maintenance of roads, lanes and drains.

7.242. MCD-North has also stated that safety of road users should be one of the prime considerations while planning/designing of road network and infrastructure. A major cause for present day chaos on the roads is that the road infrastructure, signage and road markings are not in accordance to the standards laid down by the Motor Vehicle Rules and Highway Code.

7.243. MCD-North has further stated that bicycle/cycle-rickshaw could be an important mode of travel, particularly with reference to short and medium trip lengths. To the extent that it meets individual or public transport requirements, it is a non-energy consuming and non-polluting mode of transport. Insofar as rickshaws are concerned, apart from issues pertaining to the aspect of mixed traffic, this mode also provides employment to a very large number of unskilled workers residing in the city. It has suggested promotion/development of fully segregated cycle tracks on all arterial roads and sub-arterial and local level roads and streets and use of cycles/rickshaw as a non-motorised mode of transport along with pedestrianisation.

7.244. MCD-North has also stated that with the phenomenal increase in personalised motor vehicles, one of the major problems today is an acute shortage of parking space. In the absence of adequate organised parking space and facilities, valuable road space is being used for vehicular parking. For this purpose, it has made various suggestions, including development of above and below ground parking spaces in commercial and other areas, removal of encroachments from the street sides and development of multi-level parking, etc.

7.245. MCD-North has recalled the recommendations of the Third and the Fourth DFCs relating to revenue generation from roads, such as carrying out complete listing of advertisement potential of municipal assets covering roads, buildings, lands, etc. (Third DFC) and creation of a Road Development & Maintenance Fund (Fourth DFC).

7.246. MCD-South has stated that it maintains 9,407 km of road and has taken major initiatives for constant upgradation of its civic services and infrastructure including roads. It has also recalled the recommendations of the Third and the Fourth DFCs relating to roads, as has been stated above in respect of MCD-North.

7.247. NDMC has cited their recent achievement in road and related sectors including development of parking lots for cars, taxis and auto rickshaws, multilevel parking and cycle track of 1.4 km in Lodhi Road, etc. It has launched a mobile app for citizens to lodge complaints about damaged roads, garbage, water logging, fire, sewerage maintenance, etc. and to 'Find What's Near Me'.

7.248. DCB has stated that it is maintaining 20 km of public roads widely used by the public and is spending heavy amount on maintenance and upkeep of the same. It has provided Bus-Q-Shelters, road signage and green strips along all public roads. All public roads have been provided with pedestrian footpaths, which are being maintained regularly.

7.249. Keeping in view the significance of this sector, we decided to take the assistance of a specialised agency for conducting a study on the subject. After following the due procedure, we selected the Delhi Integrated Multi-Modal Transit System Ltd. (DIMTS) for undertaking this study.

Objectives and Approach for the Study on Roads

7.250. Keeping our terms of reference in view, we defined the following objectives for our analysis, which we conducted through our expert consultants, the DIMTS:

- Listing out the road asset of the municipalities, PWD, DDA, and all other road-owning agencies.
- Identification of efficacy in staffing, equipment and machinery of the road owning agencies.
- Identification of efficacy in the road maintenance processes.
- Identification of sustainability in mobilisation of financial resources related to road management, including new and additional revenue sources.

7.251. For achieving the above-mentioned objectives, we determined the following approaches:

- Making an inventory of the roads and related infrastructure and facilities in the NCT, owned and operated by the various road-owning agencies.
- Analysis of existing road conditions such as pavement condition, encroachments, availability of footpaths, availability and condition of street infrastructure, e.g. lighting, road signs and bus stops, etc.
- Determining a framework for optimal utilisation of the roads and related infrastructure and facilities, with particular reference to the role and responsibilities of the municipalities, for providing safe and efficient road network to the citizens.
- Assessment of network development and maintenance needs for Delhi and within the municipalities.
- Estimation of fund requirements for road management for the municipalities and state PWD.
- Identifying additional funding sources/ mechanisms for road management.

- Recommendation on institutional measures.
- Recommendations related to staffing, process for road maintenance, equipment & machinery, finance & revenue sources.

7.252. Keeping the aforesaid objectives in view, our experts (DIMTS) collected detailed information on road infrastructure facilities, processes, good practices, benchmarks and budgetary and account details. As a part of study, the team also interacted with the senior officials of the municipalities and the PWD, etc.

7.253. The highlight of the methodology adopted for the study is that apart from the secondary sources, our consultants also undertook road inventory studies on sample basis to understand the current condition of the roads maintained by various agencies, especially the municipal corporations in Delhi. We have forwarded the DIMTS Report titled 'Analysis of the Arrangements for Management of Roads in Delhi (July 2017)' commissioned by us to the State PWD, Transport Department, UD Department and the Municipalities for their review.

Estimating the requirements for the road sector

7.254. For assessing the budget requirements for road development and maintenance works that form part of road management, it is required to quantify the volume of road related works that need to be delivered annually by each of the road agency based on the length of road network being managed by them. A scientific approach was devised, which took into consideration the current condition of the assets and the future desired levels as well as road usage densities with reference to traffic, etc.

7.255. For estimation of the physical and financial resources required for each road-owning agency for future years, the study calculated the quantities for maintenance works on the basis of deterioration prediction models to assess the extent of deterioration of roads with respect to their current condition as well as the traffic it carries. For capital works, this was done on the basis of analysis of primary data surveyed and proposed projects of each road-owning agency. The capital works quantities calculated were homogenously distributed over next five years.

Good practices in road management

7.256. The study team reviewed the global best practices for road management in respect of road information and management, forms of road user charges, institutional and funding arrangement, etc. The study report elaborately describes the road maintenance procedures and the asset management system, which are most effective and accepted as best practices. It also explains new approach and most acceptable contracting methods for road maintenance programmes. In addition, it presents an analysis of the institutional structures adopted in selected cities for the management and financing of urban roads. Different financing options are also explained which are adopted as source of revenue for road improvements and maintenance.

Need for sustainable financial sources

7.257. The road assets are built over many years and with thousands of crores of rupees spent. Timely and appropriate maintenance measures help in preserving the asset value; otherwise these assets get deteriorated and become only sub-optimally usable.

7.258. In order to manage a vast network of roads and ensure appropriate service delivery standards, there is a need for mobilising required funds for capital works, routine and periodic maintenance works apart from other day-to-day maintenance needs. Although traditionally road-owning agencies depend on their general budgets, there is a need for identifying innovative mechanisms and alternate revenue sources.

Road Maintaining Agencies in Delhi

7.259. The road network in Delhi is of ring and radial pattern. The state has an extensive road network consisting of about 33,724 Lane km. The area under transport accounts for about 21 per cent, which is one of the highest in the country. In Delhi, road assets are managed by about 20 different road-owning agencies. The major road network in Delhi is under PWD, Municipal Corporations of Delhi (North, South and East), New Delhi Municipal Council (NDMC), Delhi State Industrial & Infrastructure Development Corporation (DSIIDC), the Irrigation & Flood Control (I&FC) Department and the Delhi Development Authority (DDA). Some smaller lengths of road are also maintained by agencies like the Airports Authority of India (AAI), Railways, DUSIB, and Delhi Cantonment Board, etc.

7.260. The roles and responsibilities of these agencies with respect to road management are not uniform in mandate. While some agencies are responsible for both construction and maintenance functions, some are responsible for maintenance only. The roles of these agencies with respect to road management are summarised in Table-7.35.

7.261. The study has compiled a comprehensive list of the road lengths under each of the road agencies. This data, presented in Table-7.36, was not available at any single place and our expert consultants made extra efforts to compile this table. The process involved referencing to various published documents and interaction with the officials from the respective agencies, which provided latest available details. Hence, we believe that the numbers presented in Table-7.36 best represent the total road length in the state and with the respective agencies. However, it would be desirable for the state government in the planning and public works departments to verify it for further usages.

7.262. The figures stated in Table-7.36 provide significant information. For instance, the five Municipalities put together hold over 63 per cent of the road length in Delhi. Secondly, the biggest road owing-agency in Delhi is the MCD-North, which holds 30.11 per cent of the lane kilometers of all roads in Delhi, followed by MCD-South (28.44 per cent). The state PWD comes only at third rank, with 23.46 per cent. Another remarkable feature of these statistics is that MCD-East holds only a paltry length of 486 lane Km, which is just 1.44 per cent of all roads in Delhi and less than even the NDMC, which is much smaller in area and population. As this data is in terms of lane km, the role of the MCDs, particularly MCD-North and South, in the road sector in Delhi becomes very significant. Other noteworthy impression that comes out of this data is the high density of roads in NDMC area (30.1 lane km per sq. km) and very low density in MCD-East (4.6).

Existing Road Conditions

7.263. For determining the existing condition of road network of Delhi, the consultants did various surveys and data collection. The data presented in Table-7.37 highlight the critical components of existing road condition of each agency.

Table-7.35: Role of Key Agencies involved in Managing Roads in Delhi

Agency	Role
Public Works Department (PWD)	Construction and maintenance of roads and street infrastructure which are above 6o ft.
Municipal Corporation of Delhi (East, North, & South)	Construction and maintenance of roads and street infrastructure, parking facilities in the respective area of jurisdiction. All roads which are 60 ft or less are managed by three MCDs.
New Delhi Municipal Council (NDMC)	Construction and maintenance of roads and street infrastructure, parking facilities in respective area of jurisdiction, i.e. NDMC boundary.
Delhi Development Authority (DDA)	Planning of land uses and infrastructure, construction and maintenance of roads and street infrastructure.
Delhi Cantonment Board	Construction and maintenance of roads and street infrastructure.
Delhi State Industrial & Infrastructure Development Corporation (DSIIDC)	Construction and maintenance of roads and street infrastructure in the industrial estates and in the unauthorised colonies of Delhi.

Source: Respective agencies, compiled by DIMTS for the 5th DFC (July 2017).

Table-7.36: Distribution of Road Length (in Lane Km) - Agency wise

Sl. No.	Agency	Road Length (in Lane km)	Road Length (%age)	Road Density (Lane kms/ Sq. Km)*	Road Availability (Lane kms/ 1 lakh population)*
1	MCD-North	10153	30.11	16.0	162.3
2	MCD-South	9592	28.44	14.6	154.4
3	MCD-East	486	1.44	4.6	12.3
4	New Delhi Municipal Council	1280	3.80	30.1	496.5
5	Delhi Cantonment Board#	15	0.04	0.3	13.6
6	Public Works Department	7910	23.46	-	
7	DSIIDC	1434	4.25	-	
8	Delhi Development Authority	435	1.29	-	
9	Roads in Unauthorized colonies	840	2.49	-	
11	Border Security Force	7	0.02	-	
12	Indian Air Force	7	0.02	-	
13	Forest Department	56	0.17	-	
14	Inland Container Depot	12	0.04	-	
15	Indo Tibetan Border Police	4	0.01	-	
16	Roads Under Airport Authority of India	211	0.63	-	
17	Archaeology Department	16	0.05	-	
18	Railway Board	39	0.12	-	
19	Delhi Jal Board	60	0.18	-	
20	JJ Colony	69	0.20	-	
21	DUSIB	283	0.84	-	
22	I & FC	815	2.42	-	
Total		33724	100		

Source: Road Length data compiled by the DFC consultants (DIMTS) based on information collected from MCD-North, MCD-South, MCD-East, PWD-Delhi, DCB, DDA, Delhi Geo-Spatial Data Ltd. and Delhi Statistical Handbook, 2016. Population and area data were sourced by the 5th DFC from Census Directorate.
in Length Km. * Computed Values.

7.264. It may be concluded that the road conditions are very good in case of the NDMC, DCB, PWD and DDA, whereas there is considerable deficiency in case of the MCDs, in terms of encroachments, drainage, footpath, and pavement conditions. Street light availability was cent per cent in case of all agencies except for MCD-North and South, where the deficiency was four per cent and six per cent, respectively.

Assessment of Gaps in Services and Processes

7.265. The study analysed the status of the services and processes relating to road maintenance in the MCDs and NDMC and has compared the same with the notified standards, leading to determination of the gaps. In respect of the MCDs and NDMC, the gaps so determined are presented in Table-7.38.

7.266. The gap analysis was done in respect of the three MCDs separately, but the results were found to be the same. However, the situation in respect of the NDMC was found to be much better, as has also been the visual experience of all.The cost estimation for each of the municipality was done based on the norms, termed as the 'best practice' in the study. This

Table-7.37: Existing Condition of Road under Major Agencies

Characteristics	MCD-North	MCD-South	MCD-East	NDMC	PWD	DDA	DCB
Lane Classification	64% 2-lane	52% 2-Lane	55% 2-lane	50% 4-lane	67%-6lane	60%-4lane	-
Pavement type	55% Bituminous	65% CC	70% CC	98% Bituminous	96% Bituminous	76% Bituminous	100% Bituminous
Pavement condition	20% poor	26% poor	85% poor	88% Very good	7% poor	56% very good	89% very good
Carriageway type	96% undivided	100% undivided	95% undivided	48% undivided	15% undivided	100% divided	47% undivided
Footpath	61% Not Available	32% Not Available	85% Not Available	5% Not Available	8% Not Available	100% present	8% Not Available
Drainage	17% Not Available	13% Not Available	10% Not Available	2% Not Available	6% Not Available	100% present	100% present
Street Light	4% Not Available	6% not available	100% present	100% present	100% present	100% present	100% present
Encroachment	6%	6%	75%	Not Available	6%	5%	Not Available

cost estimation was done on capital as well revenue accounts for our award period 2016-2021. However, as the first two years, that is 2016-17 and 2017-18, would not be available in realistic terms for implementation of our recommendations in relation to the road sector, the proposed capital investment for these two years have been added on in a distributive manner over the remaining three years on the premise that the roads would get deteriorated in the absence of the required capital investment during years 1 and 2, leading to higher investment requirements in the next three years.

7.267. The study examined the road maintenance related issues for each of the MCDs and the NDMC separately, and derived separate conclusions/ recommendations for each, which are listed in the succeeding paragraphs.

Issues in Respect of MCD-East

7.268. The detailed analysis of the existing scenario and the normative standards has led to the assessment of the road related situation in MCD-East as follows:

- Most of the roads in MCD-East are 2-lane undivided roads and more than 80 per centof the roads have been observed to be devoid of footpaths on either side. Road pavement conditions are poor (85% poor) in most part. Regular maintenance and improvements are needed in MCD-East urgently as present road maintenance is need based and due to scarcity of funds hardly any maintenance is done.
- To initiate the comprehensive road maintenance works, MCD-East requires modern equipment for both, routine and periodic maintenance.
- The manpower shortage has led to increase in backlog of road maintenance, as the agencies are not able to undertake periodic inspection of roads.
- The maintenance fund requirement at the start of initial year is more in MCD-East. Once the corporation starts taking the road maintenance process periodically the fund requirement will come down.
- Due to existing poor condition of roads and new capital road projects identified by the corporation, the fund requirement of capital expenditure and maintenance works for MCD-East are high.
- The corporation has good potential of generating more revenue by contracting out new parking locations in important commercial areas.

Table-7.38: Gap Assessment of MCDs and NDMC

S. No	Items	Best Practices	Existing Situation	Gap-MCDs	Gap-NDMC
1	**Road Maintenance Process**				
a	Routine Maintenance	As per Maintenance Calendar (given in PWD Urban Manual) Reactive Maintenance	Preventive Maintenance Need Based	No Periodicity or Maintenance calendar is followed in road maintenance	Maintenance calendar is followed in road maintenance
b	Periodic Maintenance	Fortnightly Detailed Inspection by Field Staff	Shortage of Field Staff. No regular inspection of faults or distresses on roads	Creation of Backlog in maintenance. More deterioration of roads. Life of road decreases	Good Quality of roads
c	Surface Dressing	5 years – after defect liability period	As per availability of funds	Poor road condition, poor riding quality, leads to more accidents	Good Quality of roads
d	Road cutting for accommodating utility	Revolving fund for Restoration charges Trenchless technology	Cut and cover method	Road quality decrease. Over all condition of road gets affected.	Minimum or no disruption to traffic
e	Street Lighting Maintenance	Annual Maintenance Contracts with Electricity Distribution Companies	No regular inspection	Black spots, accident prone	Proper illumination of roads
2	Staffing	Suggestive list of Road Gang for each ward or circle	Shortage of road gang in each ward	No regular inspection of distresses and faults on roads	Regular inspection of distresses and faults on roads
3	Equipment	Suggestive list of Road maintenance equipment for each ward or circle	No mechanized sweeping and use of other equipment for road maintenance	Existing inventory of equipment also deteriorating because lack of maintenance	Better Quality of roads. Improved life cycle
4	Current expenditure pattern	All road should be maintained annually as per quality prescribed in CPWD maintenance manual and PWD Urban Road Manual	Scarcity of funds leading to poor road maintenance	Creation of backlog in road maintenance	Adequate fund available for road maintenance
5	Contracting	Option 1: Performance-based maintenance contracts Option 2: EPC plus maintenance contract Option 3: Annuity Model Contract	Least cost based method of contracting.	Performance and experience of the contractors are not reviewed	Performance and experience of the contractors are reviewed
6	Capacity Building	Training and Programmes of Officials	Very few training and workshops for officials	No knowledge enhancement and updating of officials	knowledge enhancement and updating of officials
7	Use of modern technologies for road management	Use of modern technology for Mechanized sweeping, equipment for pot-hole repairs, crack sealing and ravelling Use of broomers, Nufalt technology etc.	With help of manpower and outsourced contracts		Better maintenance of roads

S. No	Items	Best Practices	Existing Situation	Gap-MCDs	Gap-NDMC
8	Quality control	As per PWD Urban Road Manual	No quality Control set-up and no laboratory facilities for testing work	Poor quality of output, more maintenance requirement, no fine and charges for poor work	Good quality of output, Quality enhancement
9	Asset Register	Asset register of roads Asset register of road side infrastructure	Asset register not maintained by agency	Leads to poor inspection of maintenance works	Leads to proper inspection of maintenance works

Issues in respect of MCD-North

7.269. The study has observed the following issues in respect of MCD-North:

- Most of the roads are 2-lane undivided roads in MCD-North and more than 60 per cent of the roads have been observed to be devoid of footpaths on either side. Road pavement conditions are fair to good (about 20% is poor). Regular maintenance and improvements are needed for the roads.
- Present road maintenance is need based due to scarcity of funds.
- To initiate the comprehensive road maintenance works, MCD-North requires modern equipment for both, routine and periodic maintenance.
- The manpower shortage has led to increase in backlog of road maintenance, as the agencies are not able to undertake periodic inspection of roads.
- The maintenance fund requirement at the start of initial year is more in MCD-North. Once the corporation starts taking the road maintenance process periodically, the fund requirement will come down.
- Due to existing poor condition of roads and new capital road projects identified by the Corporation, the fund requirement of capital expenditure and maintenance works for MCD-North are high.
- The corporation has immense potential of generating higher revenue by contracting out new parking locations in prime commercial areas.
- The study has identified the best-case scenario, which can generate enough funds to meet majority of the future investment needs.

Issues in respect of MCD-South

7.270. In respect of MCD-South, the study has concluded the following major issues that would need to be attended:

- MCD-South has 52 per cent 2-lane road network, followed by 45 per cent single lane roads. Only three per cent is observed under 4-lane classification. Concrete surfaces are the most common pavement type prevalent in MCD-South.
- Out of total road network, about 26 per cent pavement is found in poor condition. Nearly 32 per cent of the roads have been observed without footpaths on either side. Drainage is absent on 13 per cent of the total road network and streetlight is absent on about six per cent of the road network.
- To initiate the comprehensive road maintenance works, MCD-South requires modern equipment for both, routine and periodic maintenance.
- Manpower shortage has led to increase in backlog of road maintenance.
- Due to existing poor condition of roads and new capital road projects identified by the corporation, the fund requirement of capital expenditure and maintenance works for

MCD-South are high.

- The corporation has good potential of generating more revenue by contracting out new parking locations in prime commercial areas.

Issues in respect of NDMC

7.271. The study has found positive impressions about the road management in the NDMC areas, which are summarised below:

- NDMC is maintaining road network properly, with most of the roads observed in good condition.
- NDMC also uses modern equipment and preventive and periodic maintenance calendar for road maintenance.
- NDMC allocates adequate funds for road maintenance.

7.272. The study has made several recommendations to improve road management function further, and has also assessed the budget requirements for conducting works as per normative plans. The new sources of revenue have also been also identified and recommended for ensuring continuous flow of funds for road management.

Common Issues for all Road Agencies

7.273. In the preceding paragraphs, the issues relating to road management for each of the MCDs and NDMC have been identified. We have identified certain common issues, which are valid for all road-owning agencies. These are based not only on the study mentioned above, but also the information gathered from the state PWD and the municipalities, and is summarised as below:

7.274. *Road information system*: The state PWD, in association with all road-owning agencies, should develop and maintain a GIS based Road Information System (RIS), which is compatible with General Packet Radio Services (GPRS). The RIS should include the information and location of all roads, including footpaths and drains, in a digitised form. It should be a layered database, to facilitate addition and collation of different layers.

7.275. *Road maintenance calendar*: Each road agency should prepare a Road Maintenance Calendar (RMC) that should list out the required periodicity of special and annual maintenance with estimates of costs and past investment details for each road. The RMC should be integrated with the Road Assets Management System described below.

7.276. *Road assets management system* (RAMS): Each road agency should maintain the RAMS to indicate the condition of each of the roads, its estimated value, a Road Maintenance Calendar and the extent and type of usage including traffic. This should lead to preparation of RAM Plans. Road repair activities should be budgeted and executed as per the RAM Plan, rather than as per sporadic demands. RAM Plans should be integrated with the Master Plan of Delhi.

7.277. *Road contract management system*: The basis of the contracts for road development, upgradation and maintenance should be changed from input based to performance and output based systems, as has been used in the World Bank aided Karnataka State Highways Improvement Programme (K-SHIP) and elsewhere. Also, the lowest (L1) bid based system may be replaced by quality cum cost basis (QCBS). These changes may be introduced in a phased manner, over next three years.

7.278. *Drainage maintenance*: Pursuant to the transfer of the roads wider than 60 feet from the MCDs to the PWD, the drainage maintenance was also deemed to have been transferred to the PWD. However, there has been mismatch between the calendars being observed by the PWD and the MCDs in regard to the maintenance of the drainage systems of their respective jurisdictions. This is the root cause of flooding that is often experienced during the rainy season. The MCD Commissioners and Mayors who met us, had almost unanimously agreed that the drainage management ought to be viewed as an integrated system and assigned to the municipalities, with suitable cost reimbursement, to which we agree.

7.279. Accordingly, we recommend that the drainage maintenance in respect of the roads belonging to all the departments, including the PWD, should be assigned to the respective municipalities. For performing this responsibility, the departments owning the roads should provide funds along with overall supervision charge at the PWD Schedule of Rates to the municipalities.

7.280. *Road Research Institute*: The state PWD should sponsor a Road Research Institute (RRI), which should facilitate all the above-mentioned activities and, also undertake and promote research activities in road sector. All the major road agencies, including the municipalities, should be represented on the executive and governing committees of the RRI.

Road Development and Maintenance Fund

7.281. The Fourth DFC had recommended for establishing a Road Development and Maintenance Fund under Section 108 of the DMC Act 1957 and Section 54 of the NDMC Act 1994. We endorse this recommendation. However, we do not agree with the observation of the Fourth DFC that 'no amount credited into this fund should be used for paying salaries of staff', as the required staff for road sector will need to be integrated with this Fund.

7.282. Revenue receipts from all the road related heads of receipts should be credited into this fund and all expenditure relating to roads, NMT systems including parking, drainage, and related infrastructure should be charged to this fund. We suggest the following existing and new sources of revenues to flow entirely into the road development and maintenance fund:

7.283. ***Existing road related revenue sources***

i. Electricity tax
ii. Tax/lease/rents on advertisements
iii. Toll tax (until it is withdrawn, as recommended by us)
iv. Parking fees for parking on municipal lands
v. Road restoration receipts
vi. Tehbazaari fee
vii. Revenues from roadside trees and gardens
viii. Operations of Transport Nagar, (e.g. Badli)
ix. One-time car parking charges on new vehicles (until it is withdrawn, as recommended by us)
x. Fees for traffic related offences and fines by municipal magistrates.
xi. Government grants for the roads and drains.

Scope for Additional Resource Mobilisation

7.284. Based on the best practices of various local bodies, we have identified the following options for resource mobilisation:

i. Tax/surcharge on driving license fee: one-time levy of ₹ 50 on issuance of driving license.
ii. Street tax: This tax can be charged annually at 15 per cent of property tax, for road maintenance. Even though we are recommending for imposition of this levy at a later date, Municipalities can choose to introduce it sooner.
iii. Cess on petrol and diesel: Since only street tax is not sufficient to fund road maintenance, cess on fuel should be considered at 50 paise per litre of petrol and diesel. Estimated to yield about ₹ 300 crore a year.[9]
iv. Share in the environment compensation charge (ECC): This has been discussed in detail in the preceding chapter on the Revenues of the Municipalities.
v. Enhancing parking fee collections: by adding additional parking sites, rationalising parking charges and enforcing the laws to prevent parking in non-designated places.

[9]This source is not factored in our assessment of receipts for the award period, as we could not secure the detailed legal and other details.

vi. Assigning a share to the municipalities in the cess from TOD.

vii. Electricity Tax: by way of reducing the T&D losses and also increasing the tax rate by one percentage point. We have provided details on this in the preceding chapter on revenues of the municipalities.

viii. Share in the central road fund.

7.285. We have indicated fuller details of the financial implication of such sources and the suggested procedure for imposition of the various levies in the chapters relating to municipal revenues.

Utilisation of the Receipts of the Road Development and Maintenance Fund

7.286. The receipts of the road development and maintenance fund may be utilised for the following purposes:

i. Maintenance and repair of urban and rural roads

ii. Road restoration

iii. Maintenance and repair of car parking

iv. Maintenance and repair of street lights

v. Payment of interest on loans availed for road related activities

vi. Development and maintenance of footpaths, drains, avenue trees

vii. Development and maintenance of street vending and Tehbazari

viii. Cycle ways and public bicycle parking

ix. Parking facilities for cycle rickshaws and e-rickshaws (including charging facilities)

Funding Opportunities under Central Road Fund

7.287. The Central Road Fund (CRF) is a non-lapsable fund created under Section 6 of the Central Road Fund Act 2000, out of a cess/tax imposed by the Union government on petrol and high speed diesel to develop and maintain national highways, state roads and other roads. Funds for development of state roads are allocated to the states/UTs on the basis of 30 per cent weight to fuel consumption and 70 per cent to the geographical area. The respective quotas of the states/UTs under the CRF are non-lapsable.

The Ministry of Road Transport & Highways (MORTH) has provided the year-wise details of the accruals into the CRF for All India, quota for and utilisation of releases under CRF by the GNCTD, for 2012-13 to 2016-17, which are indicated in Table-7.39.

7.288. The figures in Table-7.39 indicate that the annual collections under CRF have gone up from ₹ 19,263 crore in 2013-14 to ₹ 26,108 crore in 2014-15 and to a staggering figure of ₹80,800 crore in 2016-

Table-7.39: Details of All India Collections under Central Road Fund (CRF) and Allocation and Utilisation in case of Delhi

(₹ crore)

Year	Cess collected (All India)	Accrual of fund for GNCTD under CRF	Fund released to GNCTD under CRF	Utilisation of funds reported by GNCTD under CRF
2012-13	19332.67	68.39	68.39	118.75 *
2013-14	19263.04	68.39	336.14	257.42
2014-15	25121.00	22.20	14.59	29.99
2015-16	69539.00	24.50	0.00	0.00
2016-17	80800.00	41.13	5.54	0.00

Source: Letters No. No. RW/G-20016/1/2017-WA dt 18.8.2017 and No. NH-20016/01/2015-DLH/CRF/NH-II dated 1st September 2017 from MORTH.
Note**:** MORTH has also informed that the allocation / accrual of fund under CRF for Delhi during 2017-18 is ₹ 41.99 crore.
* Includes the utilisation of funds for 2011-12 & 2012-13.

17. While this is good news for the road sector in one way, it is also one of the causes for keeping the prices of the motor spirits high, which is not good either for the economy or for the common man. Moreover, as the motor spirit are kept out of the GST, this cess, along with similar add-on levies on the motor spirits, is a continued example of regressive taxation.

7.289. The mounting collections under the CRF notwithstanding, the other side of the situation is the poor off-take by the GNCTD of its annual quota, particularly in the recent years. As the figures in Table-7.40 indicate, the allocation of CRF for the NCT has declined to around ₹ 24 crore during 2014-15 and 2015-16 and increased slightly to ₹ 41 crore in 2016-17 as compared to 2012-13 & 2013-14, when it was of the order of ₹ 68 crore. MORTH has also informed that the allocation/accrual of fund under CRF for Delhi during 2017-18 is ₹ 41.99 crore. GNCTD should take up with the GOI the matter of declining allocations under CRF, which came down to the level of ₹ 22 crore to ₹ 41 crore during 2014-15 to 2016-17, when the total accrual/allocation has been growing very high, from ₹ 19,333 crore in 2012-13 to ₹ 80,800 crore in 2016-17.

7.290. Another significant information that comes from the MORTH indicated in Table-7.39 is that the utilisation of the allocations under CRF by the GNCTD, which was as high as ₹ 257.42 crore in 2013-14, had declined to zero in 2015-16 and 2016-17. GNCTD should inquire into this lapse and take suitable measures to make fullest use of the CRF allocations at least from 2017-18 onwards.

7.291. Rule 5 of the CRF Rules 2004 (as amended in June 2016) defines the eligibility criteria for application of CRF moneys, which include "state highways and major district roads either directly connecting to or leading to an important market centre, economic zone, industrial zone, agricultural region, tourist centre, religious centre, schools and educational institutions, socially important structure, such as cremation grounds, bathing ghats, old-age homes, orphanages and public utilities, benefiting vulnerable sections of the society, such as, the scheduled castes, the scheduled tribes, ferry-ghat roads and roads connecting ecologically sensitive areas and the like where significant economic activity is being undertaken".

7.292. Obviously, most of the roads in Delhi would be eligible for availing of the CRF grants. We have identified the following types of roads for securing CRF grants by the state/municipalities in the order of priority:

- Road projects identified along outer ring road and inner ring road.
- Road projects (for bypassing through traffic) for the national highways passing through Delhi.
- Transportation projects for uplifting of Delhi Borders.
- Road projects for important city roads connecting important market centres, economic zone, industrial zone, agricultural region, tourist centres, religious centres, schools and educational institutions, socially important structures, such as cremation grounds, bathing ghats, old-age homes, orphanages and public utilities.
- Road projects benefiting vulnerable sections of the society, such as, the scheduled castes.
- Ferry-ghat roads and roads connecting ecologically sensitive areas and the like where significant economic activity is being undertaken.

7.293. State government should, in consultation with the municipalities, prepare a more detailed list of the desirable and eligible projects to avail of the excellent possibilities of securing grants from the CRF.

Public Works (Engineering)

7.294. All works assigned to the Engineering Wings of the municipalities are charged to this head, though the nomenclature differs slightly among the municipalities. Broadly, the activities covered under this head are as below:

- Construction and maintenance of roads and public places.
- Street lighting.
- Removal of unauthorised constructions and obstructions.
- Construction and maintenance of streets and lanes.
- Construction and maintenance of municipal buildings.
- Drains.

7.295. We have examined the issues relating to the construction and maintenance of roads, drains, streets and lanes in a separate chapter. In this part, we examine the remaining sub-components as well as the overall trends for this sector.

7.296. Besides roads, a major component of the Head 'Public Works' is street lighting, which has been assigned by the three MCDs to the DISCOMs, except for some occasional interventions. The NDMC and the DCB are handling the street lighting by themselves but the NDMC has given a separate head for this expenditure.

7.297. A detailed perusal of the accounts of the municipalities indicates that many schemes under the GOI programmes such as the erstwhile JNNURM, are also charged to this broad head. Many such GOI programmes are time-bound and do not lend for projection for the future by the DFC.

7.298. The expenditure incurred by the municipalities on public works, including roads, street lighting, etc. for the years 2012-13 to 2017-18 (BE), along with the computed values of share in total expenditure of the municipalities and per capita expenditure on public works apropos 2011 Census population, are presented in Table-7.40.

7.299. The figures in Table-7.40 indicate some interesting inferences. *First*, the share of expenditure on public works in the total expenditure of the municipalities shows a slightly declining trend during 2012-13 to 2015-16. *Second*, the per capita expenditure on public works in the case of NDMC and DCB at around ₹ 4,000 - 5,000 is four times that of the average of the three MCDs. *Third*, among the MCDs, MCD-East has the lowest level of expenditure. It is also true that MCD-East has very low road length, as we saw in Table-7.36, which would lead to lower levels of expenditure on roads and street lights.

Some issues relating to maintenance of street lights

7.300. The MCDs have handed over the maintenance of street lights to the DISCOMs and the DISCOMs charge the MCDs for this service by way of raising bills periodically. However, the legal responsibility for maintenance of street lights remains with the MCDs.

7.301. We note the excellent efforts initiated by MCD-South in changing the conventional street lighting arrangements with LED-based intelligent street lighting system, which will be more effective and cost-efficient. MCD-North too has initiated similar action. Other municipalities also need to move in this direction.

Water supply and sewage management

7.302. Even though the water supply and sewage management in the MCD areas have been transferred to the Delhi Jal Board (DJB), the MCDs remain actively involved with the issue, particularly at the distribution levels. MCDs need to interact with the DJB at senior official level, on institutional basis. Currently, the MCDs are represented by a few councillors on the Board of the DJB. We would recommend that MCDs should be represented on the Board of Directors of the the DJB (and DISCOMs) at the level of Commissioner or Additional Commissioner.

7.303. It would also be worthwhile for the DJB to commission a study through an expert agency for identifying the scope of fruitfully associating the municipalities in the water supply and sewage management functions, particularly beyond the trunk lines.

Table-7.40: Expenditure on Public Works of Municipalities- Share in Total Expenditure and Per Capita

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
A. Expenditure on Public Works of Municipalities (₹ crore)							
2012-13	1730	243	668	819	103	52	1885
2013-14	1903	365	778	761	117	57	2077
2014-15	1702	331	669	701	128	33	1863
2015-16	1488	288	563	638	128	53	1669
2016-17 (RE)	2245	513	859	873	189	45	2479
2017-18 (BE)	2196	539	854	803	168	91	2456
B. Total Expenditure of Municipalities (₹ crore)							
2012-13	7842	1408	3434	2999	2094	117	10053
2013-14	8823	1580	3950	3293	2628	134	11585
2014-15	9029	1957	3786	3286	3041	113	12184
2015-16	8749	1807	3523	3418	2926	156	11831
2016-17 (RE)	9545	3995	5550	3868	3296	231	16940
2017-18 (BE)	17811	4322	8390	5099	3622	317	21750
C. Share of Expenditure on Public Work to Total Expenditure of Municipalities (in %)							
2012-13	22.1	17.3	19.4	27.3	4.9	44.8	18.8
2013-14	21.6	23.1	19.7	23.1	4.4	42.6	17.9
2014-15	18.8	16.9	17.7	21.3	4.2	29.5	15.3
2015-16	17.0	15.9	16.0	18.7	4.4	34.0	14.1
2016-17 (RE)	23.5	12.8	15.5	22.6	5.7	19.5	14.6
2017-18 (BE)	12.3	12.5	10.2	15.7	4.6	28.7	11.3
Population 2011 (in crore)	1.6	0.4	0.6	0.6	0.03	0.01	1.7
D. Per Capita Expenditure on Public Works of Municipalities (in ₹)							
2012-13	1054	616	1068	1317	3997	4757	9807
2013-14	1159	923	1243	1225	4517	5205	10881
2014-15	1036	838	1070	1128	4952	3042	9031
2015-16	906	729	899	1027	4944	4831	10682
2016-17 (RE)	1403	1283	1432	1455	6300	4500	1458
2017-18 (BE)	1373	1348	1423	1338	5600	9100	1445

Source: Municipalities concerned.
#For MCD-South, figures for 2016-17(RE) are RE for non-Planand BE for Plan components, respectively, as reported by MCD-South.

Projections of expenditure

7.304. For projecting the expenditure on public works of the municipalities, we have adopted the 2015-16 (AC) figures as the base and considered annual growth of 12 per cent, to encourage investment in upkeep and improvement of the roads, drains and other built assets. Based on the principles and assumptions explained above, the details of our projections of expenditure on public works are presented in the Table-7.41.

7.305. In paragraphs 282-286 above, we have explained our recommendation for creating an exclusive fund for the roads and related infrastructure including walkways and drains, etc.

Maintenance of Resettlement Colonies

7.306. The expenditure on maintenance of resettlement colonies are mainly in the nature of 100 per cent grants from the state government. Municipalities incur extra expenditure also, from their own resources, for this purpose.

7.307. The Second DFC had recommended that grant-in-aid in respect of reimbursement of expenditure on resettlement colonies and mid-day meals should be allowed as per the provisions of the original terms and conditions as drawn by Government of Delhi in this respect prior to the implementation of the recommendations of First DFC. The Third DFC recommended 100 per cent reimbursement of expenditure incurred by the MCD for maintenance of resettlement colonies, within the overall ceiling of five per cent of the grants-in-aid.

7.308. MCD-East has informed that it has 19 resettlement colonies for which it is expected to provide all amenities including streetlights, etc. even though these fall under the lowest category of taxation.

7.309. MCD-North has informed that it has 25 resettlement colonies, which, though planned, are also to be upgraded for infrastructure. It has presented in a tabular form the grants received for maintenance of resettlement colonies vis-à-vis the actual expenditure incurred by it. The details provided by MCD-North are presented in Table-7.42.

7.310. MCD-North has stated that the grant-in-aid has fallen short of the actual requirements from 2013-14 onwards. It has sought for a minimum grant of ₹ 79 crore annually at 2016-17 levels.

7.311. MCD-South has stated that they have 38 resettlement colonies, which is highest among the

Table-7.42: Comparison of Actual Expenditure v/s Grant-in-aid for Maintenance of Resettlement Colonies as presented by MCD-North

(₹ crore)

Year	Grant-in-aid received	Actual expenditure incurred	Excess of actual expenditure over grants
2012-13	44	44.15	0.15
2013-14	44	83.75	39.69
2014-15	44	89.14	45.08
2015-16	44	83.10	39.04

Source: MCD-North.

Table-7.41: Expenditure on Public Works of Municipalities- Actuals of 2015-16 and DFC Estimation for 2016-2021

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	1489	288	563	638	128	53	1670
2016-17	1668	323	631	715	143	59	1870
2017-18	1868	361	706	800	161	66	2095
2018-19	2092	405	791	896	180	74	2346
2019-20	2343	453	886	1004	201	83	2628
2020-21	2624	508	992	1124	226	93	2943

MCDs. It has also stated that DUSIB has been assigned the role of looking after the Jhuggie Jhompri (JJ) squatter settlements/clusters for provisioning of civic amenities.

Trend of expenditure and projections for the award period

7.312. The trend of expenditure on resettlement colonies for 2012-13 to 2017-18 (BE) in absolute and per capita terms (vis-à-vis 2011 Census population) along with the figures for the government grants, as communicated by the MCDs, is presented in Table-7.43.

Table-7.43: Expenditure on Resettlement Colonies of Municipalities (Non-Plan) from 2012-13: Total & Per Capita Expenditure and Share of Government Assistance

A. Total Expenditure on Resettlement Colonies of Municipalities (Non-Plan) (₹ crore)				
Year	**MCD / Unified MCD** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**
(1)	*(2)*	*(3)*	*(4)*	*(5)*
2012-13	116	22	60	34
2013-14	137	22	84	30
2014-15	145	22	89	34
2015-16	139	22	83	34
2016-17 (R.E.) #	102	22	44	36
2017-18 (B.E.)	100	22	44	34
Population 2011 (in crore)	1.64	0.40	0.63	0.62
B. Per Capita Expenditure on Resettlement colonies of Municipalities (in ₹)				
2012-13	71	56	96	54
2013-14	83	56	134	49
2014-15	88	56	142	54
2015-16	85	56	133	55
C. Govt. Grants Received for Expenditure on Resettlement colonies by the Municipalities (₹ crore)				
2012-13	100	22	44	34
2013-14	100	22	44	34
2014-15	100	22	44	34
2015-16	100	22	44	34
2016-17 (R.E.) #	100	22	44	34
2017-18 (B.E.)	100	22	44	34
D. Share of Govt. Grants to Total Expenditure on Resettlement Colonies (in %)				
2012-13	86	100	73	100
2013-14	73	100	53	111
2014-15	69	100	50	100
2015-16	72	100	53	99
2016-17 (R.E.)	98	100	100	94
2017-18 (B.E.)	100	100	100	100

Source: Municipalities concerned.
For MCD-South, figures for 2016-17(RE) are RE for Non-Plan and BE for Plan components, respectively, as reported by MCD-S.

7.313. We believe that maintaining a separate head of expenditure for resettlement colonies is not required any more. In fact, the terms like 'Resettlement Colony' and 'Jhuggi Jhompri', etc. should not be used for any settlement in perpetuity. DUSIB should hand over any new settlement to the MCDs after providing all infrastructure, on the lines of DDA. The MCDs should maintain the infrastructure and services in these colonies in the same manner as they do for others.

7.314. Accordingly, we also recommend for closure of the head 'Resettlement Colonies' from the budgets of the MCDs. We are subsuming the grants coming from the government on this account into our overall framework of transfers under public works and sanitation, as required.

General Administration

7.315. A variety of important administrative wings are attached with this head of account, which include the following:

- Municipal Secretary & Deliberative Wing (Corporation & Committees)
- Municipal Chief Auditor
- Commissioner's Office
- Central Establishment Department
- Central and Zonal Offices
- Language Department
- Finance & Accounts
- Labour Welfare Department
- Press and Information Department
- Vigilance Department
- Property Tax Department
- Advertisement Tax Department
- Caretaker's Office
- Central Stationary Office
- Election Office
- Law Department
- DMC Appellate Tribunal
- IT Department
- GPF & Final Payment Department
- Toll Tax
- Remunerative Project Department

7.316. The trend of expenditure of the municipalities under general administration over the period 2012-13 onwards, along with its share in their total expenditure and the per capita expenditure, are presented in Table-7.44.

7.317. In case of MCD-East, there is significant fluctuation in the yearly figures of expenditure on general administration. As we have observed earlier, such fluctuations often emanate from withholding certain large payments for the succeeding years, which makes the trend uneven. All the same, the 4-year data put together indicate that the general administration accounts for 10 to 15 per cent of the total expenditure of the MCDs, 20 to 30 per cent in case of NDMC and three per cent, of the DCB.

7.318. The figures of expenditure relating to NDMC show that it is expending very large share on general administration. Our anxiety is heightened by the fact that the per capita (of general population, 2011 Census) annual expenditure of the NDMC at ₹ 34,199 (2015-16) is not only astronomically high, but is growing very fast. NDMC must undertake a detailed analysis of its staffing pattern, with a view to reducing the staff related costs, benchmarking the per employee cost of GNCTD.

Projections of expenditure on general administration

7.318a. The MCDs have submitted estimation of their expenditure on general administration, which is presented in Table-7.45.

7.319. MCD-East has indicated ₹ 5 crore towards capital expenditure in each year in the total figures stated by them, whereas MCD-South has indicated sums ranging between ₹ 20 crore to ₹ 50 crore for such purposes. These amounts are included in the figures reported in Table-7.45.

7.320. We note the contention of the municipalities in respect of making higher estimation for our award period to provide for the 7th CPC impact. Accordingly, we project the growth rates for expenditure on general administration for 2016-17 to 2020-21 as indicated in Table-7.46.

7.321. For the NDMC, keeping in view their very high levels of expenditure, we propose lower growth rates, with the expectation that NDMC would review the matter in all seriousness and speed. The DCB should also do similar exercise.

7.322. Our estimation for the expenditure on general administration for each municipality is indicated in the Table-7.47, wherein the actual (account) figures for 2015-16 have also been indicated for reference purposes.

7.323. Our estimations are lower than the amounts proposed by the MCDs. However, we have distributed the growth rates sought by the MCDs in one year, to over two to three years, assuming that the 7th CPC arrears would be settled in instalments. Moreover,

Table-7.44: Expenditure on General Administration of Municipalities- Share in Total Expenditure and in terms of Per Capita, 2012-13 to 2017-18 (BE)

A. Expenditure on General Administration of Municipalities							(₹ crore)
Year	**Total for 3 MCDs** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**	**Total for All Municipalities** (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	757	114	392	251	454	3	1214
2013-14	885	83	395	407	691	4	1581
2014-15	1110	373	311	426	764	3	1877
2015-16	1114	275	369	469	882	5	2001
2016-17 (R.E.)	1840	574	683	583	937	7.3	2777
2017-18 (B.E.)	2297	570	1103	624	896	10.1	3203
TGR (2012-2016)*	14.9	51.4	-4.1	21.2	23.3	10.2	18.2
Population 2011 (in crore)	1.64	0.40	0.63	0.62	0.026	0.011	1.68
B. Per Capita Expenditure on General Administration of Municipalities							(in ₹)
2012-13	461	288	627	404	17590	282	723
2013-14	539	210	632	654	26798	402	941
2014-15	676	943	497	686	29627	309	1118
2015-16	678	697	590	755	34199	425	1192
C. Percentage of Expenditure on General Administration to Total Expenditure of Municipalities							(in %)
2012-13	9.7%	8.1%	11.4%	8.4%	21.7%	2.7%	12.1%
2013-14	10.0%	5.3%	10.0%	12.3%	26.3%	3.3%	13.6%
2014-15	12.3%	19.0%	8.2%	13.0%	25.1%	3.0%	15.4%
2015-16	12.7%	15.2%	10.5%	13.7%	30.2%	3.0%	16.9%

Source: Municipalities concerned.
* Trend growth rate.

our scheme of devolution, which we describe in a later chapter, would provide reasonable leeway to the municipalities to defray all inevitable expenditure.

Licensing

7.324. Municipalities issue licences for various trades and economic activities, including shops, eateries and factories to ensure proper regulation. In the process, they collect licence fees and also incur expenditure on licence administration. The licences handled by the municipalities can be categorised as below:

- General Trade License: for regulating general trade
- Health Trade License: for regulating food & related trade
- Factory License: for regulating factories

7.325. It would be appropriate to rename this head as 'Licence Administration', which will give it a better meaning and it will also rhyme logically with the head 'General Administration'. Keeping in view the traditional significance of licensing and the current ambition of increasingly 'Make in India,' we examine the principles and practices involved with licensing in some details.

Table-7.45: Projection by the MCDs for Expenditure on General Administration for 2016-17 to 2020-21

(₹ crore)

	MCD-East	MCD-North	MCD-South	Total for 3 MCDs
2016-17	-	680	-	-
2017-18	429	899	624	1952
2018-19	577	985	1120	2682
2019-20	665	1064	1400	3129
2020-21	764	1162	1650	3576

Source: MCDs concerned.

Table-7.46: Annual Growth Rates Adopted for Expenditure on General Administration for 2016-2021

(%)

Year	MCDs	NDMC	DCB
2015-16 (Ac)	Base year: As per Actual		
2016-17	10	10	10
2017-18	15	10	10
2018-19	15	10	10
2019-20	10	8	8
2020-21	10	8	8

Reforms in Licence Administration

7.326. There is a general impression among the citizens that licences are a source of harassment and nuisance for the entrepreneurs. On the other hand, some analysts of the municipal finances, including the municipalities themselves, treat licensing primarily as a source of revenue. In our opinion, licensing is a positive and creative instrument for good governance and should be viewed in a different perspective than the common notions stated above.

7.327. Licensing is an instrument for ensuring public order and safety and bringing in equity in social spaces.

Table-7.47: Expenditure of the Municipalities under General Administration during 2015-16 and Projections for the Award Period (2016-2021)

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	1114	275	369	469	882	4.7	2001
2016-17	1225	303	406	516	971	5.1	2201
2017-18	1409	348	467	594	1068	5.7	2482
2018-19	1620	400	537	683	1174	6.2	2801
2019-20	1782	440	590	751	1268	6.7	3057
2020-21	1960	484	650	826	1370	7.3	3337

But for licensing, people would open any shop or factory anywhere, which could end up creating public nuisance and social disputes. Licensing also provides a framework for protection of workers. Therefore, municipalities need to create a working environment that justifies licensing as an instrument for ensuring (*a*) planned development of the city, (*b*) safety & order for the workers and the general public, and (*c*) development of a database that would be useful not only for the government/municipality, but also for the entrepreneurs.Municipalities should make full use of technology options to enhance the transparency and efficiency of licence administration.

7.328. Licence administration needs to be made more user-friendly, For this purpose, the framework should be based on self-declaration and self-certification, including for annual and other periodic returns, subject to random *post facto* physical verification. Licensing fee should be related to the recovery of costs of such framework only and not as a source of buoyant revenue. In fact, licensing should mainly aim

Table-7.48: Actual (2012-13 to 2015-16) on License Administration of the Municipalities and Projection Conveyed by the Municipalities for 2016-17 to 2020-21

A. Expenditure on Licensing of Municipalities

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for All Municipalities (2+12+13)
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total			
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*
2012-13	4.4	–	0.7	0.7	–	2.5	2.5	–	1.3	1.3	0.6	–	5.1
2013-14	4.8	–	0.7	0.7	–	2.6	2.6	–	1.4	1.4	0.4	–	5.2
2014-15	5.2	–	1.0	1.0	–	2.8	2.8	–	1.3	1.3	0.4	–	5.6
2015-16	5.7	–	1.0	1.0	–	3.0	3.0	–	1.6	1.6	0.3	–	5.9
TGR*	8.4	–	15.0	15.0	–	7.2	7.2	–	6.9	6.9	-23.1	–	5.6
TGR (GSDP)*	12.0	–	12.0	12.0	–	12.0	12.0	–	12.0	12.0	12.0	–	12.0
Elasticity	0.7	–	1.2	1.2	–	0.6	0.6	–	0.6	0.6	-1.9	–	0.5
2016-17 (R.E.)	9.2	–	2.7	2.7	–	3.9	3.9	–	2.5	2.5	0.2	–	9.3
2017-18 (B.E.)	10.0	–	2.7	2.7	–	4.4	4.4	–	2.9	2.9	0.2	–	10.2

B. Projection by Municipalities concerned

(₹ crore)

Year	MCD / Unified MCD (5+8+11)	MCD-East			MCD-North			MCD-South			NDMC	DCB	Total for 5 Municipalities (2+12+13)
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total			
2016-17	3	–	–	–	3	0	3	–	–	–	–	–	–
2017-18	11	4	0	4	4	0	4	3	0	3	–	–	–
2018-19	14	6	0	6	4	0	4	4	1	5	–	–	–
2019-20	18	7	0	7	5	0	5	5	2	6	–	–	–
2020-21	21	7	0	7	6	0	6	6	2	8	–	–	–

Source:Budget document and communications of Municipalities concerned.
*TGR (Trend Growth Rate) is for 2012-2016.

at providing comfort to the entrepreneurs, workers and the environment. Once thriving, the enterprise would generate revenues through a variety of taxes.

7.329. However, going by the past experience of the licence management systems, we also feel that the stakeholders should remain constantly involved in monitoring the operation of the licensing system of different trades, etc. Accordingly, each municipality should constitute special committees of councilors to oversee the implementation of various types of licences. Such committees should also co-opt representatives of the relevant trades and workers.

7.330. The traditional practice of annual renewal of licence needs to be reviewed. All trade and factory licences, which are subject to annual renewals, should, in general, be granted for longer period, say, 10 years, with the provision for annual filing of returns by the licencee online. Failure to file annual returns should lead to automatic suspension of the licence. All this should be done through deployment of ICT with minimal human intervention, except for random physical inspections.

Street vending and Tehbazari

7.331. In respect of tehbazari and street vending, we would recommend that the GNCTD and the municipalities implement the NCT of Delhi (Protection of Livelihood and Regulation of Street Vending) Scheme, 2015 in right earnest. This should be done in alignment with the URDPFI and UTTIPEC guidelines. We have recommended for constitution of a Road Fund as was mooted by the Fourth DFC but have expanded the concept and included tehbazari and street vending as part of the activities for the road fund.

Trend and projection of expenditure for licence administration

7.332. We expect the municipalities to undertake a series of reforms in licence administration, including computerisation and various information, communication and education/extension (ICE) activities. The current levels of annual expenditure on licensing is of the order of ₹ 1-3 crore in each municipality (MCDs), which they have projected to increased to ₹ 4 to 8 crore. The NDMC and DCB have not made any specific projection for this expenditure.

7.333. In Table-7.48, we are presenting a consolidated picture of the trend of expenditure from 2012-13 to 2017-18 (BE) of the municipalities on licence administration in Part-A and the projections made by the municipalities for the award period 2016-2021 in Part-B.

7.334. Though the expenditure on licence administration is relatively small, its impact is wide-ranging and, as stated earlier, this sector needs considerable reforms in respect of both, policy orientation and technology interventions. As for projecting the expenditure for our award period, we have adopted a growth rate of 12 per cent. This will lead to figures that are lower than the amounts sought by the MCDs. The amounts in rupee terms are relatively small and we expect the municipalities, including the NDMC and DCB, to deploy resources as required after due diligence, to upgrade the licensing administration.

Community Services

7.335. The major head 'Community Services' covers the following principal activities:

- Construction and maintenance of community centres / barat ghar /senior citizen centres
- Conducting exhibitions / fares (e.g. Gandhi Mela)
- Rehabilitation training and facilities to the weaker sections, physically challenged persons, etc.
- Financial aid to old age, handicapped, destitute, widows (old age pension & marriage of widow's daughter)
- Maintenance and aid to libraries

Municipalities are maintaining some well-known institutions also (e.g. Hardayal Municipal Library by MCD-North) under this head.

7.336. The figures for the expenditure on community services of the municipalities during 2012-13 to 2017-18 (BE) are indicated in Table-7.49.

7.337. We have adopted an AGR of 12 per cent over the figures for 2015-16, which we have generally adopted as the base year. Some of the MCDs have proposed a break up for revenue and capital components. However, we are not proposing such division in our projections, leaving it to the best judgement of the municipalities. We also expect the municipalities to give a boost to the community services activities using innovative approaches such as public-private partnership, so that their own budgetary outgo does not exceed the limits indicated by us.

Veterinary Services

7.338. The large population of animals and birds, whether owned by individuals/institutions, or roaming as stray, are looked after by the municipalities and charged to the head 'Veterinary Services', which includes the following:

- Regularisation of slaughtering - meat trade license
- Establishment and maintenance of slaughter house
- Control of stray animals (dogs, monkeys, cattle, etc.)
- Sterilisation of dogs
- Aid to gau-sadan

Trends and projections of expenditure on veterinary services

7.339. The annual expenditure of the MCDs on veterinary services has been around ₹ 8 to 12 crore. The actual expenditure during 2012-13 to 2017-18 (BE) and the amounts sought by the municipalities for our award period are indicated in Table-7.50.

7.340. Municipalities have mooted substantial hike in the levels of expenditure for our award period, citing the felt needs. We do appreciate the need for augmenting the veterinary services and related infrastructure in each municipality and, accordingly, provide for a 12 per cent annual growth for this sector, which unfortunately is less than what this sector actually deserves. We hope the municipalities would augment their resources for the veterinary services by way of involvement of the private sector.

Horticulture

7.341. The maintenance of various parks and gardens and roadside trees are charged to the head 'Horticulture'. Municipalities are spending significant amounts on this activity, being of the order of ₹ 40-50 crore for MCD-East, ₹ 100- 170 crore for MCD-North and MCD-South, ₹ 100 crore for NDMC and ₹ 10 crore for DCB. For the award period, municipalities have proposed substantial raise in the scale of expenditure.

Table-7.49: Expenditure on Community Services of Municipalities during 2012-13 to 2017-18 (BE)

(₹ crore)

Year	Total of 3 MCDs (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	253	41	111	101	5.9	–	–
2013-14	307	31	147	129	4.7	–	–
2014-15	173	28	79	67	3.7	–	–
2015-16	132	14	51	67	4.0	–	–
TGR	-22.3	-29.1	-25.6	-17.0	-13.0	–	–
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	–	–
Elasticity	-1.8	-2.4	-2.1	-1.4	-1.1	–	–
2016-17 (RE)	252	27	98	128	4.6	–	–
2017-18 (BE)	333	97	106	131	9.0	–	–

Source: Figures for three MCDs from their respective budgets by taking BE for 2016-17 as their RE for the year and figures for NDMC from their budget.
* Trend growth rate (TGR) is given for the years for which data have been shown in the Table.

Table-7.50: Expenditure on Veterinary Services of Municipalities during 2012-13 to 2017-18 (BE)and Projections Conveyed by the Municipalities for 2016- 2021

(₹ crore)

A: Expenditure on Veterinary Services of Municipalities							
Year	**Total of 3 MCDs** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**	**All Municipalities** (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	24	3.7	14	6.3	1.1	–	25
2013-14	27	6.1	12	8.6	1.2	–	28
2014-15	38	5.9	14	18	1.7	–	39
2015-16	36	7.6	13	15	3.3	–	39
TGR*	16.3	23.3	-0.2	38.7	42.6	–	16.3
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	–	12.0
Elasticity	1.4	1.9	-0.02	3.2	3.5	–	1.4
2016-17 (RE)	89	11	44	34	3.2	–	92
2017-18 (BE)	145	35	61	49	3.5	–	148
B. Projection by Municipalities							
Year	**Total of 3 MCDs**	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**	**All 5 Municipalities**
2016-17	–	–	25	–	–	–	–
2017-18	205	66	90	49	–	–	–
2018-19	323	110	153	60	–	–	–
2019-20	356	130	156	70	–	–	–
2020-21	376	125	171	80	–	–	–

Source: Budget document and communications of Municipalities concerned. *TGR is for 2012-2016.

All these figures are consolidated and presented in Table-7.51.

7.342. We have proposed an annual growth of 12 per cent over the 2015-16 levels. We expect the municipalities to introduce innovative ways of promoting horticulture in a bigger way but without exceeding the expenditure levels indicated by us.

Land & Estate

7.343. Any expenditure relating to the management of municipal properties is charged to the head 'Land & Estate'. Year-wise details for the years 2012-13 to 2017-18 (BE) and the projections indicated by the municipalities (MCDs) for 2016-2021 are presented in Table-7.52.

Exclusive Development Expenses

7.344. Among the municipalities, the MCDs have been assigning a portion of their budget to the head 'Exclusive Development Expenses', which has gained significance over time. The works termed as 'Discretionary Funds of the Mayor/ Councillors/ Standing Committee Chairperson' are charged to this head. MCDs have reported significant outstanding bills pending for years for payment under this Head. Year-wise details for the years 2012-13 to 2017-18 (BE) and the projections indicated by the MCDs for 2016-2021 are presented in Table-7.53.

7.345. We find that the works sanctioned under this head are similar to what is proposed under various other heads. Moreover, particularly in the MCD-East

Table-7.51: Expenditure on Horticulture of Municipalities during 2012-13 to 2017-18 (BE) and Projections Conveyed by the Municipalities for 2016- 2021

(₹ crore)

A: Expenditure on Horticulture of Municipalities							
Year	**Total of 3 MCDs** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**	**All Municipalities** (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	242	36	100	105	59	7.0	307
2013-14	268	39	117	112	62	9.0	339
2014-15	302	46	114	142	89	9.3	401
2015-16	295	44	111	141	95	12	402
TGR*	7.5	8.1	2.7	11.7	19.9	17.0	10.2
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Elasticity	0.6	0.7	0.2	1.0	1.7	1.4	0.9
2016-17 (RE)	296	124	172	226	100	7.1	396
2017-18 (BE)	629	148	203	278	107	20	757
B. Projection by Municipalities							
Year	**Total of 3 MCDs**	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**	**All 5 Municipalities**
2016-17	137	–	137	–	–	–	–
2017-18	564	122	164	279	–	–	–
2018-19	870	190	180	500	–	–	–
2019-20	1058	210	198	650	–	–	–
2020-21	1238	220	218	800	–	–	–

Source: Budget document and communications of Municipalities concerned. *TGR is for 2012-2016.

and MCD-North, the works have been sanctioned under this head without adequate financial resource availability.

7.346. We also notice that the number of sub-heads under the major head 'Exclusive Development Expenses' is very large and is like a parallel budget within the budget. This is a serious irregularity and we recommend giving it a formal and disciplined shape. Moreover, the title 'Exclusive Development Expenses' is also not desirable, as development must be inclusive. Accordingly, we recommend that the head of expenditure 'Exclusive Development Expenses' be given a formal recognition in the MCD Account Code. Also, it should be renamed as 'Ward Development Gap Filling Grant.'

Projections for 2016-2021

7.347. We propose for the three MCDs an allocation of ₹ 50 lakh per ward for 2016-17 and increase it by ₹ 5 lakh in each succeeding year, to account for inflation. Year-wise details of our estimates are given in Table-7.54.

Other Expenditure

7.348. The head "Other Expenditure" includes, expenditure for the MCDs'resettlement colonies, which we have discussed earlier. For the NDMC, it is mainly the electricity and water supply and for DCB, investments in bank deposits. Of these, the issues relating to resettlement colonies have been discussed in paragraphs 7.306 to 7.314 above and those relating to investments in bank deposits are discussed further in the subsequent paragraphs of this chapter.

Other expenditure of NDMC

7.349. The major part of other expenditure of the NDMC is on electricity and water supply. We have

Table-7.52: Expenditure on Land & Estate of Municipalities during 2012-13 to 2017-18 (BE)

A: Expenditure on Land & Estateof Municipalities (₹ crore)						
Year	**MCD / Unified MCD** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2012-13	25	9	11	5	21	–
2013-14	12	3	8	2	34	–
2014-15	11	0.5	5	6	33	–
2015-16	11	5	4	2	16	–
TGR*	-23.6	-29.1	-29.8	-20.8	-7.7	–
TGR (GSDP)*	12.0	12.0	12.0	12.0	12.0	–
Elasticity	-2.0	-2.4	-2.5	-1.7	-0.6	–
2016-17 (R.E.)	87	59	21	7	32	–
2017-18 (B.E.)	80	50	15	16	48	–
B. Projection by Municipalities concerned (₹ crore)						
Year	**MCD / Unified MCD** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**
2016-17	–	–	5	–	–	–
2017-18	91	69	6	16	–	–
2018-19	174	149	7	18	–	–
2019-20	169	141	8	20	–	–
2020-21	187	155	9	23	–	–

Source: 1. Data from the e-mail of municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 (base year 2011-12) from the publication of Directorate of Economics & Statistics, GNCTD, March, 2017.
Note: As MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
* Trend Growth Rate is for 2012-2016

proposed 12 per cent AGR for 'Other Expenditure' of NDMC, over the 2015-16 (Account) figures. This ratio is fairly high and should take care of not only inflation, but also capital investments.

Other expenditure of DCB

7.350. Over 95 per cent of the 'Other Expenditure' of DCB is on account of investments in fixed deposits with banks. Such investments are rising over the years owing to the revenue surplus position and careful investment of the same in bank deposits. Year-wise details may be seen in Table-7.55.

7.351. The investments of the DCB in bank fixed deposits are very significant and are also rising over the years. We have examined the issue of large bank deposits being maintained by the DCB and the NDMC elsewhere too, but we recall the summary of that analysis in here by stating that municipalities should invest their revenue surpluses in improvement of public infrastructure and services and not in bank fixed deposits.

Projection for Overall Expenditure of the Municipalities

7.352. We have made itemised analysis of the different segment of the expenditure of the municipalities earlier in this chapter. We present a consolidated picture of the total expenditure of the municipalities for 2015-16 (Ac) and our projections year-wise for the award period 2016-2021 in Table-7.56.

7.353. We expect the municipalities to take note of our projections while preparing their annual budgets, otherwise they may not be able to achieve the budgetary balances that we have projected.

Loan Repayment

7.354. While the NDMC and the DCB are debt-free, the MCDs have been taking loans from the GNCTD under two broad categories. One is the loans

Table-7.53: Expenditure on Exclusive Development Expenses of Municipalities during 2012-13 to 2017-18 (BE) and Projection by Municipalities for 2016-2021

A. Expenditure during 2012-13 to 2017-18 (BE)

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South
(1)	(2)	(3)	(4)	(5)
2012-13	437	54	148	235
2013-14	395	13	122	260
2014-15	307	4	65	238
2015-16	205	5	44	157
TGR*	-22.2	-58.0	-34.5	-12.3
TGR (GSDP)*	12.0	12.0	12.0	12.0
Elasticity	-1.8	-4.8	-2.9	-1.0
2016-17 (R.E.)	863	75	554	234
2017-18 (B.E.)	799	102	345	352

B. Projection by Municipalities concerned (₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South
2016-17	–	–	46	–
2017-18	1707	100	180	1427
2018-19	2086	100	186	1800
2019-20	2342	100	192	2050
2020-21	2714	100	214	2400

Source: 1. E-mail of municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi, March, 2017.
Note: Since MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the 3 MCD's from 2012-13 onwards.
* Trend growth rate is for 2012-2016.

Table-7.54: Expenditure on "Ward Development Gap Filling Grant" of Municipalities- Actuals of 2015-16 and DFC Estimation for 2016-2021

(₹ crore)

Year	MCD-East	MCD-North	MCD-South	Total for 3 MCDs
No. of Wards	64	104	104	272
2015-16 (Ac)	5	44	157	206
2016-17	32	52	52	136
2017-18	35	57	57	150
2018-19	38	62	62	163
2019-20	42	68	68	177
2020-21	45	73	73	190

Table-7.55: Investments of DCB

(₹ crore)

	Expenditure Item/Head	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
1	Extraordinary & Debt						
1.1	In Securities (other than for sinking fund)	0	0	0	0	0	0
1.2	Saving Bank including Fixed Deposits	780	774	770	940	980	980
	Total (1.1+1.2)	780	774	770	940	980	980

Source: Budget documents of DCB.

Table-7.56: Total Expenditure of the Municipalities- Actuals of 2015-16 and Estimation for 2016-2021

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All unicipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	8960	1886	3588	3487	2926	159	12046
2016-17	9717	2097	3904	3716	3256	178	13152
2017-18	11094	2395	4461	4238	3641	201	14936
2018-19	12576	2716	5063	4797	4068	227	16870
2019-20	13982	3017	5633	5331	4505	253	18739
2020-21	15508	3343	6254	5911	4989	282	20778

against Plan schemes and the other is the ways & means advance, for payment of outstanding dues like salaries. The loan installments are at times adjusted by the government by way of deducting from tax devolution. Year-wise details for loan repayment by the municipalities during 2012-13 to 2017-18 (BE) and projection for 2016-2021 made by the municipalities are presented in Table-7.57.

7.355. The procedure for enforcing loan repayment by way of deduction from tax devolution appears unfair because it eats away the devolution and it concomitant benefits.

7.356. We have been informed that the GNCTD had

Table-7.57: Expenditure on Loan Repayment of Municipalities

A. Expenditure during 2012-13 to 2017-18 (BE) (₹ crore)						
Year	**MCD / Unified MCD** (3+4+5)	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2012-13	791	137	287	368	–	–
2013-14	702	140	243	319	–	–
2014-15	595	78	347	169	–	–
2015-16	147	–	–	147	–	–
TGR*	-40.6			-28.7	–	–
TGR (GSDP)*	12.0	12.0	12.0	12.0	–	–
Elasticity	-3.4	0.0	0.0	-2.4	–	–
2016-17 (R.E.)	202	202	–	–	–	–
2017-18 (B.E.)	1824	202	1487	134	–	–
B. Projection by Municipalities concerned (₹ crore)						
Year	**MCD / Unified MCD (3+4+5)**	**MCD-East**	**MCD-North**	**MCD-South**	**NDMC**	**DCB**
2016-17	–	–	–	–	–	–
2017-18	1182	600	450	132	–	–
2018-19	1198	620	450	128	–	–
2019-20	1244	670	450	124	–	–
2020-21	1239	670	450	119	–	–

Source: 1. E-mail of Municipalities concerned.
2. GSDP at current prices for the years 2011-12 to 2015-16 with base year 2011-12 from the publication of Directorate of Economics & Statistics, Govt. of Delhi, March, 2017.
Note: As MCD was trifurcated in May 2012, Col. 2 shows the aggregate of the three MCDs from 2012-13 onwards.
* Trend Growth Rate is for 2012-2016.

appreciated the financial hardships of the MCDs lately and did not make such deduction from BTA releases for the MCDs for the last two years. At the same time, we would like the GNCTD to ensure that loans are given only for productive purposes. If, however, any loan is to be given in the nature of 'ways & means advance' then it should be given with a clear understanding that the recepient entity concerned would be able to repay it in next 30 to 45 days. If the government, at the time of granting the loan/advance, is clear that the recepient entity will not be able to repay it, then it should release it as a grant only, in the first stance.

Chapter 8

Debt Liabilities of the Municipalities

8.1. Our terms of reference (TOR) also require us to make an assessment of the debt position of the municipalities as on 31st March, 2016 and to suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the GNCTD. This issue has become all the more important in the context of the renewed urge of the GOI to encourage the municipalities raise resources through the market in the form of municipal bonds and other instruments.

Debt Position of the Municipalities

8.2. The outstanding debts of the municipalities fall in two broad categories, namely, the Plan loans and the ways & means advances (WMA). The Plan loans are given for implementation of development schemes, whereas WMA is for meeting the immediate liquidity crunch for payment of salaries and pending bills, etc. The erstwhile MCD was also given Plan loans for rural development, for improvement of infrastructure in the villages. The NDMC and the DCB are debt-free and have remained so for past several years.

8.3. As per UD Department's letter (dated 01.12.2016), the outstanding debt of unified MCD at the end of 2011-12 was ₹ 2,038.61 crore, including the outstanding loan of ₹ 145.82 crore against the Plan loan released by the Rural Development Department for development of rural villages. However, as per the information provided to us by the three MCDs, the respective opening balances at the time of their initiation were as indicated in Table-8.1.

8.4. Thus, the closing balance of unified MCD of ₹ 2,038.61 crore reported by the UD Department is higher by ₹ 82.49 crore than the opening balance reported by the three MCDs at the time of their beginning as new entities. GNCTD should reconcile this difference.

8.5. At the time of trifurcation of the MCD during 2012-13, the outstanding debt of the undivided MCD was apportioned among the three MCDs in the ratio of 45.44 per cent for MCD-South, 35.42 per cent for MCD-North and 19.14 per cent for MCD-East.

8.6. Subsequent to the trifurcation of MCD, the new entities, i.e. the three MCDs, continued to avail of loans as WMA and also for development (Plan) activities. The position of WMA and Plan loans availed by the MCDs from the GNCTD during 2012-13 onwards is indicated in Table-8.2 and Table-8.3, respectively.

Table-8.1: Opening Balance of Loans at the Beginning of Trifurcation of MCDs in 2012

(₹ crore)

Municipality	Plan Loan	W&M Advance	Total
MCD-East	280.64	108.61	389.25
MCD-North	466.22	171.79	638.01
MCD-South	NA	NA	928.86
Total	746.86*	280.40*	1956.12

NA: Break up between Plan loans and WMA not available. *Excluding MCD-South.

Table-8.2: W&M Advance Sanctioned by the GNCTD to the MCDs during 2012-2017

(₹ crore)

Year	MCD-East	MCD-North	MCD-South
2012-13	319	560	61
2013-14	0	250	0
2014-15	0	0	0
2015-16	237	314	0
2016-17 (RE)	331	200	0
Total	887	1324	61

Source: Three MCDs (August, 2017).

Table-8.3: Plan Loans Sanctioned by the GNCTD to the MCDs during 2012-2017

(₹ crore)

Year	MCD-East	MCD-North	MCD-South
2012-13	45.00	130.75	72.50
2013-14	76.75	118.00	85.00
2014-15	65.50	78.75	–
2015-16	42.50	10.00	–
2016-17	27.23	18.00	–
Total	256.98	355.50	157.50

Source: Three MCDs (August, 2017).

8.7. During the period prior to trifurcation, i.e. before 2012-13, the GNCTD had applied rate of interest of 12.5 per cent with repayment tenure of 15 years for Plan loans. For the WMA, the rates ranged between 13.5 per cent to 16 per cent and repayment tenure of one year to five years.

8.8. Post trifurcation, the GNCTD had, in general, applied interest rate of 11.5 per cent for both, Plan loans and WMA, for the loans sanctioned during 2012-13 to 2014-15, and 10 per cent for the subsequent years. The tenure of the loans has been 15 years for the Plan loans and five years for the WMA.

8.9. Additionally, MCD-East had availed of a loan of ₹ 20 crore from the NCR Planning Board (NCRPB) in 2015-16 for redevelopment of its zonal office buildings. This loan is of 10-year tenure and carries an interest rate of 8.25 per cent per annum.

8.10. As of 1st April 2016, only the three MCDs are having debt outstanding, while the NDMC and the DCB are debt free. The outstanding debt of the three MCDs as on 1st April 2016 stands at ₹3,255.50 crore, which is almost entirely from the state government, except for the small loan that the MCD-East had taken from NCRPB mentioned above.

8.11. Year-wise details of the outstanding debt and interest liability of three MCDs vis-a-vis GNCTD at

Table-8.4: Outstanding Debt and Interest Liability of three MCDs vis-à-vis GNCTD at the end of the years 2012-13 to 2015-16 and Ratio to Own Tax Revenues (OTR)

	Outstanding Debt (OSD) at the end of the year			Interest Liability of 3 MCDs and GNCTD for 2012-13 to 2015-16 and ratio to Own Tax Revenues (OTR)					
Year	Total OSD of three MCDs (₹ crore)	OSD of GNCTD (₹ crore)	OSD of 3 MCDs as % of OSD of GNCTD	OTR of GNCTD* (₹ crore)	Interest liability of GNCTD (₹ crore)	Interest liability of GNCTD as % of its OTR	Own Tax Revenue of three MCDs (₹ crore)	Interest liability dischsrged by three MCDs (₹ crore)**	Three MCDs' interest liability as % of their OTR
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*
2012-13	2630	29243	9.0	22118	2863	12.9	2693	221	8.2
2013-14	2809	32080	8.8	24914	2824	11.3	2908	340	11.7
2014-15	2731	32498	8.4	25410	2774	10.9	3232	326	10.1
2015-16	3256	33304	9.8	29026	2810	9.7	3747	69	1.8

* OTR of GNCTD is net of transfer of shares of the municipalities in r/o transfer duties and one-time parking charges.
**Represents interest payment by MCD-South only for 2015-16.

the end of the years 2012-13 to 2015-16 and ratio to own tax revenues (OTR) is presented in Table-8.4.

8.12. It may be observed from the figures of Table-8.4, that the outstanding loans of the three MCDs amount to less than 10 per cent of the corresponding figures for the GNCTD. However, the ratio of the interest payment liability to the own tax revenues (OTR) is nearly the same for the GNCTD and the MCDs, except for 2015-16. The low figure for the MCDs in respect of 2015-16 is due to the payment by MCD-South only.

Consideration by the Earlier DFCs

8.13. The First DFC had recommended for consolidation of MCD loans as on 1st April 1996 into a single loan of 20-year duration with fresh rate of interest at 2 per cent lower than the weighted average interest rate and also recovery of interest arrears in 20 equal annual installments. The state government had accepted these recommendations.

8.14. The First DFC also recommended that the annual liability of the MCD on debt servicing should not exceed 10 per cent of the internal receipts of the MCD plus its share in the assigned taxes or in the global tax revenue of the GNCTD in any year. It also recommended that this payment should be the first charge on the municipal fund, failing which these should be deducted by the GNCTD from the installments on non-Plan grants or from other fiscal transfers.

8.15. The First DFC also recommended that in view of the growing outstanding debt of the GNCTD and the unsatisfactory resource mobilisation and expenditure management position of the local bodies, government might also consider accepting the discipline of a Fiscal Responsibility and Budget Management Act, which should be applicable to the local bodies too. The commission also felt that the municipalities should resort to market borrowings for financing infrastructure-building projects.

8.16. The Second DFC recommended that the restructuring of debt worked out by the First Commission may continue and GNCTD may consider allowing a three-year moratorium in respect of fresh loans. It also recommended that the rate of interest charged on fresh loans to local bodies should not be higher than the rate of interest presently being charged from DVB, DTC and DJB, etc. It also recommended that GNCTD should consider reduction in the interest rate on the funds given to the municipalities whether for Plan purposes or by way of WMA in the present regime of low interest rates. It further recommended that it would be appropriate to consider persuading MCD to open an escrow account for repayment of future loans.

8.17. The Third DFC observed that the state government has recovered the interest dues from various entities by converting the interest into further non-Plan loan by way of book adjustment. It noted that the interest dues from MCD were recovered at source from out of their global tax share. It also noted that the total loan recovery of the GNCTD in 1994-95 was ₹ 37.66 crore out of which ₹ 33.30 crore was recovered from the MCD, while the corresponding figures for 2004-05 stood at ₹ 528.02 crore and ₹ 521.94 crore, respectively. This would indicate that the loan recoveries of the GNCTD were almost entirely from the municipalities (MCD).

8.18. The Fourth DFC observed that as per Section 185 of the Delhi Municipal Corporation Act 1957, the municipalities are not entitled to borrow funds for making payment of salaries and wages to any officer or employee except those exclusively engaged in carrying out the purposes indicated in Sub-Section (1) of the above referred section. Accordingly, the government should stop giving loans or permissions to raise loans until the statutory procedure is observed.

Memoranda of the Municipalities

8.19. Each of the three MCDs has made a strong case for revisiting the policy towards outstanding loans and for extending fresh loans by the GNCTD. The MCD-East has stated that loans were given to it by the GNCTD in the year 2012-13 (₹ 289 crore), 2015-16 (₹237 crore) and 2017-18 (₹ 331 crore). Apart from this, it has taken internal loans from other funds at the time of crisis, which are yet to be repaid. It has further stated that the Plan loans should be converted into grants as these loans are not provided to support the municipal finance or financing any special remunerative project, but to execute government approved schemes as per action plans approved by the government themselves.

8.20. MCD-East has also stated that the GNCTD should support the municipalities in raising funds. MCD-East further mentioned that it had to provide bank guarantee by locking amount equal to the loan in bank to raise fund from National Capital Region Planning Board (NCRPB) for a special project.

8.21. MCD-East has further informed that deductions on account of repayment of loans were made out of the BTA except in the year 2015-16 and 2016-17. It has also highlighted that after trifurcation, the MCD-South shared the prior-period liabilities while the prior-period receivables received at a later stage were not shared.

8.22. MCD-North has stated that it has been in perpetual financial crisis ever since its creation leading to large unpaid dues on account of various contractual liabilities as well as salaries, for which it had to draw even from employees' provident fund corpus, even though it is a serious irregularity. It has reported such liabilities, which are reproduced in Table-8.5.

8.23. MCD-North has further stated that the Plan loans taken by it were upward of ₹100 crore every year and carried interest rates of 10.5 to11.5 per cent per annum. As these were adding to the debt burden of the corporation, it took a conscious decision to discontinue such loans from 2015-16 onwards. It has also stated that had the Fourth DFC recommendation been implemented from 2012-13 onwards, much of the loans taken by it would not have been necessary. MCD-North has requested that the Fifth DFC may recommend a complete waiver for its loans. It has also argued that in future the practice of adjustment of loan amount from the amount being given to the corporations should be completely done away with.

8.24. MCD-South has stated that at the time of trifurcation, a major portion of the outstanding debt liability was taken by it. It has also stated that post trifurcation, it has taken several steps to improve its finances. This included a substantial debt management effort by avoiding fresh debts. From the year 2014-15 onwards, it has not raised any fresh loan at all. This has resulted in lowering of the debt burden and also securing inter-generational equity by ensuring that it does not create unsustainable debt and pass on the same to the future generation.

Our Recommendations

8.25. We find considerable merit in the arguments of the MCDs, which we have mentioned above. We also note that the Finance Minister had, in the Budget Speech 2011-12, announced the resolution to convert the loans extended to the state government PSUs and utilities into grants linked to their attainment of measurable performance benchmarks.

Table-8.5: Major Outstanding Liabilities of MCD-North as on 28.2.2017

	Item	Liabilities as on 28.02.2017 (₹ crore)
1.	Unpaid dues of civil works contractors	451
2.	Unpaid arrears of employees on account of various pay revisions, regularization of safai karmacharies, and other reasons	700
3.	Amount temporarily borrowed from plan funds	459
4.	Amount temporarily borrowed from employees' provident fund corpus managed by the Corporation	270

Source: Memorandum of MCD-North.

8.26. However, we have adopted a careful approach rather than a full write-off of all the outstanding loans in one go. Our approach is based on a combination of equity, justice and self-reliance. On the issue of equity, we appreciate the argument that the opening balance of the loans of the MCDs at the time of their creation in 2012, should have been treated as grant. We feel that it is one of the core issues relating to the financial stress of the MCDs. MCD-South could get over it owing largely to the positive opening balance and the share in the BTA that it got all these years, besides its own sustained efforts for additional resource mobilisation.

8.27. On the issue of justice, appreciate the argument of MCD-South that it was handed the largest share of that loan, but not the concomitant assets. As for the self-reliance part, we would like the MCDs to raise additional resource from sources such as the professions tax, to meet part of their debt liability and we have proposed to recommend incentives for doing so.

8.28. Accordingly, we make the following recommendations:

- GNCTD should write off the loans outstanding for the three MCDs at the time of their trifurcation, amounting to ₹ 2,038.61 crore, by way of conversion into grants. (in Ch. 1, Para 140)
- GNCTD should extend special incentives grants to the MCDs linked to their collection from professions tax, at the rate of 50 per cent of the collection in 2018-19, which should reduce progressively to 40 per cent in 2019-20 and 30 per cent in 2020-21. (in Ch. 7, Para 141)
- This incentive amount should be used by the MCDs entirely to pay off the remainning outstanding loan amounts. Should there be any surplus, the MCD concerned may utilise the same for discharging its other liabilities. (in Ch. 1, Para 142)
- GNCTD should reduce the interest rate on the outstanding and fresh loans of MCDs to the same rate as GNCTD is availing loans from GOI.

Chapter 9

Assessment of the Finances of the Municipalities and Scheme of Devolution

Assessment of the Gaps for the Municipalities

9.1. In the ideal situation, we should have analysed the status of infrastructure and services relating to all the obligatory and discretionary functions of the municipalities, to assess the gaps in physical terms and then proceeded to determine the requirements of financial resources. However, the list of such functions is too large, to be analysed within the limits of the time frame and resources available to us. Therefore, we chose to focus on five core functions common to all the five municipalities, namely, education, sanitation, public works including roads, medical relief (hospitals) and public healthcare, and have made detailed analysis for these sectors. We have also made brief analysis of some of their discretionary functions as well. In our analysis, we have recommended to secure economy in expenditure through improved management and also through deployment of newer technology options.

9.2. On the resource side, we have examined all the obligatory and discretionary taxes and proposed measures for augmenting receipts from almost all. We have also analysed the non-tax sources of revenue for the municipalities. We have stretched the examination of resource mobilisation to suggest certain new sources on both, tax and non-tax sides. We have also examined the outstanding loan liabilities of the municipalities and suggested measures which would help them move to a more sustainable framework.

9.3. We had intended to consider the financial data of the municipalities for the last 10-15 years in our analysis, which we have done in some instances. But the fact remains that the three MCDs, which are the largest entities in the NCT in terms of area and population, had been created only in 2012-13 out of a single entity called MCD. This forced us to base the year of our analysis as 2012-13. All the same, we have attempted to cite the data of the undivided MCD for the years preceding 2012-13, in appropriate places. We have also aggregated the data relating to the three MCDs for the years 2012-13 onwards, to develop a time series for the last 10 years, for any analytical purposes, as might arise.

9.4. Our schema for devolution is based on a four-stage process. In stage-1, we made the assessment of the resource gap on the basis of norms for the infrastructure and services that the municipalities are expected to provide and the revenues that we expect them to mobilise on tax and non-tax side, on their own. This gave us the status of their expected deficits without any transfers. For the stage-2, we added the impact of grants that we have recommended and determined the deficits of each municipality once again. In the stage-3, we added the shares of the municipalities in the basic tax assignment (BTA) and then worked out their respective deficit/surplus for our award period. Having done this much, we proceeded for the stage-4, which is meant to assess the impact of our schema for transfer on the finances of the GNCTD. Our attempt was to develop a framework in which every single municipality, as also the GNCTD, become and remain in revenue surplus.

9.5. For the municipal solid waste management, we have recommended the physical norms as 'Zero Land-fill' in the overarching framework of 'Swachh Bharat'. As for the infrastructure and manpower for sanitation, we have recommended expeditious switch over to mechanisation, automation and ICT based monitoring systems and restrictions on fresh recruitments, which we expect would also lead to cost efficiency.

9.6. In determining the norms for setting the targets, including the annual milestones, for receipts and expenditure, we have taken cognizance of several indicators. On the taxation side, we have assessed the potential for property taxes in terms of the number of properties that are yet to be included in the tax net. For this purpose, we have used the survey results of Census 2011 as well as other survey reports that indicate total number of properties. We have compared this information with the number of properties that are currently in the tax net and have proposed a road map for enhancing the coverage. In the process, we have recommended a number of measures for additional resource mobilisation by the municipalities. We have also recommended fiscal incentives for the municipalities for enhancing their revenue efforts.

9.7. We have used the best performing municipalities within the NCT as the benchmark in some cases and, in certain cases, compared the municipalities in Delhi with the better performing municipalities in other states. We have undertaken such comparison in respect of the revenue mobilisation proposals, such as the property tax, education cess and professions tax, etc. We have also proposed the municipalities to consider introduction of certain new taxes such as the street tax, albeit at an appropriate later date.

9.8. We have proposed certain new levies that would be imposed and collected by the municipalities, but the proceeds would be transferred, net of cost of collections, to the state government, as the state government seems to be in better position to lead the schemes concerned. These are the beggary cess and the library cess. In recommending for such 'reverse fiscal transfers', we were guided by the prevailing arrangements in Maharashtra, where the municipal corporations collect the employment guarantee cess and transfer the same to the state government after retaining the cost of collection.

9.9. In regard to the norms for the expenditure items, we have examined the national standards such as for the Sarva Shiksha Abhiyan, Swachh Bharat Mission and the National Urban Health Mission. We have also noted and cited good examples from within the NCT and also from other states, in management and delivery of civic services including street lighting, road maintenance, primary education, healthcare and waste management.

Functional Domain of the Municipalities

9.10. We have noted that prior to the 74th Amendment to the Constitution, the number and variety of functions assigned to the municipalities in the NCT had been far numerous and 'weighty' than what got enlisted in the Twelfth Schedule of the Constitution. The amendment to the Delhi Municipal Corporation Act 1957 in October 1993 took away the major functions of electricity distribution, water supply, sewage management, public transport and assigned the same to the parastatal specialised agencies in the government and private sectors. Similarly, the slum improvement work was also taken away from the MCD and assigned to the DUSIB.

9.11. We feel that total withdrawal of the municipalities from these sectors is not desirable and municipalities need to be assigned a more significant role in these sectors, for enhancing the reach, efficiency and effectiveness of the respective service providers so that residents of the respective areas have greater and easier access to these services. Municipalities should be structured to function as the 'one stop shop' for providing all basic local services to the people, as was the position prior to the 1993 amendments to the DMC Act 1957. However, we are recommending some functional changes in the system, rather than complete reversal of the 1993 amendments. We have made suitable recommendations in these respects, in different places/chapters. For instance, making the Commissioner/ Additional Commissioner of the MCDs a member on the Boards of DISCOMs and DJB. However, subject to such executive arrangements, we have not proposed any major changes in the functional domains of municipalities, including in respect of the New Delhi Municipal Council, which still performs the functions of power and water supply and sewage management.

9.12. We have examined the reference made in our

TOR regarding transfer of the major hospitals from the municipalities to the Delhi government and have, after considerable analysis, recommended against such transfer. We have also considered the issue of transfer of primary education from the municipalities to the Delhi government, even though it was not in our TOR and have observed that both these functions are enlisted in the DMC Act as the obligatory functions of the MCDs and may continue as such. Even on functional analysis, we have come to the conclusion that municipalities should be extended the required financial and managerial support to improve the quality and reach of these services.

9.13. In making our recommendations relating to functional assignments for the municipalities, we have kept the citizens in focus and tried to find out as to which agency would be best suited to enable the service delivery in a cost-effective manner or the access to basic infrastructure in a more equitable, efficient and transparent manner. If our choice fell for a municipality, then we have proceeded to assess the capacity of the municipality to perform that role effectively and, in case of deficiency in capacity, we have tried to recommend measures for enhancing the capacity. In other words, rather than taking away a function from the municipalities on grounds of lack of capacity, we have preferred to recommend for building their capacity. We have proposed this approach with the expectation of good governance for the people. At the same time, we have proposed that all transfers to the municipalities should be in the framework of an outcome budget, wherein the expected outcomes from public expenditure should be declared upfront and monitored regularly.

Strategy for Bridging Normative Vertical Gap

9.14. Delhi is at par with other states in terms of functional assignments to the state government, except for the functions relating to police, law and order and land administration, which the Government of India has retained for itself. All other functional responsibilities, as also the taxation powers, of any other state in the country, vest with the Legislature/ Government of Delhi in equal measure.

9.15. At the same time, the framework for the third tier of governance is quite unique in Delhi, as every bit of land in the NCT is covered by one or the other of the five municipalities, there being no panchayats. Some of the civic functions are indeed assigned to the agencies like the DSIIDC, but the preponderance of the municipalities as the third tier of governance remains overwhelming. Even where the functions of the municipalities have been assigned to parastatals like the Delhi Jal Board or the DUSIB, the shadow of municipalities looms large over the problems as well as the solutions.

9.16. The municipalities and the state government, along with its various agencies, have a mutually complimentary role in public governance in the NCT. Any scheme of vertical devolution has, therefore, to ensure that both tiers of government remain fiscally viable. At the same time, we also believe that the responsibility for fiscal viability of the government's two tiers remains equally distributed on the shoulders of both the tiers. It would not be prudent for the state government to ignore the fiscal viability of the municipalities and, equally, it would be highly unfair on part of the municipalities to ignore the fiscal constraints of the state government while looking for financial support through tax share or grants. Distribution of functions, authority, and resources between the state government and the municipalities has to be based on the tests of efficiency, effectiveness and reach, while the aspects of transparency and accountability remain common to both.

9.17. We also realise that municipalities have, over a period of time, been forced to lose a part of their resource raising powers, such as octroi/terminal tax, while certain economically profitable activities such as electricity and water supply have also been taken away from the municipalities. The 101st Constitutional Amendment 2016 has now removed the advertisement tax from the domain of the municipalities. All this has been done with the objective of achieving greater economic efficiency for the society as a whole, fruits of which would come directly to the fiscs of the

Union and state governments and only indirectly to the municipalities, who would have to secure a share in the enhanced revenue receipts of the Union and the states. Such a dispensation enhances the dependence of the municipalities on fiscal transfers from the other two tiers of government.

9.18. Delhi has been deprived of the fiscal transfers from the Federal government, citing it as a Union territory, except that a fixed token grant of ₹ 325 crore is being extended annually, in lieu of the share in central taxes. We find that unfair, though the unfairness has been mitigated to some extent by allowing the Union territories having legislature, to participate in the goods & services tax (GST) regime effective from 1st July 2017, by way of the 101st Constitutional Amendment. However, while the injustice that the NCT suffered over the years owing to getting omitted from the awards of the Union Finance Commissions, is now mitigated at the state level, yet the injustice in relation to the Federal transfers for the local governments remains. Successive Union Finance Commissions (FCs), from the Eleventh to the Fourteenth FCs, recommended significant transfers for the panchayats and the municipalities from the Union government. But, Delhi continued to remain left out from those awards. We expect the State Government (GNCTD) to take up with the Government of India the urgent need to include the matter of grants for the municipalities in the NCT at par with the municipalities in other states, in the terms of reference for the Fifteenth Finance Commission. We had noted that the GOI was in the process of firming up the TOR for the 15th FC. Therefore, we made an exceptional reference to the GNCTD on 14th September 2017 to take up this matter with the GOI.

9.19. Our scheme of transfers has not assumed any share for the municipalities from the Government of India under the award of the Union Finance Commission, as the recommendations of the Fifteenth Finance Commission would be effective from 1st April 2020 only. The scheme of transfer that we have proposed aims at retaining surplus level for the Government of Delhi, while obliterating the revenue deficits of the municipalities. To achieve this happy balance, we had to make and propose hard choices for both, the state government and the municipalities.

Fiscal Incentives for the Municipalities

9.20. We have given careful consideration to the scheme of municipal reforms funds (MRF) introduced as per the recommendations of the Third DFC. While the concept of the MRF was attractive and logical, it could never achieve its objectives. On the other hand, it led to a big fiscal stress for the municipalities, particularly the MCD-East and MCD-North, manifested in huge arrears on account of salaries and pensions to the staff and works bills. Employees frequently resorted to agitation and the contractors to litigation, on account of the respective pending payments.

9.21. The fiscal misery that the MRF entailed for the MCDs emanated owing to two factors. One was that its design was too complex for the cutting edge functionaries of both, state government and the municipalities. The other was that the MRF was carved out of the BTA and, in effect, shrunk the BTA from 5.5 per cent to 4 per cent, of the net tax proceeds of the state government. There is no doubt that between the untied tax share (BTA) and the purpose-specific grants, the former works like the lifeline for the recipient entities, as it is untied and floats with the buoyancy in the state's tax revenue receipts.

9.22. As the recommendations of the Fourth DFC could not see the implementation, the recommendations of the Third DFC continued to operate even for the award period of the Fourth DFC, that is, for well over five years. This has been a period long enough to let three major factors break the fiscal backbone of not only an inherently weak municipality like the MCD-East, but it also shook the fiscal strength of even a potentially strong municipality like the MCD-North. These three factors were (*a*) the MRF, *(b)* the outstanding loan liabilities of the erstwhile MCD transferred to the three new MCDs and (*c*) the ad hoc formula for *inter se* distribution of the BTA among the three MCDs that was adopted by the GNCTD in 2012-

13 and has continued so far. We have given a rational solution for each of these factors.

9.23. Urbanisation creates wealth and, accordingly, there is every possibility for every city government to be fiscally well-off. However, some municipalities inherit fiscal weakness and need financial support for some time, to shape up and gather strength to work in a viable fiscal mode, wherein they could steer the city's growth and, in the process, gain financial and managerial strength for themselves as well. Yet, the MRF nipped the fiscal and, consequently, the managerial strength of the two MCDs at least.

9.24. We endorse the spirit of MRF, but have recommended a different course, that is, of incentive grants for additional resource mobilisation and expenditure compression. We admit that in this concept, we are not the pioneers, as many State and Union Finance Commissions have already recommended such incentives for the municipalities and panchayats and in many instances, the local governments have succeeded in actually getting 'incentivised' for improved fiscal performance.

9.25. Our scheme for incentivising the municipalities for improved fiscal management is based on providing additional grants for raising resources from new levies, as follows:

- Municipalities that levy education cess, shall get incentive grants, which shall be equal to 100 per cent of the collections in the case of MCDs and 25 per cent, in case of the NDMC and DCB in view of the latter's comfortable financial position.
- Municipalities that levy sanitation cess/ user charges, shall get incentive grants, which shall be equal to 100 per cent of the collections in case of the MCDs and 25 per cent, in case of the NDMC and DCB.
- Municipalities that levy professions tax shall get incentive grants, which shall be equal to 50 per cent of the collections in 2018-19, 40 per cent in 2019-20 and 30 per cent in 2020-21, to be utilised for repayment of the outstanding loan dues to the state government and other liabilities.

Scope for Economy in Municipal Administration

9.26. We have examined the scope for bringing in economy in municipal administration through various options that have traditionally been recommended for all local governments. These include reduction in staff strength and adoption of newer technologies and re-engineering the service delivery processes.

9.27. On our part, we have used the fiscal instrument of scaling down the rate of growth of the expenditure on the services being handled by the municipalities, in sanitation services. However, our efforts in this regard for all sectors encountered serious difficulties owing to the impact of the 7th CPC recommendations, which had led to large sums becoming payable by the municipalities. A large portion of such amounts has not been paid and become overdue, particularly in the MCD-East and MCD-North. In fact, the major expenditure items of the municipalities (MCDs) are education and sanitation, both of which are highly dependent on human resources and rather marginally on the equipment and machines. Therefore, rather than working on the possibilities of reducing the overall expenditure through deployment of alternative technologies, municipalities are, currently, overwhelmed with the challenges of settling the arrears of salaries and pension related liabilities. Pending work bills amounting to large sums are adding to their predicament.

9.28. Some of the earlier DFCs had recommended for scaling down the staff strength. However, that did not work. In our view, in addition to working on the scope for reduction of staff numbers, municipalities should also focus on work studies and process studies and attempt to re-engineer the processes of their services, be it the sanitation services, healthcare services, education services or road maintenance. Through this approach, they should work on rationalising the staff positions, by way of relocation and re-training. We had approached the Department of Administrative Reforms (ARD) for getting leads in the matter, but they informed that no such studies have been done. Yet, we would recommend the ARD to undertake work and process studies for the municipalities soon, especially because newer technology options are getting increasingly available, that could improve the efficiency of delivery of municipal services, while reducing the costs too.

9.29. Specific to the sanitation sector, we have proposed a higher growth rate of 15 per cent for expenditure for 2017-18 to provide for the 7th CPC impact. For subsequent years, we have proposed reduction in the growth rate to 12 per cent for 2018-19, 10 per cent for 2019-20 and 9 per cent for 2020-21, as we expect the MCDs to adopt newer technologies and processes that would reduce the expenditure.

Revenue Mobilisation Efficiency

9.30. Tax revenues are the time-tested and stable sources of revenue for any government. For the municipalities, the most important source of tax revenue is the property tax. With majority of the properties yet to get covered in the tax net, we have proposed a road map for extending the coverage, leading to doubling of the property tax receipts by 2020-21. We have also indicated our expectations that the Fourth Municipal Valuation Committee would give a further boost to this source of revenue.

9.31. On the electricity tax receipts, which have become another very significant source of revenues for the municipalities, we have proposed the way for augmenting the collections by plugging the leakages, better coordination between the MCDs and the DISCOMs and a one percentage point increase in the tax rates.

9.32. We have also observed that the municipalities are missing out on a very potential and equitable source of tax receipts, that is, the professions tax, which is already in vogue in most of the states. Similarly, the municipalities are also not imposing the levy of education cess, which too is a kind of welfare tax. We have proposed introduction of these levies, which would also lead to reduction of the fiscal burden on the state government for the municipalities.

9.33. On the non-tax revenues, we have proposed user charges for the sanitation services on the principle of ‘Polluter pays’, with corresponding incentive grants from the state government. While we have proposed a sanitation cess on property taxes, we are also conscious that this might lead to inequity, as vast majority of properties are yet to come in the tax net. Hence we have advised that the municipalities could explore alternative routes also, for mobilising the user charges for providing sanitation services, citing the example of Pune.

9.34. We have also advised that the municipalities should carefully invest their short-term financial surpluses into appropriate liquid instruments, to maximise the interest receipts. However, we have cautioned the municipalities against hoarding cash surpluses, and advised them to deploy the surpluses for improvement of public infrastructure and services.

9.35. We have proposed improvements in the arrangement for more efficient leasing of vehicle parking spaces and advertisement space/rights, with a view to augmenting the revenue receipts and also to improving the land use. We have proposed for a share for the municipalities in the environment compensatory charges, which hitherto are lying unutilised with the state agencies.

9.36. We have recommended for doing away with certain levies that we find obnoxious for good governance. These are the toll and the one-time parking charges on registration of new vehicles, both being imposed by the MCDs only. We have proposed for suitable, though indirect, compensation to the municipalities for loss of revenues on these accounts. However, if a municipality continues with one or both of these levies, the amount so collected by it should be reduced from the BTA and grants for the road sector, in equal measure (50 per cent from BTA and 50 per cent from the road grants) for that year.

9.37. These, as also the other, recommendations made by us aim not only at improving the revenues of the municipalities but also at bringing in a better framework for orderly governance.

Debt Relief

9.38. We have traced the genesis of outstanding debt liabilities of the municipalities, that is the MCDs, which has led us to recommend a two-pronged approach for mitigating the same. One is to convert the loan outstanding as on the date of creation of the trifurcated MCDs (May 2012) into grant and the other is to provide a matching grant against collections from the professions tax and mandate that such matching grants shall be used for retiring the outstanding debt as first charge.

9.39. With a clean slate in their debt portfolio, refurbished framework for higher mobilisation from tax and non-tax sources and a rationalised framework for expenditure management, municipalities should be able to enter a new fiscal world and partake the fruits of development in a bigger way, passing on the same to their citizens.

Self-Sustaining Framework for Maintenance of Assets

9.40. We have given attention to the issue of securing effective linkages between asset creation and asset management, so that the newly created infrastructure and services are not only maintained effectively but also become self-sustaining over time, as has been indicated in our TOR too. However, we have considered sustainability in all dimensions, namely, financial, managerial, technological, social and environmental. We have made suggestions on this matter at various places in our report, of which the major ones are being recapitulated here.

9.41. For the education sector, we have proposed that each municipality should prepare primary education plan for each zone and ward, to achieve the standards described in the Sarva Shiksha Abhiyan (SSA) and the Right to Education Act (RTE). We have also recommended mandatory setting apart of a portion of the grants for education towards upgradation of infrastructure and facilities in line with the norms of the SSA and another part for maintenance of the school buildings. In relation to the grants for public works too, we have recommended a mandate for setting apart a portion of the grants for maintenance of the capital assets.

9.42. For the sanitation sector, we have recommended a greater focus on decentralised solid waste management (SWM) and also on enhanced usage of mechanisation for all aspects of sanitation, ranging from street sweeping and up to the waste processing facilities. We have recommended for adopting the 'Zero Land-fill' approach, for making the SWM not only sustainable for the environment, but also more manageable administratively.

9.43. For the health sector, we have proposed preparation of ward level plans in line with the framework of the National Urban Health Mission. For the hospital management, we have stated that these would have to depend almost entirely on government grants, whether the hospitals are with the state government or with the municipalities.

9.44. For the roads and drains, we have proposed setting up of a Road Development and Maintenance Fund for each municipality, carrying forward, with suitable changes, the recommendation of the 4th DFC, wherein the receipts from defined sources of tax and non-tax revenue sources would flow.

The Pre-Devolution Scenario

9.45. Before we proceed to present our scheme of devolution, we would like to present a consolidated picture of the surplus/deficit of the municipalities as per our assessment of their own tax and non-tax revenue receipts and the projected levels of expenditure, but without any BTA or grants, in Table-9.1.

9.46. We have endeavored to bring each of the municipalities in a revenue surplus position by way of their own efforts in mobilising additional revenues and effecting economy in expenditure, supplemented by the BTA and the grants. In doing so, we have

Table-9.1: Projection of Deficit (-)/Surplus of the Municipalities- Without Any Transfer

(₹ crore)

Year	MCD / MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for All Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	-4550	-1259	-2012	-1278	-110	-52	-4711
2016-17	-3671	-1297	-1606	-768	171	273	-3226
2017-18	-4162	-1452	-1831	-878	215	188	-3759
2018-19	-2882	-1334	-1413	-135	433	254	-2195
2019-20	-2517	-1355	-1332	170	543	273	-1701
2020-21	-2171	-1373	-1267	470	665	293	-1213

also recommended reform measures, which the municipalities should adopt and implement forthwith.

Contours of the Devolution Schema

9.47. The taxation powers of the Union and the states have been enumerated in the Seventh Schedule of the Constitution. This Schedule did not provide for taxation powers for the panchayats and the municipalities. Even post 73rd & 74th Amendments, the Eleventh and the Twelfth Schedules too did not enumerate any taxation powers for these bodies. However, states resorted to the assignment of certain taxes for the panchayats and the municipalities. Assigned taxes are those for which the taxation power and/or the proceeds are made available to the local bodies. In the case of Delhi, till the First DFC Award, the assigned taxes were the entertainment tax, the betting tax, the motor vehicles tax and the terminal tax (till January 1983). Subsequent to the acceptance of the recommendations of the First DFC for global tax sharing in respect of the MCD and NDMC, the assignment of specific taxes was done away with. In the case of Delhi Cantonment Board, the concept of assignment continued for some more time, until the implementation of the recommendations of the Third DFC, which included DCB also in the framework of tax sharing and other devolution.

9.48. In most situations of inter-governmental fiscal transfers, the tax sharing takes care of the major portion of fiscal gap of the recipient tier, with grants working to bridge the remnant deficits, which remain relatively small post tax share. In addition, grants are also made available for specific purposes. In case of Delhi, the grants for primary education for the municipalities is almost the first level of fiscal transfer, along with the BTA, as per the provisions of the municipal laws and the traditions prevalent since even prior to 1993.

9.49. In respect of the municipalities in Delhi, we have two broad categories of fiscal status of these bodies. On one hand, we have the case of the NDMC and the DCB, who have adequate surpluses generated in the normal course of their operations and the BTA. In fact, NDMC has placed surpluses of over ₹ 2,000 crore in term deposits with the banks, whereas, the DCB has such investments close to ₹ 1,000 crore. These two municipalities, therefore, need no grants. In fact, we consider these two municipalities as role models for the other three—the MCDs.

9.50. The other three municipalities, the MCDs, do require a helping hand for escaping a serious revenue deficit. While the MCD-South has shown considerable improvement in its financial balances, MCD-East and MCD-North would need major support, atleast for some time.

Tax Sharing: The Vertical Share

9.51. Pursuant to the recommendations of the First DFC, the municipalities are partaking a share in the receipts from all taxes that the state government is authorised to levy and collect. Now there are no 'assigned taxes' for the municipalities in Delhi. All the taxes that the municipalities are levying are assigned to them in their respective statues and they do not operate any tax statute of the GNCTD by way of delegation or any other form of assignment.

9.52. Prior to the First DFC recommendations and their acceptance by the state government, the municipalities were getting share in state taxes in an itemised manner. The First DFC recommended replacing the scheduler or item-based tax sharing by global tax share system, wherein 9.5 per cent of the receipts from all taxes collected by the state government, net of the cost of collection, were recommended for transfer to the municipalities (MCD and NDMC).

9.53. The GNCTD accepted this recommendation with the modification that out of this 9.5 per cent, 5.5 per cent was kept towards untied basic tax assignment (BTA) and the balance four per cent was made towards non-Plan grant for specific purposes, namely, education and maintenance of the resettlement colonies. The Second DFC retained the level of BTA at 5.5 per cent, but raised the non-Plan grant to the level of five per cent.

9.54. The Third DFC reduced the level of untied BTA to four per cent and compensated the municipalities for this reduction by way of mooting a Municipal Reforms Fund (MRF), wherein the state government would be contributing 1.5 per cent of its sharable tax revenues. The MRF related reforms aimed primarily at improving the revenue mobilisation performance of the municipalities and also at economising in the revenue expenditure by them. In respect of the revenue mobilisation, the MRF was to be in the nature of an incentive for making collections in excess of the DFC projections, which would entitle the municipality for a matching grant. Similar norms were recommended for the expenditure contraction. These incentives were to be limited to 1.5 per cent of GNCTD's net tax revenue.

9.55. The concept of MRF mooted by the Third DFC and accepted by the GNCTD turned out to be a bane, as municipalities could not prove their attainments to qualify for partaking this component of their tax share in most years. The total releases under MRF were ₹ 150 crore in 2012-13, nil during 2013-14, 2014-15 and 2015-16, while the 2016-17 (RE) figures show releases of ₹ 415 crore.

9.56. The Fourth DFC revived the concept of assigned taxes and recommended that the proceeds of the motor vehicle tax, entertainment tax and betting tax be included for assignment to the municipalities. For the remaining taxes levied and collected by the state government, it recommended 12.5 per cent of gross tax receipts to be shared with the municipalities.

9.57. We have proposed to amend the overarching framework of BTA by making it an entirely untied global tax share to the municipalities and replacing the municipal reforms fund (MRF) concept by a system of Incentive Grants that will be in addition to, and independent of, the BTA. We also propose to raise the ratio for the BTA to six per cent of the net tax collections of the GNCTD, keeping in view the favourable impact of the GST regime for the GNCTD's revenue receipts.

Inter se Distribution of BTA among the Municipalities

9.58. The First DFC, having recommended for sharing of 5.5 per cent of the net proceeds of state taxes with the municipalities (MCD and NDMC) as the basic tax assignment (BTA), recommended the distribution between the MCD and NDMC based on the ratio of population and area, giving 70 per cent weight to population and 30 per cent to the area. The Second and the Third DFCs continued this ratio.

9.59. The Fourth DFC observed that the existing formula based on population and area (in the ratio of 70 per cent: 30 per cent), if continued, was likely to impact adversely the financial health of at least two of the four municipalities for a long time. Accordingly, the Fourth

DFC proposed the following modifications:

a) 50 per cent of the funds in the divisible pool shall be distributed amongst all the municipalities with reference to existing principle based on population and area in the ratio of 70: 30;

b) the residual 50 per cent shall be distributed keeping in view the comparative financial health of each municipality and the infrastructure deficit judged with reference to the quality of four specific municipal services namely (*1*) right of way of the human and vehicular traffic; (*2*) the public health; (*3*) regulation of buildings; and (*4*) maintenance of parks and conveniences.

9.60. As per the assessment of the Fourth DFC, the NDMC and the MCD-South were having a fairly robust financial health and possessed a better infrastructure as compared to MCD-East and MCD-North. Accordingly, it recommended that the MCD-East and the MCD-North alone qualify for getting transfer payment under the Part (b) and the available funds in the divisible pool to be distributed in the ratio of 34:66 for the financial years 2012-13 onwards. MCD-East and MCD-North have argued in their memoranda as well as in their oral deposition before us, for giving effect to the aforesaid recommendations of the Fourth DFC for the award period of not only the Fourth DFC, but also for our award period.

9.61. The MCD was trifurcated in May 2012, that is, well after the Third DFC had submitted its report, but the report of Fourth DFC was not yet available. The then Commissioner of the unified MCD submitted a formula for *inter se* sharing of the BTA and grant-in-aid (GIA) among the three MCDs[1]. The UDD informed us[2] that the ratios for *inter se* sharing of the BTA and grant-in-aid (GIA) among the three MCDs as per the principles recommended by the then Commissioner, MCD were, as indicated in Table-9.2.

9.62. The ratio proposed by the then Commissioner, MCD for sharing of the GIA for education was based on the number of schools with the respective MCDs. For determining the shares of the three newly created MCDs in the BTA, the Commissioner, MCD had proposed a complex martix, which gave weight to the actual revenue collected during 2012-13 in respect of most of the tax and non-tax items such as property tax, transfer duties and advertisement tax, but adopted the ratio of number of wards for revenue receipts from tax on building applications, ratio of number of parking sites for the revenue from parking charges and the DFC ratio (70:30) for electricity tax and toll tax.

9.63. The painstaking computation made by the then Commissioner, MCD led to the ratios stated in Table-9.2. These ratios were adopted by the GNCTD and continue to regulate the releases of BTA to the three MCDs so far. However, these ratios were based on the past trends and not on any estimation of financial status of the three MCDs in the years to come. We have revisited this formula in the light of updated facts, after examining the memoranda of the MCDs, past trends of receipts and expenditure and the ground realities of

Table-9.2: The Current Ratios for *Inter se* Sharing of the BTA and Grant-in-Aid (GIA) Among the three MCDs (in percentage)

S. No.	Item	Share for MCD-East	Share for MCD-North	Share for MCD-South	Total
1	BTA (Global share @4 per cent of Net Tax Collection), excluding MRF	19.14	35.42	45.44	100
2	GIA (@ 5 per cent of NTC)	22.29	44.06	33.65	100

[1]Commissioner MCD D.O. Lr. No. PSC/157/2012 dt 12.4.2016, to Chief Secretary, GNCTD.

[2]UDD Lr. No. 18(1)/2016-17/UD/Acs/5th DFC/2293-95 dt 1.12.2016.

their respective expenditure requirements and resource potentials.

9.64. The then Commissioner, MCD had, while recommending the ratios for the three MCDs, also stated that he had prepared the budget estimates for the three MCDs for 2012-13, which showed a closing deficit of ₹ 421.62 crore for MCD-East, deficit of ₹ 790.17 crore for MCD-North and a surplus of ₹ 359.18 crore for MCD-South. He recommended that the deficit of the MCD-East and MCD-North should be completely liquidated before the budgets of these two corporations could be passed.

9.65. However, the deficits of the MCD-East and MCD-North at the time of their creation, amounting to ₹ 421.62 crore for MCD-East, and ₹ 790.17 crore for MCD-North, were not liquidated. We believe that this is the root cause for the continued budget imbalance of these two municipalities. We have tried to address this basic handicap of MCD-East and MCD-North in our scheme of devolution.

9.66. As we have examined and stated at various places, there is a large disparity among the municipalities, even among the three MCDs, in their net revenue balance positions, that is, own receipts minus own expenditure. MCD-East had cited various reasons for their huge fiscal deficits, such as the preponderance of colonies of lower (G & H) grades, fewer remunerative assets and high population density, etc. Similar arguments were raised before us by MCD-North too.

9.67. We have examined the revenue raising capacity of each municipality from various perspectives, which we have detailed in chapter 6. Some of these ratios give significant indication that both, MCD-East and MCD-North, have large but untapped potential for raising higher revenues. However, we were also conscious that these two municipalities in particular need special support for the next two to three years at least, to stabilise their financials. The deep revenue deficit of MCD-East and MCD-North, which happens to be their legacy as described before, needs to be resolved right away; it cannot wait any longer. At the same time, the fiscal and management/governance reforms mooted by us should lead to improvement in the mobilisation of revenues from own sources by the MCD-East and MCD-North, which would justify gradual reduction of the special dispensation for them.

9.68. Accordingly, we have worked out a framework wherein the fiscal transfer to the municipalities takes three forms: one is the untied Basic Tax Assignment, which we, in turn, divide into two parts, Part A and Part B. Part A is only meant for meeting the revenue deficit of MCD-East and MCD-North, whereas, Part B is for all the five municipalities. The third form of transfer is the sector-specific grants. We are including the DCB also in this framework, as against an exclusive treatment that it was given by all the earlier DFCs.

9.69. We first explain the framework for the Part-A and Part-B of the BTA, as below:

- The Net Tax Collection (NTC) of the GNCTD in a year shall be equal to 99 per cent of the Gross Tax Collection (GTC) minus the transfer duties and one-time parking charges that the GNCTD Departments collect on behalf of the municipalities. The remaining one per cent of the GTC is the notional component of the collection charges.
- BTA shall be six per cent of the NTC and shall be made available to the municipalities in two parts, called Part-A and Part-B.
- The ratio of Part-A and Part-B shall be 70:30 for 2016-17, 60:40 for 2017-18, 50:50 for 2018-19, 40:60 for 2019-20 and 30:70 for 2020-21.
- Part A shall be distributed between MCD-East and MCD-North in the ratio of 65:35. This ratio shall be maintained for all 5 years.
- Part B shall be available to all the five municipalities and distributed among them in each of the five years in the ratio of their respective weighted average of population as per Census 2011 (weight=70 per cent) and Area (weight=30 per cent), which works out as indicated in Table-9.3.

Table-9.3: Computation of Relative Shares in Percentage of the Municipalities in Part-B of the BTA with 70 per cent Weight to Population (2011) and 30 per cent to Area

Municipality	Population Share per cent	Area Share per cent	Population Weight @70 per cent (2x0.7)	Area Weight @30 per cent (3x0.3)	Share as per Weighted Average of Population & Area @70:30 (4+5)
(1)	(2)	(3)	(4)	(5)	(6)
MCD- East	23.53	7.14	16.47	2.14	18.61
MCD- North	37.26	42.85	26.08	12.86	38.94
MCD- South	37.01	44.24	25.91	13.27	39.18
NDMC	1.54	2.88	1.08	0.86	1.94
DCB	0.66	2.89	0.46	0.87	1.33
Total	100	100	70.0	30.0	100

9.70. The consolidation of the shares of the three MCDs, NDMC and DCB in Part A, Part B and the total of the BTA for the years 2016-17 to 2020-21 is presented in Table-9.4.

9.71. For the convenience of further usage, we present the consolidated figures of the shares in the BTA for each of the five municipalities, indicating the total of Part-A and Part-B, in Table-9.5.

9.72. Based on the ratios indicated in Table-9.5, the amounts of BTA projected by us for the years 2016-17 to 2020-21, and the figures of BTA released during 2015-16, are indicated in Table-9.6.

9.73. The impact of the BTA on the revenue deficits/surplus of the municipalities may be seen in Table-9.7.

9.74. We see that despite the BTA, each municipality would continue to remain in the deficit, though at a much reduced level. We provide a scheme for handling

Table-9.4: Computation of the Shares of the Municipalities in Part A & Part B of the Basic Tax Assignment during 2016-17 to 2020-21 (in per cent)

Year	Ratio of Part-A (%)	Ratio of Part-B (%)	MCD-East			MCD-North			MCD-South	NDMC	DCB	Total for All 5 Municipalities
			Part A (65%)	Part B	Total	Part A (35 %)	Part B	Total	Part B	Part B	Part B	Part A + Part B
2015-16 (Ac)					18.52			34.28	43.98	3.15	0.07	100.0
2016-17	70	30	45.50	5.58	51.08	24.50	11.68	36.18	11.75	0.58	0.40	100.0
2017-18	60	40	39.00	7.45	46.45	21.00	15.57	36.57	15.67	0.78	0.53	100.0
2018-19	50	50	32.50	9.31	41.81	17.50	19.47	36.97	19.59	0.97	0.66	100.0
2019-20	40	60	20.00	11.17	37.17	14.00	23.36	37.36	23.51	1.17	0.80	100.0
2020-21	30	70	19.50	13.03	32.53	10.50	27.26	37.76	27.43	1.36	0.93	100.0
Share in the ratio of weighted average of population (70) & area (30) in Part-B (per cent)				18.61			38.94		39.18	1.94	1.33	100.0

Table-9.5: Consolidated Share of the Municipalities in the BTA during 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21 (in per cent)

Year	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total
2015-16 (Ac)	18.52	34.28	43.98	3.15	0.07	100.00
2016-17	51.08	36.18	11.75	0.58	0.40	100.00
2017-18	46.45	36.57	15.67	0.78	0.53	100.00
2018-19	41.81	36.97	19.59	0.97	0.66	100.00
2019-20	37.17	37.36	23.51	1.17	0.80	100.00
2020-21	32.53	37.76	27.43	1.36	0.93	100.00

Table-9.6: Computation of the Respective Share of the Municipalities in the BTA during 2015-16 (Ac) and Projections for 2016-17 to 2020-21

(₹ crore)

Year	Gross Tax Collection	Net Tax Collection	Ratio for BTA (per cent)	Total Amount of BTA	MCD-East	MCD-North	MCD-South	NDMC	DCB
2015-16 (Ac)	29026	28736	5.5#	959*Figure	180	333	398	30	18
2016-17	32400	32076	6.0	1925	983	696	226	11	8
2017-18	37163	36791	6.0	2207	1025	807	346	17	12
2018-19	42308	41885	6.0	2513	1051	929	492	24	17
2019-20	48279	47796	6.0	2868	1066	1071	674	33	23
2020-21	55212	54659	6.0	3280	1067	1238	899	45	31

4 per cent for Untied BTA + 1.5 per cent for Reforms Incentive (MRF).
*Figure for 2015-16 is for BTA alone as no MRF grant was released.

Table-9.7: Estimates of Deficit/Surplus of the Municipalities- with only BTA

(₹ crore)

Year	MCD / Unified MCD (3+4+5)	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for 5 Municipalities (2+6+7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	-3639	-1079	-1679	-880	-80	-34	-3752
2016-17	-1765	-313	-910	-541	182	281	-1301
2017-18	-1983	-427	-1024	-532	232	200	-1552
2018-19	-410	-283	-484	357	457	271	318
2019-20	294	-290	-261	845	577	296	1166
2020-21	1033	-306	-29	1369	709	324	2066

this remnant level of deficit of each municipality through grants-in-aid, of which we have already provided the details in preceding chapters. We now present a consolidated picture of the grants in the succeeding paragraphs.

Grants to the Municipalities

9.75. Grants from the state government have remained a necessary component of fiscal transfers in every state. In fact, municipalities and panchayats in other states receive grants from the Government of India also, under the awards of the Union Finance Commission. We have commented on this issue earlier.

9.76. Municipalities were, till 31st March 2017, getting grants from the state government on both Plan and non-Plan accounts. The non-Plan grants were largely for the education sector, maintenance of capital assets and maintenance activities in the resettlement and JJ colonies. The basic tax assignment (BTA) and transfers under the municipal reforms fund (MRF) facility were also included in the category of non-Plan grants. The non-Plan grants were largely on account of recommendations of the successive DFCs.

9.77. Plan grants have been of two main categories. One was the Plan grant for Government of India's schemes and programmes such as the JNNURM and the Swachh Bharat Mission (SBM). The other was the GNCTD's schemes and programmes, which related mainly to sanitation, education, medical services (hospitals) and roads. In addition, there were smaller grants relating to youth services & sports, public health, nutrition and housing, etc.

Recent Trend of Grants

9.78. The grants extended by the GNCTD to the municipalities during 2012-13 to 2015-16 (Accounts), 2016-17 (RE) and 2017-18 (BE), are indicated in the Table-9.8, while municipality-wise details are placed at Annexures-9.1 to 9.4.

9.79. We derive three main conclusions from the data in Table-9.8, as follows:

a. The Plan grants to the municipalities have been more than the non-Plan grants in each year during 2012-13 to 2017-18 (BE);

b. The total transfers from the state government to the municipalities including the Plan and non-Plan grants have been of the order of 13 to 16 per cent of the net tax collections of the state government; and

c. If we add the MRF component @1.5 per cent of NTC, the transfers would be of the order of 15 to 17 per cent in each year.

9.80. The above conclusions become relevant because our recommendations would have to cover the entire gamut of fiscal transfers including the erstwhile Plan component.

Table-9.8: Transfer of Grants from GNCTD to the Municipalities

(₹ crore)

Years	**Basic Tax Assignment (BTA)**	**Grant-in-Aid (Non Plan)**	**Under Municipal Reform Fund (MRF)**	**Plan Grant**	**Total of Five Municipalities** (2 to 5)	**Net Tax Collection (NTC) of GNCTD**	**Ratio of total Grants to NTC** (6/7) (per cent)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2012-13	833	1181	150	1385	3548	21884	16.2
2013-14	805	1280	–	1462	3546	24655	14.4
2014-15	901	1322	–	1567	3790	25144	15.1
2015-16	959	1356	–	1493	3808	28724	13.3
2016-17 (RE)	1022	1551	415	1617	4606	30824	14.9
2017-18 (BE)	1163	1705	474	2125	5467	36503	15.0

Source: Budget document of GNCTD.
Note: Net tax collection (NTC) of GNCTD represents its gross tax collection (GTC) minus : (i) collection charges (i.e. 1 per cent of GTC), (ii) municipalities share of transfer duty and (iii) one-time parking charges of three MCDs collected through Transport Department of GNCTD.

Current Major Heads for Plan and Non-Plan Grants

9.81. We scanned through the budget documents of the GNCTD and identified the different heads under which the state government was making the Plan and non-Plan grants available to the municipalities. These are as listed below:

(i) Grants for LA Roads

(ii) Grants for Strengthening and Mechanisation of Conservancy & Sanitation Services

(iii) Grants for Sanitation in Unauthorised Colonies

(vi) Grants for Maintenance of Resettlement Colonies/Additional Facilities in JJ colonies

(v) Grants for Maintenance of Capital Assets

(vi) Grants for Community Centres

(vii) Grants for Primary Education

(viii) Grants for Secondary Education (only for NDMC)

(ix) Grants for Maintenance of School Buildings

(x) Grants for Nutrition

(xi) Grants for Medical Relief and Grants for Public Health

(xii) Grants for Sports & Youth Services

(xiii) Grants for Housing

(xiv) Grants for Environmental Improvement through Horticulture Development

(xv) Grants for Swachh Bharat Abhiyan (CSS) & (State)

(xvi) Grants for Smart City

(xvii) Grants-in-Aid for AMRUT

(xviii) Grants for JNNURM

(xix) Grants for Central Road Fund

(xx) Grants for Basic Tax Assignment (BTA),

(xxi) Grants for Municipal Reforms Fund (MRF)

(xxii) Grant for Other Schemes

Re-classification of Grant Heads

9.82. Of the current list of grants mentioned above, we have considered the BTA separately, while we have proposed to dispense with the MRF in its present form and replace it with incentive grants, which we describe later in this chapter. Of the remaining items, we have grouped some heads into five major sectors and considered them for recommendation for grants for our award period. These are as below:

(i) Public Works

(ii) Sanitation

(iii) Education

(iv) Medical Relief

(v) Public Health

9.83. We have proposed to do away with some of the activity specific grants and to add some other specific activities under the five major grant heads/sectors. We have called these activities as ‘sub-component’ of the major grant heads/sector. Details are as follows:

Sub-components for public works

9.84. We propose to remove the classifications relating to resettlement colonies, unauthorised colonies and JJ colonies, for the reasons that municipalities should be given freedom to take a considered decision for allocation of resources for the respective sectors among wards and choose appropriate set of works/projects for each ward.

9.85. We propose to rename the 'LA Road' sub-component with the following sub-components:

(i) Roads & Streets

(ii) Walkways & Cycle-ways

(iii) Storm Water Drains

(iv) Parking facilities for E-Rickshaws & Non-Motorised Transport

9.86. We propose addition of the sub-components of streets, walkways and cycle-ways, storm water drains and parking facilities for e-rickshaws and non-motorised transport, so that these sub-components get better attention and do not remain overshadowed by the carriageways.

9.87. We also propose doing away with the specific sub-component of 'Maintenance/Improvement of Community Centres', as we expect the municipalities to pay attention to all the built assets for maintenance purposes, which would obviously include the community centres too.

Sub-components for sanitation

9.88. On similar grounds, we propose doing away with the sub-component of 'Sanitation in unauthorised colonies', on the ground that the municipalities should give equal attention to sanitation in each habitation, whether authorised or unauthorised.

Sub-components for education

9.89. In the Education sector, we propose addition of 'Pre-primary education' as a sub-component, to enable the municipalities devote resources and attention to the emerging significance of pre-primary education.

Sub-components for medical relief & public health

9.90. In respect of the head 'Medical Relief & Public Health', we propose to rename the 'Medical Relief' component as 'Medical Relief (Hospitals)', to clarify that the grant for this sub-component are intended only for the hospitals. We also propose to rename the 'Public Health' as 'Public Healthcare', to make it more meaningful.

Table-9.9: Proposed Re-classification of Major Heads/Sectors and Sub-components for Grants to Municipalities

Sl. No.	Major Head/Sector	Present Sub-components	Proposed Sub-components
1	Public Works	i. Maintenance/ Improvement of Local Area Roads. ii. Maintenance/ Improvement of Resettlement/ JJ Colonies. iii. Maintenance/ Improvement of capital assets. iv. Maintenance/ Improvement of community centres. v. Environmental improvement through Horticulture Development.	i Roads & Streets ii Walkways & Cycle-ways iii. Storm Water Drains iv. Parking facilities for E-Rickshaws & Non-Motorised Transport v. Horticulture Development vi. Maintenance/ Improvement of capital assets.
2	Sanitation Services	i. Strengthening & Mechanisation of Conservancy & Sanitation Services. ii. Sanitation in unauthorised colonies.	i. Strengthening & Mechanisation of Conservancy & Sanitation Services.
3	Education	i. Primary Education ii. Secondary Education (only for NDMC) iii. Maintenance of School Buildings.	i. Pre-primary Education ii. Primary Education iii. Secondary Education (only for NDMC) iv. Maintenance of School Buildings.
4	Medical Relief & Public Health	i. Medical Relief (Hospitals) ii. Public Health	i. Medical Relief (Hospitals) ii. Public Healthcare

9.91. The major heads/sectors have accordingly been re-cast as consolidated in the Table-9.9.

9.92. We have not made recommendations for the level of grants in respect of the GOI missions/ schemes listed below on the ground that these would be determined by the GOI norms:

i. Swachh Bharat Abhiyaan/ Mission (CSS) & (State)

ii. Smart City Mission

iii. AMRUT

iv. JNNURM (any balance claims)

v. Central Road Funds

vi. Nutrition

9.93. Nonetheless, we have made certain recommendations in respect of the Swachh Bharat Abhiyan and Central Road Funds in the chapters 6 and 7.

9.94. As for the grants for housing and grants for sports & youth services, we noted the very meager amounts being made available to the municipalities and do not propose any specific allocation of grant for our award period, leaving it to be determined by the respective departments of the GNCTD.

Sectors Recommended for Grants

9.95. We have identified five sectors for recommendation for grants, as discussed above. These are public works (roads, etc.), sanitation, education, and medical relief (hospitals) & public health. We have described the contours of our recommendation for grants for these sectors in the chapter 7. In the paragraphs that follow, we give more specific details for these grants.

Grants for Public Works

9.96. We have described earlier the sub-component/ activities that would be eligible for the grants for public works. For arriving at the figures for grant for the award period, we have aggregated the grants made available by the GNCTD to the municipalities under the various sub-component/activities during 2012-13 to 2017-18 (BE), for which details are in Annexure-9.1. In that Annexure, the total grants under all the sub-components of public works are seen to be made available only to the three MCDs, which we would continue, and for 2015-16, it comes to ₹ 304 crore.

9.97. For our projections, we have considered the accounts figures for 2015-16 as the base figure and applied a growth rate of 20 per cent for 2016-17, to provide for 7th CPC arrears and pending bills. For the subsequent years, we have provided for annual growth of 15 per cent. We have proposed to distribute the grants in the ratio of 20:50:30 among MCD-East, MCD-North and MCD-South, respectively, keeping in view the past trend of distribution. On these considerations, we recommend the grants for public works as stated in the Table-9.10.

Table-9.10: Grants for Public Works- 2015-16 (Ac) and DFC Recommendation for 2016-17 to 2020-21

(₹ crore)

Year	MCD-East	MCD-North	MCD-South	Total
2015-16 (Ac)*	54	133	115	302
2016-17	73	182	109	365
2017-18	84	210	126	420
2018-19	96	241	145	482
2019-20	111	277	166	555
2020-21	128	319	191	638

* In addition, ₹ 1.59 crore was given to NDMC for maintenance of assets.

9.98. We have recommended a relatively higher growth rate for grants for public works to enable the municipalities make investments in the improvement and upkeep of the infrastructure. The allocation/ utilisation of these grants for different sectors is recommended as below.

Utilisation of the grants for public works

- Eighty-five per cent of the grants should be utilised for the improvement and upkeep of the roads, streets, lanes, drains footpaths, cycle-ways, parking facilities for public bicycles and rickshaws, etc.

- Ten per cent of the grants should be utilised for maintenance of capital assets.
- Five per cent of the grants should be utilised for maintenance and development of horticulture including parks and open spaces including public grounds/ maidans.

Escrow account for roads

9.99. We have recommended in the chapter 6 and 7 that each municipality should create a 'Road Development and Maintenance Fund', which will be in the nature of an escrow account for the road sector, including the roads, streets, lanes, by-lanes, storm water drains, footpaths, cycle-ways, parking facilities for public bicycles, rickshaws, etc. and charging & parking facilities. The allocations from grant and budget of each municipality relating to the following heads should form part of the escrow account:

i. The share for roads in the Grants for public works.

ii. Tax/Surcharge on driving license fee: one-time levy of ₹ 50 on issuance of driving license.

iii. Street Tax (as and when introduced).

iv. Cess on petrol & diesel (as and when introduced).

v. Share in the environment compensation charge (ECC).

vi. Parking Fee Collections: Revenues from the one-time parking fee on registration of new vehicles, until this is removed.

vii. Parking leases.

viii. Share in the cess from TOD.

ix. Electricity tax receipts.

x. Share in the Central road fund.

9.100. We understand that the municipalities are already maintaining a fund for parking facilities. The structure of this fund can be suitably revised to meet the comprehensive needs for the road sector, including the roads, streets, lanes, by-lanes, storm water drains, footpaths, cycle-ways, parking facilities for automobiles and for non-motorised transport systems such as the public bicycles and rickshaws, etc. and charging & parking facilities for e-rickshaws.

Grants for Sanitation

9.101. We have described earlier the sub-component/ activities that would be eligible for the grants for sanitation. For arriving at the figures for grant pertaining to the award period, we have taken note of the grants made available by the GNCTD to the municipalities during 2012-13 to 2017-18 (BE), for which details are in Annexure-9.2.

9.102. We have also proposed a higher growth rate of 15 per cent for expenditure under sanitation head for 2017-18 to provide for the 7th CPC impact. For subsequent years, we have proposed reduction in the growth rate as, 12 per cent for 2018-19, ten per cent for 2019-20 and nine per cent for 2020-21.

9.103. We propose that the grants for sanitation should come through two streams, namely, a basic grant and an incentive grant. We have already described the contours for these two streams in the chapters 6 and 7.

9.104. We have determined the total annual quantum of the basic grants by adopting in the first instance, the allocation for the three MCDs indicated in the GNCTD Budget for 2016-17 (RE) and 2017-18 (BE). For 2018-19, we have proposed a growth over 2017-18 (BE) figures @ 20 per cent for MCD-East, 10 per cent for MCD-North and five per cent for MCD-South, keeping in view their respective financial positions. For 2019-20 and 2020-21, we have proposed a gradual reduction in the growth rate for grants, as we expect the MCDs to take greater recourse to user charges as well as compression of expenditure and reduce the dependence on GNCTD grants. These growth rates are indicated in Table-9.11.

9.105. Accordingly, the total allocation for the basic grant for sanitation works out as depicted in Table-9.12.

9.106. As in the past, we propose the basic grant for sanitation only for the three MCDs, as the NDMC and

Table-9.11: Annual Growth Rates adopted for Basic Grant for Sanitation for 2016-2021

(per cent)

Years	MCD-East	MCD-North	MCD-South
2015-16 (Ac)	As per Actual		
2016-17	As per 2016-17 (RE) of GNCTD		
2017-18	As per 2017-18 (BE) of GNCTD		
2018-19	20	10	5
2019-20	15	9	4
2020-21	10	8	3

Table-9.12: Basic Grants for Sanitation for 2015-16 (Ac) and DFC Recommendation for 2016-17 to 2020-21

(₹ crore)

Year	MCD-East	MCD-North	MCD-South	Total
2015-16 (Account)	90	200	190	480
2016-17	108	214	206	528
2017-18	189	408	318	915
2018-19	227	449	334	1010
2019-20	261	489	347	1097
2020-21	287	528	358	1173

DCB generate adequate resources from property taxes to meet the requirements of expenditure on sanitation.

Incentive Grants for Sanitation

9.107. The incentive grants to each of the three MCDs should be equivalent to the collections made by it through the user charges/cess for sanitation. For the NDMC and the DCB, the incentive grants should be 25 per cent of their respective collections through the user charges/cess for sanitation, in view of their comfortable financial position.

9.108. As the MCDs are expected to introduce the user charges/cess during the later part of 2017-18, we expect the collections to commence in effective manner only from 2018-19.Accordingly, we have provided for incentive grants from 2018-19 onwards for all five municipalities. The basic grant would be available for only the three MCDs, for all five years.

9.109. Our estimation for the expenditure on sanitation and the sources for meeting the same during our award period (2016-2021) through basic grant, user charges, incentive grant and other own revenues for the three MCDs put together are presented in Table-9.13(A) and for all five municipalities, in Table-9.13(B). The figures for 2015-16 (account) are also reported in these tables, for reference purposes.

9.110. As may be seen in Table-9.13(B), we expect the dependence of the municipalities on their general revenues for meeting the sanitation expenditure to come down from the level of 81 per cent in 2015-16 to 43 per cent in 2020-21 and this reduction is to come about by way of the user charges and the corresponding incentive grants. We have kept the level of the incentive grants unchanged, while the level of basic grant is

Table-9.13(A): Basic Grant & Incentive Grant for Sanitation for three MCDs for 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21

Year	Annual Growth Projection for Expenditure (per cent)	Estimation of Expenditure (₹ crore)	Basic Sanitation Grant (₹ crore)	Sanitation Cess/ User charges (₹ crore)	Incentive Grants for Sanitation (₹ crore)	Own sources (General revenues) (₹ crore)
2015-16 (Ac)	Base	2520	480	0	0	2040
2016-17	10	2771	528	0.2	0	2243
2017-18	15	3187	915	1.0	0	2271
2018-19	12	3570	1010	510	411	1639
2019-20	10	3927	1097	611	496	1722
2020-21	9	4280	1173	699	572	1837
Total for 5 years	(2016-2021)	17735	4723	1821	1479	9712

planned to taper down as indicated in Table-9.11.

9.111. The comprehensive municipality-wise details of the basic grant and incentive grants for sanitation for the period of our award, and the figures for 2015-16 (Actual) are presented in Table-9.14.

Grants for Education

9.112. The grants for education comprise three sub-components, namely, Primary Education, Secondary Education (only for NDMC) and Maintenance of School Buildings. For arriving at the figures for grant for the award period, we have reviewed the aggregated figures for the grants made available by the GNCTD to the municipalities under these three sub-component/ activities during 2012-13 to 2017-18 (BE), for which details are placed in Annexure-9.3.

9.113. In Annexure-9.3, we have also reported the figures for yet another sub-component, i.e. nutrition, which we are not including in our projections, on the assumption that this is related to the Government of India's Mission and state government would be aligning the same for determining the grants for the municipalities suitably.

9.114. As explained in chapter 6, municipalities have so far not invoked the provision for imposing education cess, which is a discretionary tax for NDMC as well as the MCDs, and would be applicable for the DCB too. Our framework proposes that the municipalities raise around 10 per cent of their expenditure on education through education cess. We propose to link a part of the state grant with the additional resource mobilised by the municipalities through the education cess.

9.115. Accordingly, the state grant for education to the municipalities should comprise a basic grant and an incentive grant, for which we propose a differential set of norms for the MCDs on one hand and the NDMC and the DCB, on the other. In respect of the MCDs, the basic grant should be equal to 80 per cent of the expenditure on education, while the incentive grant should be equal to the revenue raised from education cess, but limited to 10 per cent of the expenditure on education.

9.116. In respect of NDMC and DCB, we propose no basic grant but only incentive grant, which should be equal to 25 per cent of the revenue raised from education cess. However, whatever grants have been given to the NDMC and DCB during 2016-17 and 2017-18 under the existing ad hoc dispensation need not be recovered.

Table-9.14: Municipality-wise Details of the Grants for Sanitation for 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21

(₹ crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total
2015-16 (Ac)	90	0	90	200	0	200	190	0	190	0	0	0	0	0	0	480	0	480
2016-17	108	0	108	214	0	214	206	0	206	0	0	0	0	0	0	528	0	528
2017-18	189	0	189	408	0	408	318	0	318	0	0	0	0	0	0	915	0	915
2018-19	227	47	274	449	134	583	334	197	531	0	26	26	0	7	7	1010	411	1420
2019-20	261	60	321	489	161	650	347	237	584	0	29	29	0	9	9	1097	496	1594
2020-21	287	74	361	528	185	713	358	270	628	0	32	32	0	10	10	1173	572	1744
Total for 2016-2021	1072	181	1253	2088	480	2568	1563	704	2267	0	87	87	0	27	27	4723	1479	6201

9.117. As the education cess is expected to be introduced w.e.f. 1st April 2018, we propose the basic grant for education to be 90 per cent of the expenditure of the respective municipalities for 2016-17 and 2017-18 only. From 2018-19, the arrangements of basic grants and incentive grant, as explained above, should apply.

9.118. Our recommendations for the level of the basic grant and incentive grant for each of the municipalities for the education sector are indicated in Table-9.15.

9.119. A minimum of five per cent of the budget of each municipality on education should be set apart for maintenance of school buildings and upgradation of infrastructure relating to primary education, in terms of the activities and norms indicated under the Sarva Shiksha Abhiyan guidelines. Depending on the requirement and financial capabilities of a municipality, this ceiling may be raised to 10 per cent.

Grants for Medical Relief (Hospitals)

9.120. We have proposed to segregate and rename the two components of the Head of Expenditure 'Medical Relief and Public Health' as 'Medical Relief (Hospitals)' and 'Public Healthcare', as the two require dedicated attention rather independently, though some aspects of their functioning would be convergent as well. The new nomenclature would highlight their core objectives in a sharper manner. The budget figures for release of grants to the municipalities for medical relief for 2012-13 to 2017-18 (BE) are presented in Annexure-9.4.

9.121. We have recognised the desirability of letting the municipalities continue to handle the major hospitals, as per the practice so far, after examining the various pros and cons, and have explained our rationale in chapter 7.

9.122. In respect of the medical relief, we have focused only on the major hospitals being operated by the three MCDs. As we have explained in chapter 7, we find it preferable to let the MCDs operate the major hospitals. We have also indicated our appreciation of the contention of the MCD-East and MCD-North to get full reimbursement of the costs being incurred by them in operating these hospitals. Accordingly, for projecting the grants for medical relief (hospitals), we have considered the actual expenditure for 2015-16 reported by MCD-East (₹ 64 crore) and by MCD-North (₹ 260 crore) as base. Thereafter, we have applied 15 per cent annual growth rate (AGR) for 2017-18 and 2018-19 to facilitate clearance of arrears of 7th CPC benefits and 12 per cent AGR for other three years, namely, 2016-17, 2019-20 and 2020-21. For MCD-South, we have adopted the same principles.

Table-9.15: Municipality-wise Details of the Grants for Education for 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21

(₹ crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total
2015-16 (Ac)#	252	95	346	497	150	648	380	119	499	72	1	73	4	0	4	1206	364	1570
2016-17	399	0	399	778	0	778	686	0	686	83	0	83	5	0	5	1952	0	1952
2017-18	459	0	459	895	0	895	789	0	789	93	0	93	6	0	6	2242	0	2242
2018-19	469	59	528	915	114	1029	807	101	908	0	5.7	5.7	0	0.5	0.5	2191	280	2471
2019-20	526	66	591	1025	128	1153	904	113	1017	0	6.4	6.4	0	0.6	0.6	2454	314	2768
2020-21	589	74	662	1148	143	1291	1012	127	1139	0	7.2	7.2	0	0.7	0.7	2748	351	3100

For 2015-16, figures for Basic Grant may be taken as the Non-Plan Grants and for Incentive Grant as Plan Grant.

Table-9.16: Grants for Medical Relief (Hospitals) for the MCDs for 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21

(₹ crore)

Year	MCD-East	MCD-North	MCD-South	Total
2015-16 (Ac)	19	70	16	105
2016-17	72	291	36	399
2017-18	82	335	41	459
2018-19	95	385	48	528
2019-20	106	431	53	591
2020-21	119	483	60	662

9.123. The level of grants recommended by us for the three MCDs for Medical Relief (Hospitals) is presented in Table-9.16.

9.124. We are not recommending grants for the NDMC and the DCB for this sector, keeping in view their comfortable financial position.

Grants for Public Healthcare

9.125. The budget figures for release of grants to the municipalities for public healthcare for 2012-13 to 2017-18 (BE) are presented in Annexure-9.5. We have adopted the same norms for projecting the grants for public healthcare as we did in case of the grants for medical relief (hospitals). Accordingly, we have considered the actual expenditure for 2015-16 as base and applied 15 per cent AGR for 2017-18 and 2018-19 to facilitate clearance of arrears of 7th CPC benefits and 12 per cent AGR for other three years, viz. 2016-17, 2019-20 and 2020-21.

Table-9.17: Grants for Public Healthcare for the MCDs for 2015-16 (Ac) and Recommendation for 2016-17 to 2020-21

₹ crore

Year	MCD-East	MCD-North	MCD-South	Total
2015-16 (Ac)	22	43	34	99
2016-17	26	42	42	110
2017-18	30	48	48	127
2018-19	35	55	55	146
2019-20	39	62	62	163
2020-21	44	70	70	183

9.126. For *inter se* distribution among the three MCDs, we have adopted the ratio of population figures as per Census 2011. Accordingly, the ratios are, MCD-East: 24; MCD-North: 38; and MCD-South: 38.

9.127. The level of grants recommended by us for the three MCDs for public healthcare for 2016-17 to 2020-21 is presented in Table-9.17.

9.128. We are not recommending grants for the NDMC and the DCB for public healthcare, keeping in view their comfortable financial position.

Summary of the Recommended Grants-in-aid

9.129. The total deficits of the municipalities in Delhi are higher than the total BTA proposed even at a higher level of six per cent. This makes grants inevitable. In fact, the five major functions assigned to the municipalities, namely, primary education, sanitation, hospitals, public healthcare and public works including roads, are all investment intensive but do not provide much scope for direct revenue realisation *per se*. At the same time, we cannot propose to meet the revenue deficit by raising the levels of BTA alone, because the financial requirements of the municipalities are focussed mainly on these five sectors only and the requirements for the municipalities vary among the sectors. Thus, traditionally, the DFCs have recommended BTA and non-Plan grants in almost equal ratio, 5.5:5.0. The state government has been supplementing the DFC recommended non-Plan grants with Plan grants at its own discretion, raising the levels of the grants to around 10 per cent of the net tax collections. We too are proceeding on similar track, albeit with some changes, as described at various places.

9.130. We have, in earlier parts of this chapter, presented the details of grants mooted by us for five sectors, namely, public works, sanitation, education, medical relief (hospitals) and public healthcare. We have also indicated the conditions for the grants, at relevant places. These five sectors are the only areas for which we are recommending grants. State government

Table-9.18: Grants to Municipalities for Total of Public Works, Sanitation, Education, Medical Relief (Hospitals) and Public Healthcare

(₹ crore)

Part A: 2015-16 (Ac) 2016-17 (RE) & 2017-18 (BE)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2015-16 (Ac)	286	245	531	560	493	1054	433	366	799	74	1	75	4	0	4	1358	1085	2443
2016-17 (RE)	326	256	582	640	567	1207	494	445	940	85	1	86	5	0	5	1550	1270	2820
2017-18 (BE)	359	350	709	704	735	1439	544	543	1087	93	6	99	6	2	8	1706	1636	3341

Part B: DFC Projections for 2016-17 to 2020-21

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total	Basic Grant	Incentive Grant	Total
2016-17	678	0	678	1508	0	1508	1080	0	1080	83	0	83	5	0	5	3354	0	3354
2017-18	845	0	845	1896	0	1896	1323	0	1323	93	0	93	6	0	6	4162	0	4162
2018-19	922	106	1028	2045	248	2294	1389	298	1687	0	32	32	0	7	7	4356	691	5047
2019-20	1043	126	1168	2285	289	2574	1533	350	1883	0	35	35	0	10	10	4860	810	5670
2020-21	1166	148	1314	2547	328	2876	1691	397	2087	0	39	39	0	11	11	5404	923	6327

Table-9.19: Transfer of Tax Share and Grants from GNCTD to Five Municipalities- Past Trends and Projections for 2016-2021

A. Past trends, during 2012-13 to 2017-18 (BE)

Year	Net Tax Collections of GNCTD (NTC) ₹ crore	Basic Tax Assignment (BTA) ₹ crore	Under Municipal Reform Fund (MRF) ₹ crore	Grant-in-Aid (Non-Plan) ₹ crore	Plan Grant ₹ crore	Total Transfers (3 to 6) ₹ crore	Ratio of BTA+MRF to NTC (3+4)÷(2) (per cent)	Ratio of Plan+Non-Plan Grants to NTC (5+6)÷(2) (per cent)	Ratio of Total Transfers to NTC (7)÷(2) (per cent)	Notional Ratio, if MRF were1.5 per cent of NTC (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2012-13	21884	833	150	1181	1385	3548	4.5	11.7	16.2	17.0
2013-14	24655	805	0	1280	1462	3546	3.3	11.1	14.4	15.9
2014-15	25144	901	0	1322	1567	3790	3.6	11.5	15.1	16.6
2015-16	28724	959	0	1356	1493	3808	3.3	9.9	13.3	14.8
2016-17 (RE)	30824	1022	415	1551	1617	4606	4.7	10.3	14.9	15.1
2017-18 (BE)	36503	1163	474	1705	2125	5467	4.5	10.5	15.0	15.2

Source: Budget document of GNCTD.

Note: Net tax collection (NTC) of GNCTD represents its gross tax collection (GTC) minus : (i) collection charges (i.e. 1 per cent of GTC), (ii) Municipalities share of transfer duty and (iii) one-time parking charges of three MCDs collected through Transport Department of GNCTD.

B. DFC Projections for 2016-17 to 2020-21

Year	Net Tax Collections of GNCTD (NTC)	Basic Tax Assignment (BTA)	Basic Grants*	Incentive Grants*	Total transfers (3+4+5)	Ratio of BTA to NTC (3÷2) (per cent)	Ratio of Basic Grants to NTC (4÷2)(per cent)	Ratio of Incentive Grants to NTC (5÷2)(per cent)	Ratio of Total Grants to NTC (4+5)÷(2)(per cent)	Ratio of Total Transfers to NTC (6÷2)(per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2016-17	32076	1925	3354	0	5278	6.0	10.5	0.0	10.5	16.5
2017-18	36791	2207	4162	0	6369	6.0	11.3	0.0	11.3	17.3
2018-19	41885	2513	4356	691	7561	6.0	10.4	1.7	12.1	18.1
2019-20	47796	2868	4860	810	8538	6.0	10.2	1.7	11.9	17.9
2020-21	54659	3280	5404	923	9607	6.0	9.9	1.7	11.6	17.6

*Basic Grants are for five sectors, namely, public works, sanitation, education, medical relief (hospitals) and public healthcare.
** Incentive Grants are for sanitation and education.

would be at liberty to extend grants for any more sectors including wherein the GOI missions, etc. are involved.

9.131. While the details for the grants proposed for each of the five sectors have been explained in the earlier part of this chapter, we give a consolidated picture in Table-9.18. This table has two parts, Part-A gives the figures relating to the 2015-16 (Ac), 2016-17 (RE) and 2017-18 (BE), as per the GNCTD Budget, and classifies the grants into Plan-non Plan segments, while Part-B gives the figures for grants as projected by us for 2016-17 to 2020-21 and classifies the grants into the basic grant and incentive grant components.

Level of Transfers Before and After the 5th DFC Award

9.132. We provide a comparison of the ratio of the transfers being recommended by us for 2016-2021 to the net tax collections (NTC) of the GNCTD with similar ratios for the period 2012-2016, 2016-17 (RE) and 2017-18 (BE) in Table-9.19.

9.133. The ratios presented in Table-9.19 indicate the following conclusions:

a. The level of actual transfers, which was 16.2 per cent of the NTC in 2012-13, came down to the 13-15 per cent in the subsequent years that is 2013-14 to 2017-18 (column 10 of Part A).

b. If MRF part was given as unconditional BTA, the level of transfers would have been in the range of 15 per cent to 17 per cent of NTC (column 11 of Part A).

c. The transfers recommended by us are in range of 16.5 per cent to 18.1 per cent in each year, which include six per cent towards BTA, 1.7 per cent towards incentive grants and the balance towards the basic grants.

d. The level of the incentive grants recommended by us, being 1.7 per cent, compares well with the level of MRF (1.5 per cent) recommended by the 3rd DFC.

e. The scheme of devolution recommended by us leads to a rise in the total transfer from the level of 14.8 per cent of NTC (excluding MRF) in 2015-16, 15.1 per cent in 2016-17 (RE) and 15.2 per cent in 2017-18 (BE) to 16.5 per cent in 2016-17, 17.3 per cent in 2017-18 and 18.1 per cent in 2018-19. However, in subsequent years, it declines to 17.9 per cent in 2019-20 and 17.6 per cent in 2020-21. This decline is on account of scaling down the level of grants for sanitation.

9.134. We believe that the structure of the incentive grants recommended by us should be simpler for administration as compared to that of the MRF, while being equally, if not more effective in achieving the objectives.

Surplus/ Deficit of Municipalities Post Devolution

9.135. Pursuant to the levels of BTA and grants

Table-9.20: Projection of Deficit/Surplus of the Municipalities-with BTA + Grants During 2016-2021

(₹ crore)

Year	MCD / Unified MCD	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total for 5 Municipalities
2015-16 (Ac)	-1255	-548	-626	-81	-5	-29	-1290
2016-17	1501	365	598	538	265	286	2052
2017-18	2080	418	872	791	325	205	2610
2018-19	4598	745	1809	2044	489	278	5365
2019-20	5919	879	2313	2727	612	305	6837
2020-21	7310	1007	2847	3456	749	334	8393

Table-9.21: Projection of GNCTD's Balance on Revenue Account (BRA) After Transfer of BTA & Grants to Municipalities

(₹ crore)

Year/AGR	Tax Revenue	Non-Tax Revenue	Grants from Centre	Total Revenue (2+3+4)	Revenue Expenditure (Excluding Transfers to Municipalities)	Transfers to Municipalities (BTA+Grants)	BRA After Transfer
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2015-16 (Ac)	29026	610	4258	33894	22921	3422	7552
2016-17	32400	700	4514	37614	27505	5574	4536
2017-18	37163	800	4785	42748	29705	6369	6673
2018-19	42308	920	5072	48300	32082	7558	8660
2019-20	48279	1058	5376	54713	34648	8538	11527
2020-21	55212	1217	5699	62127	37420	9618	15088

recommended by us, the estimated revenue balance (surplus/deficit) of the municipalities would be as presented in Table-9.20.

9.136. The devolution by way of BTA and grants presented by us would need to be complimented and supplemented by the GNCTD and the Municipalities by way of various other measures too, including debt relief/ restructuring and various reforms as we have recommended in various chapters.

Impact of the Devolution on GNCTD Finances

9.137. The impact of the tax share and grants-in-aid recommended by us on the finances of the GNCTD are presented in Table-9.21.

9.138. The Balance on Revenue Account (BRA) for the GNCTD as determined by us is adequate to meet its expenditure liabilities on both, revenue as well as capital accounts even after transfers to the municipalities.

Chapter 10

Accountability, Audit and Oversight

Audit as a Tool for Monitoring and Evaluation

10.1. Prudential norms and practices for good governance mandate audit of the accounts of every public authority that is involved in receipt of funds or expenditure thereof. Accordingly, Chapter XI (Sections 204 to 209) of DMC Act 1957 makes elaborate provisions for maintenance of accounts by the MCDs and audit of the same by the Municipal Chief Auditor (MCA). Section 205 mandates the MCA to conduct a monthly audit of the MCD accounts and report the same to the Standing Committee. Similarly, Section 206 requires the MCA to conduct audit of the accounts of preceding year soon after the commencement of the year and submit the same to the Standing Committee. Similar provisions exist in the NDMC Act 1994. MCDs too have constituted Municipal Account Committee, which is required to look into the monthly and annual accounts and review the action taken on the audit reports, before these are placed for consideration of the Standing Committee.

10.2. However, the situation of maintenance of accounts by the MCDs has not been satisfactory, in general. The MCA informed us during deposition and the subsequent note (dated 11.9.2017) that, post-trifurcation, the MCD-East and MCD-North have defaulted in submitting their monthly accounts, annual accounts and annual appropriation accounts for the years 2012-13 to 2016-17. This is a serious lapse and requires deliberation within the MCDs at council level. It also calls for review by the state government.

10.3. The MCA has also informed that there has been considerable delay in submission of accounts for audit and in the action taken on the audit reports. The MCA has stated that consequent to the audit examination after trifurcation of the MCD in April/May 2012, the MCA office produced three Annual Audit Reports relating to the three corporations for the years 2012-13 to 2014-15. These were placed before the respective Standing Committee of the Corporations, but none of these reports has been discussed completely.

10.4. The MCA has suggested the following set of actions for adoption by the MCDs to improve the quality and impact of audit:

- (i) Instruction and circulars issued by HODs may be sent to MCA for watching their compliance.
- (ii) Nodal officer for the Audit Committee may be nominated by the Zonal Deputy Commissioners and the HODs, who should be responsible for timely submission of replies to audit paras, as is done in Assessment & Collection Department, MCD-South.
- (iii) The instructions/orders may be issued to all HODs to co-operate with the audit and submit replies and records to audit.
- (iv) Quarterly returns on compliance of outstanding paras may be submitted to MCA.
- (v) Quarterly meetings between Corporation and MCA staff may be conducted for timely submission of replies, production of records and maintenance of data.
- (vi) Full access to the MCD website may be provided to the MCA.

10.5. We fully endorse the suggestions of the MCA. Municipalities should consider audit of accounts as a tool for good governance and a valuable source of information for the purpose of taking effective action not only for the disposal of the audit paras, but also for drawing conclusions towards improving the management practices. Thus, audit can be used as a tool for monitoring and evaluation too.

10.6. We note with surprise and concern that under the DMC Act 1957, the Standing Committee of the MCD also functions as the Audit Committee, as there is no provision for a separate Audit Committee. The MCD-North informed us that there is a Municipal Account Committee (MAC), which is constituted under Section 40 of the DMC Act and the Chairman of the Standing Committee presides over it. The MAC is only a recommendatory body and its recommendations are placed before the Standing Committee. The Standing Committee is effectively the Executive Committee of the MCD and thus there is a strong conflict of interest between its executive and audit functions.

10.7. In regard to the NDMC too, we find that the provisions of Section 59 of the NDMC Act 1994 make the Chief Auditor of the NDMC effectively report to the Chairperson of the NDMC, for audit purposes, as the Act has no provision for any independent Audit Committee. This is undesirable for good governance. The Cantonments Act 2006 also does not have adequate provisions for audit in respect of the accounts of the Cantonment Board.

10.8. Accordingly, we recommend that the DMC Act 1957 and the NDMC Act 1994 should be amended to provide for an independent Audit Committee with a Chairperson who is not Chairperson of either the Standing Committee or any other Committee of the MCD/NDMC having executive functions. Preferably, the Leader of Opposition in the Council should be the ex-officio chairman of the Audit Committee. Similar action would be desirable in respect of the Cantonments Act 2006 also.

Strengthening the Audit Wing

10.9. The Municipal Chief Auditor (MCA) of the MCDs informed us during oral deposition and through a detailed note about the serious shortage of staff in the MCA establishment. Further, at present only 23 officials (Sr. Auditors-12, Auditors-3 & Jr. Auditors-8) were in position in the senior cadres, as against the sanctioned strength of 90 officials (Sr. Auditors-40, Auditors-10 & Jr. Auditors-40), which is just about 25 per cent of the sanctioned strength.

10.10. Besides, there is an acute shortage of audit staff of other levels too. There are only 24 such officers, against the sanctioned strength of 88, which is 27 per cent of sanctioned strength. The MCA informed that the process of selection through the Delhi Subordinate Services Selection Board (DSSSB) has been very time consuming.

10.11. We recommend the GNCTD to help the Municipal Chief Auditor (MCA) of the MCDs in getting the numerous vacancies existing in the MCA establishment filled up soon, by way of deputation from the Central and state government departments. The GNCTD may also advise the DSSSB to speed up the selection processes.

Sinking Funds

10.12. Borrowings make an important source of funds for undertaking various development projects by any municipality. Borrowings by the MCDs in the form of loans and debentures, etc. are covered under Sections 185 to 196 of the DMC Act, 1957. The Corporations can borrow money for various purposes as regulated under these provisions.

10.13. An important provision relating to debt management by the MCDs is the provision to create ‘Sinking Funds’ for repayment of the money borrowed by the corporation, vide Sections 190 to 192 of the DMC Act 1957. It envisages that the borrowing corporation will deposit amounts regularly into the sinking fund, to be able to services its debt obligations. Sinking fund is thus an important concept not only to facilitate borrowings by the corporation but also to provide comfort to its lenders.

10.14. Similar provisions exist in case of the NDMC, vide Chapter IX of the NDMC Act 1994. In case of the DCB, the Cantonments Act permits, vide Section

121, borrowing by a cantonment board (CB) only from another CB. However, the Cantonments Act does not provide for any sinking fund, which is not a desirable situation. Sinking funds would be very helpful for a municipality in approaching the market for raising funds through municipal bonds or debentures.

10.15. MCD-North in its note (dated 11.7.2017) informed that a sinking fund as envisaged under Section190 of the DMC Act 1957 has not been created by the MCDs till date. However, MCDs have created and operated certain special funds, covered under Section 108, the proceeds of which are meant to be utilised for specific purposes. These funds are regulated under the Special Funds Regulations, 1959 and examples are the Risk Insurance Funds (for meeting all losses to municipal property arising out of fire) and Survey of Delhi Municipal Area Fund (for carrying out survey of the city in the near future). An amount of about ₹18.17 crore was held in these special funds (numbering eight in total) in 2013. However, the said amount was attached in some court cases and thus has still not been distributed between the three MCDs. The files in respect of the special funds operated by unified MCD are held by the MCD-North.

10.16. Each corporation is required to give the details of the special funds maintained by it (including the sinking fund) in Volume III (Miscellaneous) of its Budget Estimates. We could observe indication of two such funds in the case of MCD-North, namely, the King Edward Memorial Garden Fund and Sinking Fund for Municipal Press Machinery, which had a balance of ₹ 1.43 lakh and ₹ 6.66 lakh, respectively, as on 31st March 2017. These are nominal amounts and no expenditure was reported during 2016-17, nor envisaged in the BE of 2017-18.

10.17. All the same, the moot point is that the concept of Sinking Fund is very important, particularly in the present environment when the municipalities are being encouraged to float bonds and take recourse to other forms of market borrowings. This would be required even for the NDMC and DCB, who have significant cash surpluses on revenue account.

10.18. Accordingly, we recommend that each of the municipalities should operate a sinking fund and make provisions for regular contributions to these sinking fund such sums as would be adequate for timely repayment of various outstanding loans and for discharge of other liabilities as mentioned in Section 191 of the DMC Act 1957 and Section 132 of the NDMC Act 1994. The Cantonments Act 2006 may also be amended to make provisions for a Sinking Fund.

Pension Fund

10.19. We have noted earlier the case of the MCD-North and MCD-East drawing money from the Employees' Provident Fund for their normal revenue operations. This is inappropriate since these municipalities have defaulted seriously in discharging their pension liabilities too. MCDs have informed that they do have Employees' Pension Fund, which was trifurcated only recently. However, there are no regulations for the operation of the Pension Fund and, accordingly, there are no signs that the MCDs would be prevented from continuing to default in their pension liabilities. Each municipality should notify Employees' Pension Fund Regulation and maintain a Pension Fund.

10.20. NDMC informed that it does not have a separate Employees' Pension Fund and has so far been operating only the general fund titled the 'New Delhi Municipal Fund', as per the provisions of Section 44 of the NDMC Act 1994. It is now in the process of creating a Pension Fund for meeting the future pension liabilities, for which a corpus amounting to approximately ₹ 3,200 crore is to be created and transferred from NDMC Fund over the next three years. The NDMC too should notify an Employees Pension Fund Regulation.

Large Investments in Bank Fixed Deposits

10.21. Cities are indeed the engines of growth and accordingly city governments should invariably be able to generate adequate resources through tax and non-tax sources for providing quality services and infrastructure to the citizens. Within the NCT itself, NDMC offers a success story, which we have cited in different contexts.

10.22. At the same time, municipalities must be conscious that the resources generated by them are meant only for creating or improving the public infrastructure and services. However, we notice that the NDMC and the DCB, being cash rich as they are, have resorted to large-scale investments in bank fixed deposits. The details of such investments in respect of the NDMC are indicated in Table-10.1.

Table-10.1: Investment of NDMC in Banks

Year	Particulars	Investment (₹ crore)
2012-13	Accumulation as on 01.04.2013	1599.65
2013-14	Accumulation as on 01.04.2014	1608.07
2014-15	Accumulation as on 01.04.2015	1605.64
2015-16	Accumulation as on 01.04.2016	1885.32
2016-17 (RE)	Amount to be Credit	103.29
	Amount to be Utilised	0
	Balance as on 31-3-2017	1988.61
2017-18 (BE)	Amount to be Credit	59.66
	Amount to be Utilised	0
	Balance as on 31-3.2018	2048.27

10.23. While the NDMC has investments of over ₹ 2,000 crore in bank fixed deposits, the DCB too has such investments of around ₹ 1,000 crore and is earning interest of the order of ₹ 90 crore annually. We do support prudential investments of short-term liquidity by the municipalities. However, we do not recommend continued investments of large sums in bank fixed deposits year after year, by the municipalities. We would like the municipalities to use such surplus funds for making investments in the upgradation of the public infrastructure such as super-specialty hospitals, state-of-the-art sports facilities, libraries, museums, lakes, parks and maidans, etc.

Vague Budget Classifications

10.24. Municipalities make certain vague classifications in their budget, which not only blur the analysis of their finances, but also make their financial management prone to misuse. For example, DCB spends a few crore of rupees on 'Contingencies" under General Administration as also under most of the other major heads of expenditure. Similar is the case with the MCDs and the NDMC too, wherein expenditure is also classified as 'Miscellaneous'. Even the Finance Account of the GNCTD shows significant expenditure as 'Other expenditure' under various major heads.

10.25. The UDD should, in collaboration with the Pay & Accounts Office, review the budgetary classifications of all five municipalities and identify vague classification such as 'Contingencies', 'Other Miscellaneous', etc. and replace the same with specific purposes of expenditure, after analysing the actual situation of the past years. Similar exercise should be undertaken in respect of the GNCTD as well.

Overdue Liabilities of the MCDs

10.26. The MCDs, particularly MCD-East and MCD-North, have significant amount of deferred liabilities such as the following:

- Unpaid bills for various works, owing largely to unrealistic budgeting.
- Irregular withdrawals from the PF account, to meet current account deficits.
- Arrears of pensions and related dues.

10.27. While compiling the information on expenditure on roads, our consultants M/s DIMTS discovered that the MCDs were harbouring large contractual liabilities that are lingering on for years and often lead to profuse litigation. This situation has been reflected in the memoranda of the MCDs also. The details of outstanding liabilities as on 1st April 2017 as compiled in respect of the three MCDs are given in Table-10.2, for MCD-East, Table-10.3 for MCD-North and Table-10.4, for MCD-South.

Response of the MCDs

10.28. MCD-East informed that at present its cash liabilities overdue to the contractors for completed works and already passed bills amount to ₹ 150 crore. The payments are pending for bills passed since 2012,

Table-10.2: Overdue Contractual Liabilities of MCD-East as on 31.7.2017

S. No.	Head of A/c	Item	Amount (₹ lakh)
A	**Maintenance Works**		
1	66/1077	Repair & maintenance of Urban roads	1.97
2	89/1077	For maintenance work	1117.99
3	89/1214	Street lighting on municipal wards on public demand	187.40
4	89/1215	For improvement of roads	891.59
Total A			2197.95
B	**Capital Works**		
1	66/1182	Stores-Roads	1.00
2	66/3129	FA Roads/footpath walkway	29.69
3	66/3551	Works - approved colonies	68.20
4	66/3555	Works - unauthorised colonies	63.24
5	66/3557	Works - roads	22.87
6	66/3561	Works - urbanised villages	9.87
7	66/3565	Works - urban roads	108.79
8	66/3583	Works - rural roads	48.60
9	67/3173	FA street lights general	96.38
10	89/1225	Works - rural wards	23.44
Total B			472.07
C	**Discretionary expenses**		
1	89/1152	Discretionary expenses - Chairman Standing Committee	430.31
2	89/1153	Discretionary expenses - Mayor	435.09
3	89/1157	Councillor Local Area Development Fund	8751.77
4	89/1158	Discretionary expenses - Chairman Ward Committee	60.19
Total C			9677.37
Total A+B+C (₹ lakh)			12347.39
Total A+B+C (₹ crore)			123.47

which could not be paid owing to shortage of funds. The contractors have approached the courts and MCD-East managed to make settlement by agreeing to make payment @ ₹ 3.00 crore per month. By this pace of payment, it expects to dispose off the liability, accrued as on date, by October 2022, in case the financial conditions do not improve. Due to this situation, MCD-East is not undertaking any new works under non-Plan budget heads barring very essential ones.[1]

10.29. MCD-North informed that such overdue liabilities have arisen primarily because of unavailability of the necessary funds to discharge the contractual expenditures. Ever since the trifurcation, MCD-North could not achieve its revenue/income targets. A compression of expenditure to match the reduced income could

[1]Email dated 3.8.2017 from MCD-East.

Table-10.3: Overdue Contractual Liabilities of MCD-North as on 31.7.2017

S. No.	Head of A/c	Item	Total (₹ lakh)
A	**Maintenance Works**		
1	66/1054	Repair & maintenance of rural roads	152.7
2	66/1077	Repair & maintenance of urban roads	96.88
3	66/1223	Removal of malba	363.06
4	89/1239	Improvement of private katras	149.18
5	89/1077	For maintenance work	2689.12
6	89/1214	Street lighting on municipal wards on public demand	1478
7	89/1215	For improvement of roads	8790.19
Total A			13719.13
B	**Capital Works**		
1	66/1182	Stores-Roads	91.61
2	66/3129	FA Roads/footpath walkway	886
3	66/3551	Works - approved colonies	1947.3
4	66/3555	Works - unauthorised colonies	467.16
5	66/3557	Works roads	755.11
6	66/3561	Works un-urbanised villages	385.33
7	66/3565	Works - urban roads	2027.64
8	66/3583	Works rural roads	2039.05
9	67/3171	FA street light street mast	451.62
10	67/3173	FA street lights general	43.74
11	89/1225	Works - rural wards	1496.97
12	88/1242	Development of rural areas	587.84
13	88/1243	Development of Narela	210.98
Total B			11390.35
C	**Discretionary expenses**		
1	89/1152	Discretionary expenses - Chairman Standing Committee	1901
2	89/1153	Discretionary expenses – Mayor	2039.94
3	89/1157	Councillor Local Area Development Fund	20238.27
4	89/1158	Discretionary expenses - Chairman Ward Committee	264.24
5	89/1279	Discretionary expenses - Chairman Ward Committee	115.59
Total C			24559.04
Total A+B+C (₹ lakh)			49668.52
Total A+B+C (₹ crore)			496.685

Table-10.4: Overdue Contractual Liabilities of MCD-South as on 31.7.2017

S. No.	Head of A/c	Item	Total (₹ lakh)
A	**Maintenance Works**		
1	G-110-1054	Repair & maintenance of rural roads	398.84
2	G-110-1077	Repair & maintenance of Urban roads	806.55
3	G-111-1086	Maintenance & repair of lights-roads	75.09
4	K-150-1077	For maintenance of works	1148.33
5	K-150-1264	Improvement / development of roads by dense carpeting	2415.13
6	K-150-1286	Improvement of roads by RMC/ drainage	3966.97
7	K-150-1214	Street lighting on municipal wards on public demand	51.48
Total A			8862.39
B	**Capital Works**		
1	G-110-3129	FA Roads/footpath walkway	289.31
2	G-110-3551	Works -approved colonies	7809.61
3	G-110-3555	Works - unauthorised colonies	4917.87
4	G-110-3561	Works –un- urbanised villages	3534.62
5	G-110-3565	Works - urban roads	857.14
6	G-110-3583	Works- rural roads	1259.33
7	G-110-3589	Works -Unauthorised colonies already authorised	34.98
8	G-111-3173	FA street lights general	3623.25
9	K-150-1225	Works - rural wards	293.05
10	K-151-1242	Development of rural areas	1929.9
11	K-154-3018	Development of Parking	1959.14
Total B			26507.2
C	**Discretionary expenses**		
1	K-150-1152	Discretionary expenses - chairman standing committee	357.83
2	K-150-1157	Councillor Local Area Development Fund	2106.38
Total C			2464.21
Total A+B+C (₹ lakh)			37833.8
Total A+B+C (₹ crore)			378.3

not happen because some minimum expenditure is essential to maintain the existing assets. Besides, there are local/political pressures to undertake various works. Total such outstanding liability of MCD-North stands at ₹ 428.34 crore, as on 31.7.2017. The build-up of the liabilities over the years, as reported by MCD-North, in indicated in Table-10.5.

10.30. MCD-North also informed that it has undertaken various revenue generation schemes like auction of parking lots and re-development of municipal buildings, besides measures to increase property tax revenue. While the results have been encouraging, these have proved insufficient to discharge the huge outstanding liabilities, which have

Table-10.5: Build-up of the contractual liabilities in MCD-North

(₹ crore)

Year	Approximate liabilities generated during the period	Liabilities pending pertaining to this period as on 31.7.17
2012-13	166.76	0.00
2013-14	227.69	61.11
2014-15	202.82	168.20
2015-16	138.69	121.46
2016-17	76.29	69.42
2017-18	8.23	8.15

Source: Submission of MCD-North.

accumulated. It looks forward to implementation of the Fourth and the Fifth DFC recommendations to ease the situation. It also informed that so far these liabilities have not been subjected to any audit and as such, no audit comments are available on this account.

10.31. MCD-South informed that as per the prevalent practice, cash and committed liabilities are accumulated till 31st March of each financial year in the divisional offices and the same are considered for payment subject to availability of funds. Simultaneously, committed liabilities are also converted to cash liabilities on execution of works and hence it becomes a continuous process in each financial year. MCD-South also informed that no audit by GNCTD has been conducted in respect of these liabilities.

10.32. We recommend that the GNCTD should get a special audit conducted under Section 207 of the DMC Act 1957, to identify the large scale prevalence of 'deferred liabilities' in the MCDs and determine a framework for complete stoppage of such practices.

Accrual Based Accounting

10.33. There are two systems of accounting, namely, the single entry cash based accounting system (CBAS) and the double entry accrual based accounting system (ABAS). The accounts of the Government in India and the Government of Delhi are maintained by following the CBAS, whereas, the accounts of companies registered under the Company Act are maintained by following the ABAS.

10.34. Various bodies dealing with governance reforms, such as the Second Administrative Reforms Commission, the Union Finance Commission, the preceding Delhi Finance Commissions, the Security & Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) have, from time to time, recommended that the municipalities should adopt ABAS, consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual.

10.35. Before we examine the relative merits of the two systems let us recall the major objectives of financial accounting for a municipality, which are as follows:

a. To record its transactions (measured in monetary terms for both, receipts and expenditure), so as to provide an accurate picture of its financial position and performance; and

b. To prepare the financial statements, i.e. the balance sheet and income statement, which give an overview of the performance of the organisation over a particular period, and provide a snapshot of their financial position at a specific point in time.

10.36. The above objectives can be achieved well if the municipality follows the ABAS, but not if it follows CBAS. We can see the difference between the two systems, as below:

- In CBAS, receipts are recorded during the period they are received, and expenses are recorded in the period in which they are actually paid. Also, transactions carried out on credit basis are not recognised. Further, since the main objective is to record only the flow of cash, the records of assets created/purchased/disposed are not kept. Special efforts are required to update the details of assets as on any particular date. This makes it difficult to prepare a balance sheet.

- In ABAS, a transaction is recorded when the right to earn income is established or when a liability for an expenditure is committed. Accordingly, revenues (receipts) and expenses are recorded when they are incurred. The system registers transactions carried out on credit basis, by recording these as either receivables or payables.
- Thus the ABAS provides the 'net income' of the organisation, which would reflect the true position, as all receivables and payables are recorded. This makes it easy to prepare the balance sheet, since all transactions are recorded by following the 'double entry' system of book keeping.
- In CBAS, extra efforts would be required to prepare an account of receivables and payables. The ABAS directly prepares the complete picture of the financial health of the organisation and is in line with the generally accepted accounting principles (GAAP) and also conforms to the rules prescribed under the Company Act.
- The only problem with the ABAS is that in certain cases, it can show a very high surplus budget, owing to 'receivables'. However, this can be overcome by preparing the cash flow statement.

10.37. To sum up, the benefits of ABAS could be listed as follows:

- Accurate account of receivables and payables will ensure that a realistic 'net profit' figure will be reported.
- Depreciation of assets will be recorded accurately.
- Cost of the services provided will be calculated accurately.
- With realistic costs figures being available, it will help in a more accurate forecast of the revenue budget.
- Decisions such as to whether or not a new product or service should be introduced, can be taken in an informed manner, rather than the ad-hoc manner in which these are being taken presently.
- It will help in suggesting a realistic pricing strategy for various services being provided and goods/ equipment being procured.
- Overall financial health of the municipality will improve.
- Robust financial statements prepared in accordance with GAAP, with the appropriate disclosure statements, will provide a better picture to investors and this shall in turn hopefully attract more investment at lower risk and interest rates.
- Municipality will present consistent and transparent accounts. This will facilitate fair and quick appraisal by the financial institutions and auditors.
- Municipality shall be in a better position to attract market borrowings including through bonds and other instruments from open market.

10.38. The NDMC informed that they have already moved to the ABAS framework for their account maintenance. However the MCDs are struggling in this respect. In fact, the MCDs do prepare a *post-facto* account on ABAS basis, which is hardly worthwhile. We would recommend the GNCTD to take initiative to ensure that the ABAS is adopted by the MCDs w.e.f. 1.4.2018 and the Municipal Account Code 1958 of the MCDs is amended suitably. As for the DCB, we were informed that it was awaiting directions from the Director General of Defence Estates (DGDE) for the transition to ABAS. We recommend the DGDE to hasten the process.

Accrual-based Accounting by GNCTD

10.39. The Union Finance Commissions (FCs) have also been recommending for adoption of accrual based accounting by the Union and the state governments. The relevant extract of the 14th FC Report is as below:

> "We endorse the view that the transition to accrual-based accounting by both the Union and State Governments is desirable. We also recognise that this transition can only be made in stages, as it requires considerable preparatory work and capacity building of accounting personnel. We reiterate the recommendation of the FC-XII that the building blocks for making a transition to the accrual-based accounting system in terms of various statements, including those listed by the Commission, should be appended in the finance accounts by the Union and State Governments. We also reiterate its recommendation that action should be taken to build capacity among accounting professionals in accrual-based accounting systems. (para 17.14)"

10.40. We recommend to the GNCTD to adopt accrual-based accounting, as was recommended by the 14th Finance Commission, w.e.f. 1st April 2018.

Work Studies

10.41. We observed from the Inspection Report of the Principal AG (Audit), Delhi for 2009-2014 that the remit of the Administrative Reforms Department (ARD) of GNCTD includes the following themes:

1. Improvement in the governance structure and processes.
2. Dissemination of best practices.
3. Conducting work measurement studies.

10.42. We requested the Secretary, Administrative Reforms Department (ARD) to make available any relevant outputs (reports, guidelines, etc.) related to the above themes in relation to the municipalities. However, the Secretary, ARD informed on 30th December 2016 that the ARD had not conducted any such studies for the municipalities.

10.43. We recommend the ARD of GNCTD to conduct studies on the governance structure and processes for the municipalities in line with the principles of 'Outcome-based Budget", in collaboration with the Director of Local Bodies. The study should also include the processes for monitoring the implementation of schemes and programmes. A study on the best practices of the municipalities and dissemination thereof should also be undertaken.

Chapter 11

Governance Reforms and Capacity Enhancement

Improving Data Bases

11.1. Our analysis of the functional requirements and performance of the municipalities lead us to realise that the availability of information in relation to each municipality, as a whole, as well as for their respective wards/zones is generally very inadequate. This deficiency is particularly serious in respect of economic data, though the position in respect of demographic and social data is only marginally better. It is also important to note that two very major census activities are being conducted on a house-to-house survey basis, with municipal wards getting duly recorded in the enumeration schedules. These are, the decennial population census conducted by the Census Commissioner & Registrar General of India (RGI) and the quinquennial Economic Census (EC) conducted by the Central Statistical Organisation through the State Directors of Economics & Statistics (DES). The last of the population census was conducted in 2011, while the trifurcation of MCD took place in 2012 and as such, the Census 2011 did not project individual datasets for the five municipalities of Delhi. Though the last (Sixth) EC was conducted in 2013-14, it had adopted the enumeration framework of the Census 2011 and thus the Sixth EC too did not project data for the jurisdiction of each of the five municipalities.

11.2. There is another issue about the data of these censuses not being aggregated at district and state levels. Except for few items of the population census, no aggregation is done or published for the municipal limits. Even the DES, Delhi undertakes a number of surveys, some on its own and some on behalf of the Ministry of Statistics & Programme Implementation, but the results are almost never published for the municipal limits.

11.3. Yet another organisation that compiles geo-spatial data related to social and economic indicators is the Geo Spatial Delhi Limited (GSDL), an undertaking of the GNCTD itself. Even the GSDL data compilation is in terms of revenue districts of the NCT and not municipality-wise for the five municipalities. As a result, the municipalities and their residents are unaware of their own social and economic profile. This data deficiency also impacts the analysis of intra-NCT variations in social and economic terms.

11.4. We identified the following datasets that could be converted into municipality-wise information, with zone and ward-wise break-up.

Decennial Population Census: The Primary Census Abstract (PCA), called Table A-5, includes the geographical area in sq. km., number of households, total population, population by age-groups, population by sex, population of the Scheduled Castes/Scheduled Tribes, literates, workers and non-workers. Thus the PCA indicates the basic socio-economic characteristics of the population by gender and residence and also enables to derive density, gender ratio, literacy rates, worker participation rates, etc. Municipalities would benefit immensely by learning about their respective status in respect of such key indicators. The DFC too would have benefitted with such information, in making a comparative analysis of the municipalities between themselves as also vis-à-vis other cities.

We took some initiative to bring together the relevant players, namely, the Director of Census Operations, the Municipalities, the Directorate of Economics & Statistics and the GSDL to undertake this task. A series of meetings, commencing 31st August 2016, were held in the matter. After some efforts, we succeeded in developing datasets for the five municipalities in respect of some of the data contained in Table A-5 of the Census 2011. We made use of this information and it was shared with the municipalities as well. We also suggested to the Chief Secretary to advise the appropriate departments of the GNCTD to formally publish it so that this data could benefit many other users as well.

Economic Census (EC): The Directorate of Economics & Statistics (DES) agreed to our advice for bringing out municipality-wise data for the Sixth EC. We made use of this data for our analytical purposes. We would recommend that the future Economic Censuses should be designed suitably, to project the resultant datasets for the municipalities and their zones as well. It would also be desirable to publish the data in terms of enumeration blocks, so that alteration in the boundaries of the municipalities and their zones/wards does not diminish the benefits that come from such surveys.

Employee Census: We observed that the DES has been conducting census of employees of the state government and various government sponsored bodies of the NCT, but not for the municipalities. On our advice, the DES initiated efforts for bringing out employee census for the municipalities through quick estimates. It would be desirable for the municipalities to publish this information as a regular feature of their annual reports. We have devised a format for the purpose with assistance from the Director of Economics & Statistics, Delhi and recommend its adoption (Annexure-11.1).

Estimates of GDP of the Municipalities: The numerous censuses and surveys conducted by the various departments and agencies of the state government can be fruitfully converged to work out the gross domestic product (GDP) of the areas covered by each of the five municipalities of Delhi. Accordingly, based upon our suggestions in respect of Items (a) & (b) above, we would recommend the DES to undertake computation of the GDP of the municipalities. The results of this exercise should be shared and discussed with the municipalities and various departments/ agencies of the GNCTD as well.

Input-Output Table for the Municipalities: The DES prepares the Input-Output Table for the NCT as a whole and informed us that it would be very complicated to undertake this exercise for the municipalities. While appreciating the complexity of the proposition, we would still recommend the DES to review the position and develop a framework for undertaking this exercise for the municipalities, especially because the NCT has only five such entities and these five put together make the whole of the NCT.

Economic Classification of the Budgetary Transactions of Municipalities: The DES informed vide letter (dated 31.8.2016) that the annual Economic Classification of the Budgetary Transactions of Municipalities for the years 2002-03 to 2012-13 were available with it in soft format and, for the year 2013-14 & 2014-15 (accruals), analysis of budgets of the different municipalities was under process. This is a useful document and we would recommend the DES/Planning Department to not only share it with the municipalities but also analyse it for appropriate utilisation.

Result of NSS Rounds of Socio-Economic Surveys: The DES undertakes the NSS Rounds of Socio-Economic Surveys on behalf of the National Sample Survey Organisation (NSSO), but undertakes the stratification in terms of 'Urban' and 'Rural' only. However, such as tratification has little relevance in the case of NCT, as there is no rural governance framework of panchayti raj institutions in Delhi and the entire NCT is covered by municipal bodies only. Therefore, we would recommend that while designing the survey sampling for the socio-economic surveys of the National Sample Survey Organisation, GNCTD should ensure that the samples could be made use of for working out municipality-wise and municipal zone-wise results.

Economic Survey of Delhi: The Economic Survey of Delhi is undertaken by the Planning Department of the GNCTD, but the results are generally published for the state as a whole. We requested the Planning Department to add tables for the five municipality areas to facilitate analysis of time series data for the municipalities. We recommend that the Planning Department of the GNCTD should add tables for the five municipality areas and also for the zones, for the analysis of time series data, while undertaking the Economic Survey of Delhi in the future.

Delhi Statistical Abstract (DSA): The Delhi Statistical Abstract (DSA) is an excellent document published by the DES, usually annually or biennially. DES informed us that as the population census (2011 and earlier) was conducted when Delhi had only three municipalities, i.e. MCD (undivided), NDMC and Delhi Cantonment, all the results on demographic characteristics were not available at the level of the five municipalities. We recommend that while developing the ensuing Delhi Statistical Abstract, tables should be added for the five municipality areas.

Annual Survey of Industries (ASI) of Delhi: The Annual Survey of Industries (ASI) is the most significant survey conducted by the Industrial Statistics wing of Central Statistics Office (CSO) of the Ministry of Statistics & Programme Implementation, for various states/UTs including Delhi. ASI is the principal source of industrial statistics for the states/UTs. However, the survey design does not take cognizance of the municipality jurisdictions. We believe that existing practice of stratification of the samples in terms of revenue districts would have limited benefits, as compared to the municipality level stratification. Accordingly, we would recommend that the design of the ensuing annual surveys of industries (ASI) should be done in a manner wherein the stratified samples are scattered suitably over the 11 revenue districts as well as the five municipalities, so as to serve both purposes. As the NCT has only five municipalities, as against eleven revenue districts, such a dual stratification should be technically possible.

Basic Statistics for Local Level Development (BSLLD): The BSLLD Framework developed by the Ministry of Statistics & Programme Implementation (MOSPI) has attempted to promote a standardised dataset that each panchayat and municipality in the country should adopt for projecting essential information about the village/city in a framework that is comparable in space and time. The MOSPI had undertaken implementation of the BSLLD on pilot basis in both urban and rural areas in all states and UTs during the past four to five years. Delhi chose to implement the pilot only in respect of the urban part, that too in a few selected wards, but did not proceed further, perhaps awaiting further advice from the MOSPI. We are told that many other states have gone ahead with implementing the BSLLD, after making modifications to the CSO format of the pilot study, to suit the local needs. That appears to be the correct and pragmatic approach. Moreover, the BSLLD framework could be usefully dovetailed with the e-governance system, to update the BSLLD datasets on a real-time basis.

Recommendation

11.5. In view of the progressive significance of the local bodies, mainly panchayats and the municipalities, as institutions of local level planning as well as decentralised governance and service delivery to the common citizen, we consider the following recommendations pertinent in the context of development of census datasets at the local body level:

a. All surveys and censuses being undertaken by various departments and agencies of the state government, including the surveys done at the behest of the Government of India, should be designed in such a way that would enable preparation of datasets at the ward, zone and municipality levels, seamlessly.

b. The basic enumeration blocks should be common for all surveys and, for this purpose, the framework of the decennial population census should be adopted for all surveys that are conducted on house-to-house basis.

c. The structure of the information to be gathered for various surveys/censuses should be aligned with the framework of the Basic

Statistics for Local Level Development (BSLLD) developed by the Ministry of Statistics & Programme Implementation, to make these two sets of information mutually coherent and reinforcing.

d. The datasets for the ward, zone and municipality levels should be made available on the website of the organisation conducting the census/survey to make it easily and freely available not only to the municipality concerned but also to the citizens at large.

e. Each municipality should bring out employee census data in the format placed at Annexure-11.1 every year and publish this information as a regular feature of their annual reports. This format is suggestive and should evolve from time to time.

f. The Basic Statistics for Local Level Development (BSLLD) framework may be formally adopted by the GNCTD, with suitable modifications to suit the needs of the municipalities of Delhi. The BSLLD should be designed for all the wards of the municipalities and steered by the municipality concerned, with the required contributions from other organisations, from time to time.

g. The BSLLD Framework should be dovetailed with the e-governance system of the municipalities and other relevant agencies, to update the BSLLD datasets on a real-time basis.

Budget Discipline

11.6. While analysing the budgets of the municipalities, we observed particularly in respect of the three MCDs, significant variations between what they propose in their respective budgets and what is finally reflected in the accounts. We present the comparative picture of the budget estimates and the accounts figures in respect of the three MCDs for the years 2012-13 to 2015-16 for their receipts, expenditure and surplus/deficit in Table-11.1. All these figures are on their non-Plan revenue accounts, as the Plan funds came to them as pass through.

11.7. The data in Table-11.1 indicate that MCD-East has been experiencing shortfall in the income/receipts to the extent of 40-50 per cent of their Budget Estimates, for 2013-14, 2014-15 and 2015-16. In the original budget for 2013-14 and 2014-15, MCD-East had shown deficit of as much as ₹ 143 crore and ₹ 444 crore, respectively, which became still higher in the actual accounts. The situation for MCD-North was similar, at least for 2013-14 and 2014-15. On the contrary, MCD-South has reported budget surpluses of the order of ₹ 200 crore to ₹ 600 crore during these four years. While it is highly worrisome to have high deficit, it is also not very congruent with the budgeting norms for the municipalities to end up with huge surpluses year after year. Municipalities must generate surpluses on revenue account, but these surpluses should be prudently deployed for improvement of civic infrastructure and services. Furthermore, municipalities must prepare realistic budget, as has been observed in the annual audit reports in many cases. NDMC has been able to maintain a realistic budget, as may be seen in Table-11.2.

11.8. The DCB has excellent surplus on revenue account year after year and places the year-end balances of the revenue surplus in fixed deposits with banks. Therefore, its budget remains largely balanced and realistic, for which details are presented in Table-11.3.

11.9. Municipalities must develop a tradition of realistic budgeting, which should be closely aligned with a framework for budgeting for month-wise receipts and expenditure for various activities. This should be dovetailed with the arrangements for monitoring the receipts and expenditure on monthly and annual basis, as prescribed under the DMC Act and the NDMC Act.

Budget Classification after Convergence of Plan and Non-Plan

11.10. After the convergence of the Plan and non-Plan components of government expenditure, effective from 1st April 2017, the State Budget at a Glance for 2017-

Table-11.1: Variation between the Actuals (AC) and Budget Estimates (BE) of three MCDs

A. MCD-East								
	Income			Non-Plan Expenditure			Surplus/Deficit under Non-Plan Account	
Year	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall (-) as % to BE	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall (-) as % to BE	BE (₹ Crore)	AC (₹ Crore)
2012-13	1525	1178	-22.8	1524	1041	-31.7	1	137
2013-14	1917	929	-51.5	2061	1137	-44.8	-143	-208
2014-15	1897	1057	-44.3	2341	1503	-35.8	-444	-445
2015-16	2336	1492	-36.1	2391	1414	-40.8	-55	78
2016-17	3504	—	—	3498	—	—	5	—
2017-18	3861	—	—	3847	—	—	14	—
B. MCD-North								
	Income			Non-Plan Expenditure			Surplus/Deficit under Non-Plan Account	
Year	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall(-) as % to BE	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall(-) as % to BE	BE (₹ Crore)	AC (₹ Crore)
2012-13	2994	2924	-2.3	2994	2817	-5.9	0	108
2013-14	3457	2601	-24.8	3960	3005	-24.1	-502	-404
2014-15	4342	2377	-45.3	4348	2929	-32.6	-6	-553
2015-16	4782	2978	-37.7	4797	2792	-41.8	-15	186
2016-17	6660	—	—	6672	—	—	-11	—
2017-18	8009	—	—	7581	—	—	427	—
C. MCD-South								
	Income			Non-Plan Expenditure			Surplus/Deficit under Non-Plan Account	
Year	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall(-) as % to BE	BE (₹ Crore)	AC (₹ Crore)	Excess/ Shortfall(-) as % to BE	BE (₹ Crore)	AC (₹ Crore)
2012-13	2773	2718	-2.0	2414	2199	-8.9	359	520
2013-14	3284	2672	-18.6	3284	2473	-24.7	0	199
2014-15	3497	3235	-7.5	3499	2637	-24.6	-3	598
2015-16	3939	3266	-17.1	3867	2906	-24.9	72	361
2016-17	4080	—	—	4266	—	—	-186	—
2017-18	4196	—	—	4644	—	—	-448	—

Table-11.2: Actuals of Income & Expenditure of NDMC w.r.t its Budget Estimates (BE) for 2005-06 to 2015-16

(₹ Crore)

Years	Income			Expenditure			Overall Surplus/ Deficit(-)	
	BE	Ac	Excess/ Shortfall as % to BE	BE	Ac	Excess/ Shortfall as % to BE	BE	Ac
2005-06	1037	1051	1.3	1034	971	-6.1	3	80
2006-07	1063	1126	5.9	1060	1018	-4.0	3	108
2007-08	1165	1360	16.8	1163	1359	16.9	1	0
2008-09	1193	1413	18.5	1192	1008	-15.4	2	406
2009-10(*)	1477	1692	14.6	1656	2058	24.3	-179	-365
2010-11(**)	2117	2047	-3.3	2355	2342	-0.6	-238	-294
2011-12	1771	2154	21.7	2157	2213	2.6	-387	-59
2012-13	2068	2365	14.4	2290	2094	-8.5	-222	271
2013-14	2442	2778	13.8	2416	2628	8.7	25	150
2014-15	3134	3244	3.5	2997	3041	1.5	137	203
2015-16	3153	3351	6.3	3126	2926	-6.4	27	426
2016-17	3458	—	—	3451	—	—	7	—
20017-18	3627	—	—	3622	—	—	5	—

Note: * RE has been taken in the place of Actuals of 2009-10 since the same is not available.
** BE of Income & Expenditure for 2010-11 as per budget document 2011-12 of NDMC.

18 has classified the Plan component as 'Programmes/ Projects Expenditure' and non-Plan expenditure as 'Other Expenditure'. The GOI Budget at a Glance for 2017-18 has, on the other hand, re-christened Plan expenditure as 'Scheme Expenditure' and non-Plan expenditure as 'Expenditure on other than Schemes'.

11.11. In our opinion, the budget classification needs a fresh orientation, wherein every activity in each sector should be classified into capital and revenue components and the classification such as 'Programmes/Projects Expenditure' and 'Other Expenditure' should be replaced by 'Revenue' and 'Capital' classification. This will be in line with the provisions of Articles 112 and 202 of the Constitution. State government should set up a core group of officers, inviting representatives from the Controller General of Accounts and C&AG of India also, to work out a framework for budget classification in the wake of convergence of the Plan and non-Plan components. The objective of the exercise should be to reclassify the budget entries in a way that would facilitate monitoring of outcomes for both, the revenue and the capital components. The Financial Budget and the Outcome Budget should also be aligned accordingly.

Public Private Partnership

11.12. In chapter 7, we have proposed that the non-government and private sectors be associated for bringing in higher efficiencies in services. We have cited the example of the success achieved by the MCD-South in roping in the non-government organisations in respect of the primary and pre-primary education.

11.13. We have also proposed that the sanitation related projects, such as for solid waste management, should be increasingly assigned to the players in the private sector, to harness their entrepreneurial efficiencies and, for that purpose, make use of the Viability Gap Funding (VGF) Scheme of the Government of India.

11.14. Municipalities (MCDs) have already assigned

Table-11.3: Details of Total Receipts & Expenditure of DCB

(₹ crore)

Receipts				Expenditure			Overall Surplus/ Deficit	
Year	**BE**	**Ac**	**Excess/ Shortfall (-) as % to BE**	**BE**	**Ac**	**Excess/ Shortfall (-) as % to BE**	**BE**	**Ac**
2005-06	53	83	56.6	52	65	25.0	1	18
2006-07	42	47	11.9	42	48	14.3	0	-1
2007-08	37	236	537.8	37	83	124.3	0	153
2008-09	44	331	652.3	44	467	961.4	0	-136
2009-10	364	440	20.9	358	458	27.9	6	-18
2010-11	784	724	-7.7	769	734	-4.6	15	-10
2011-12*	902	671	-25.6	900	666	-26.0	2	5
2012-13	1033	896	-13.3	1024	903	-11.8	9	-7
2013-14**	1044	973	-6.8	1041	922	-11.4	3	51
2014-15	1094	913	-16.5	1059	895	-15.5	35	18
2015-16	1151	1091	-5.2	1144	1111	-2.9	7	-20
2016-17	1133	—	—	1133	—	—	0	—
2017-18	1312	—	—	1308	—	—	4	—

Source:– Budget Documents of DCB.
* Actuals of receipt and expenditure for the year 2011-12 taken from the annual account of DCB as the same are not matching with the figure given in their budget document.
** Actual of Receipt for 2013-14 taken from the annual account of DCB as the figure is not matching with figure given in their budget document.
Note:– Both receipts and expenditure include the item of extraordinary and debt as follows:
(i) Items covered in the receipts head of extra ordinary & debt are as under:
(a) Sale proceeds of government securities and withdrawal from saving bank.
(b) Loans from government.
(c) Realisation from sinking funds for repayment of loans.
(d) Advances.
(e) Deposits.
(ii) Items covered in the expenditure head of extra ordinary & debt are as under:
(a) Investment (In securities/saving bank).
(b) Payment to sinking fund.
(c) Repayments of loans.

the private sector a very major role in street light maintenance. We have advocated a careful monitoring of the functioning of such PPP assignments, to ensure that the primary objective of providing high quality service to the people is achieved. In respect of the electricity tax collections and street light maintenance, we have recommended for setting up a high level monitoring committee chaired by the Chief Secretary.

Assets and Liabilities of the Panchayats

11.15. The Gram Panchayats in the NCT were dissolved by an order of the Administrator in January 1990 and all the assets including lands were subjected to control and management of different authorities including the Deputy Commissioners, Forest Department and the Delhi Development Authority. As per the information that we could gather from the website of the Forest Department of GNCTD, 3,200 hectare of gram sabha lands in the southern ridge area were handed over to the forest department on 2nd April 1996 for development as forest. In addition, 1,882.80 hectare in village Sahurpur, Asola, Maidan Garhi and 866.512 hectare in village Bhatti were taken over under the Wildlife (Protection) Act, 1972 vide notifications dated 9th October 1989 and 15th April 1991, respectively.

11.16. Section 150(3) & (4) of the Delhi Land Reforms Act 1954 provides that if the whole (or part) of a gram sabha area ceases to be included in rural areas as defined in the Delhi Municipal Corporation Act, 1957, by virtue of a notification under Section 507 of that Act, the gram sabha constituted for that area shall thereupon stand dissolved and all the assets and liabilities of such gram sabha shall stand transferred to the Central government (GOI), as detailed in Clauses (a) to (f) of s150(3). As a result, when any village or part thereof is declared as 'urban', the gram sabha lands in that village/area vest with the GOI, which, in practice means the Delhi Development Authority.

11.17. The remaining gram sabha lands, which have neither been transferred to the Forest Department nor to the Delhi Development Authority, are given to the control of the Revenue Department of GNCTD. However, no municipality gets any part of the gram sabha lands, even in the 'urbanised' villages of the MCDs. As informed by the Director, Panchayat, in his communication (dated 5.8.2016), the gram sabha lands available with the Revenue Department as of now admeasure about 26,046 bighas that is, about 4,000 acres. GNCTD should undertake a quick study for optimal utilization of these lands, lest these get encroached or embroiled in disputes.

11.18. Similarly, the funds of the gram sabhas, amounting to ₹ 567 crore approximately (as in August 2016), are currently lodged in the custody of the Revenue Department and are hardly being utilised except for meeting the litigation expenses[1]. The lands of gram sabhas should be developed in line with the Master Plan of Delhi, while the funds and other assets of the gram sabhas should be transferred to the municipality of the area for development of appropriate infrastructure and services for respective villages, with the vision of developing these villages into model habitats within next one to two years.

Strengthening the Administrative Machinery of the Municipalities

11.19. The administrative machinery of the MCDs is headed by the Commissioner, who is assisted by two Additional Commissioner level officers, of whom one is Controller of Accounts cum Financial Adviser. In addition, there are other heads of technical and administrative wings. As per Section 54 of the DMC Act, the Government appoints the Commissioner, while Section 89 provides that the Corporation shall appoint suitable persons to be, respectively, the Municipal Engineer, the Municipal Health Officer, the Education Officer, the Municipal Chief Accountant, the Municipal Secretary and the Municipal Chief Auditor and may appoint one or more Deputy Commissioners. The appointment of the Municipal Secretary and the Municipal Chief Auditor is subject to confirmation by the government.

11.20. Unlike any other state, Delhi has a very major role for the municipalities in public administration of the entire state. In our opinion, the All India Services officers, in particular the officers of the Indian Administrative Service, ought to be exposed to the municipal administration not merely from outside, but by directly working in the municipalities. To our surprise, we found that most of the senior IAS officers of AGMUT Cadre working in the Delhi segment had not worked in any of the MCDs or NDMC. This leads to a gap in the perception of the role, responsibilities and capabilities of the municipalities in the minds of a large segment of the bureaucracy.

11.21. We also note that under the IAS (Fixation of Cadre Strength) Regulations 1955, as amended on 2010, the cadre strength fixed for the Delhi segment of the AGMUT cadre is 56, which includes 12 above super-time scale posts, 27 super-time scale posts and 17 senior scale posts. These include five posts of District Deputy Commissioners. However, there is no mention of either the Commissioner or any other officer for the MCDs in these rules. We were informed that the MCD

[1]We sought for the details of accrual and utilisation of such funds from the Revenue Department, but could not get the response.

posts are classified as 'State Deputation' posts and not cadre posts. In our opinion, IAS officers working in the NCT can deliver far more valuable public service working as Commissioners or Additional/Joint/Deputy Commissioners in the municipalities than in most of the other posts. Accordingly, we recommend that the posts of the MCD Commissioners and of the Chairman, NDMC should be encadred in the Delhi segment of the AGMUT cadre of the IAS.

11.22. The MCDs and the NDMC perform four common major functions, namely, sanitation, education, public health care and medical relief, and roads & drains. Each of these four functions should be headed by an Additional Commissioner and of them, at least two should have IAS officers. Also, each of the 12 MCD zones should be headed by officers from the IAS and DANICS as Zonal Deputy Commissioners.

11.23. There are at present 11 revenue districts headed by Deputy Commissioners, whereas there are 12 MCD zones, headed by Zonal Deputy Commissioners, excluding the areas under the NDMC and the DCB. We would recommend that the revenue districts should be re-organised to correspond with the 12 MCD zones, with a view to strengthening inter-institutional coordination.

11.24. We would recommend the GNCTD to review the cadre posts of the IAS and ensure the following norms for posting of IAS and DANICS officers:

- There should be at least nine IAS officers available in each of the MCDs, of whom one should be the Commissioner, two, Additional Commissioners and six Joint/Deputy Commissioners.
- At least six senior officers of the DANICS should be posted to each of the MCDs, in the rank of Deputy/ Joint/ Additional Commissioners.
- Each of these officers should be given a minimum tenure of two years.
- No officer who has not worked as Commissioner/ Additional Commissioner, MCD or Chairman/Secretary, NDMC, should be posted as Principal Secretary in the Urban Development, Education, Health, Environment and Public Works Departments.

11.25. We also heard of the discussions going on in respect of the re-amalgamation of the three MCDs. Some Committees set up earlier have gone into this issue. We made a quick assessment of this matter, as it is inter-twined with the various aspects of our TOR, though quite indirectly. Our assessment indicated that the only logic that is being forwarded in favour of such amalgamation is the weak financial condition of MCD-East and MCD-North. In our opinion, this issue should be assessed from the perspective of the citizens. Viewed that way, it is obvious to us that the financial disparities among the MCDs should be addressed through other solutions than amalgamation. We have tried to identify those 'other issues' and recommended at suitable places in this report.

Strengthening the Accounts Wing of the Municipalities

11.26. We have also observed that the maintenance of accounts in the municipalities, particularly in the MCDs, requires considerable improvements, as the MCDs do not maintain the classification of capital and revenue heads and Plan and non-Plan heads, even though the latter classification stands removed since 1st April 2017. In addition, the finance accounts of the MCDs are in arrears. Moreover, MCDs are resorting to double entry accounting only on *post facto* basis and not on real time basis. The audit of accounts of the MCDs is, in general, in arrears by several years and follow up on the audit reports is very weak. The MCDs are withdrawing funds from statutory funds such as the Employees' Provident Fund to meet their current account needs. The list gets longer. There is no doubt that the Accounts Wing of the MCDs need restructuring. Our assessment in the matter leads us to suggest systemic changes in the accounts wing and no aspersion on the current incumbents, who we found to be very sincere in their work.

11.27. The mission of the Accounts Wing of the municipalities has to be 'to administer an effective, credible and effective system for budgeting, payments and accounting', which we draw from the mission of the office of the Controller General of Accounts, Government of India. We recommend that the post of the Controller of Accounts cum Financial Adviser in the MCDs and NDMC should be filled in by the officers of the Indian Civil Accounts Service, to bridge the huge gap that has come in the requirements for efficient and transparent accounting and the current state of affairs of the accounts.

Capacity Enhancement

11.28. Municipalities, like all other organisations, need to undertake capacity enhancement measures, including training, for their personnel at all levels, to meet the evolving challenges for programme/services management. We were informed about the requirement of major improvement in the maintenance of files and records in the MCD offices, which are spread from the Commissioner's office to the zonal offices and various departments and their subordinate establishments. The workforce of the municipalities is of the order of one-lakh persons, which indicates that the task of capacity enhancement and training for the personnel of the municipalities is very large in magnitude.

11.29. There is an urgent need to strengthen the training arrangements for the officers and staff of the municipalities, for which each of the municipalities should work out the details in collaboration with expert institutions such as the Institute of Secretariat Training & Management, Delhi, UT Civil Services Training Institute, Delhi, National Institute of Financial Management, Faridabad, National Institute of Disaster Management, Indian Institute of Public Administration, New Delhi, etc. The UD Department should, in association with the Administrative Reforms Department, provide the required assistance to the municipalities.

Providing Functional Leadership to the Municipalities

11.30. The core functions of the municipalities, namely, education, environment management, public healthcare & medical relief and public works including roads & drains, are also among the core focus areas for the GNCTD. Of the total 5,027 primary schools in Delhi, 34 per cent are under the municipalities, while about nine per cent are with the GNCTD (see, chapter 7). Yet, the GNCTD retains the pivotal role of a guide and monitor for the municipalities, particularly because the municipalities (MCDs) depend almost entirely on the government grants for discharging their education related responsibilities. In respect of medical relief, the total capacity of GNCTD hospital is about six thousand beds, whereas, the MCD hospitals have about three thousand beds (see chapter 7). For public healthcare and environment management, the overall responsibility remains with the GNCTD, but the implementation is almost entirely with the municipalities. In respect of roads, over 63 per cent of the roads, measured in lane kms, are with the municipalities (see chapter 7), even while the major roads are with the state PWD. Natural drains, which follow seamless course, are also largely with municipalities, but all the drains alongside the PWD roads are with the state PWD. Thus, the state government and the municipalities play an almost complimentary role in management of civic services in Delhi.

11.31. However, we found that the state Secretaries and HODs of these sectors remain rather aloof of the functioning of the municipalities even though they administer release of crores of rupees from the State Budget as grants to the municipalities. The State Education Department's web portal[2] gives details of schools in terms of the four school districts (Central, West, South and East districts), but has no link for the schools of the municipalities. The web portal of the state H&FW Department gives a list of the government hospitals, but makes no reference to the hospitals of the municipalities[3]. The web portal of the state

[2]http://delhi.gov.in/wps/wcm/connect/DoIT/delhi+govt/education+link/elementary+education (accessed on 23.9.2017).

[3]http://delhi.gov.in/wps/wcm/connect/DoIT_Health/health/home/hospitals/delhi+govt.+hospital (accessed on 23.9.2017).

Environment Department makes no mention of the municipalities and, although it provides web links to the portals of various state pollution boards/committees of numerous other states, it provides no link to any of the municipalities of Delhi[4]. The website of the state PWD gives a link to the Central PWD (CPWD), but not to any of the municipalities[5]. Such aloofness of the state departments is not justified.

11.32. We recommend the state government to direct all the line departments to provide sector leadership to the municipalities by way of the following specific actions:

- Each line department of the GNCTD should coordinate with the municipalities for preparation of integrated sector plans, building up from the grassroots (ward) levels and aggregating to zone, districts, city (municipality) and state levels.
- Each line department of the GNCTD should provide a link on its web portal to its counterpart department in the five municipalities too.
- The line departments of the GNCTD should also guide the municipalities to update their various technical manuals and align the same with the technical manuals of the respective state departments. This should include the framework of the outcome based budgeting too.
- Each line department should assist the municipalities in providing subject matter training in their respective training facilities, on cost reimbursement basis.

11.33. We expect that such integrated approach would give best returns for the capacity enhancement of the municipalities for achieving the outcomes in the respective sectors, be it education, environment management, medical and healthcare or roads & drains.

Outcome Based Budgeting

11.34. Programme and expenditure monitoring is a major challenge for the municipalities. The key to effective monitoring of public expenditure, however, lies in integrating the financial outlays with the intended outcomes of the programme and the coordinated monitoring of the same. GNCTD has, in its Outcome Budget for 2017-18, presented a refined approach to this end. We would recommend each of the municipalities to adopt the outcome budgeting approach. However, this being a relatively novel task for the municipalities, state UD Department should, in collaboration with the Planning Department, handhold the municipalities to prepare outcome budget for 2017-18 onwards. For 2017-18, it may be taken as a *post facto* exercise, which would facilitate preparation of the same for 2018-19.

Permanent Finance Commission Cell

11.35. The Delhi Finance Commission (DFC) is constituted under Clause (1) of Article 243-I read with Article 243-Y of the Constitution of India by the Government quinquennially, by way of a notification issued under the Delhi Finance Commission Act, 1994. The current DFC is the fifth one in line and was constituted vide Notification dated 26th April 2016.

11.36. Each DFC is required to review the trend of receipts and expenditure of the state government and the municipalities for the past 10-15 years, before making projections for the same for the future (award) period. Each DFC is given a time line of about one to two years to submit its report, which are valid for 5-year period. Thus, essentially, the DFC remains a non-permanent body. Consequently, each DFC needs to start almost on a clean slate in terms of not only securing the office space and staff, but even—and more significantly—in terms of fiscal data and plethora of information relating to the functioning of the state government and the municipalities.

[4]http://delhi.gov.in/wps/wcm/connect/environment/Environment/Home/Links (accessed on 23.9.2017).

[5]https://www.pwddelhi.gov.in/ (accessed on 23.9.2017).

11.37. The lack of availability of the data compiled by the preceding DFCs, forces every new DFC to spend at least one year in securing the basic information, relating to its terms of reference as also relating to the procedures required for its own functioning. This leads to frittering away of the energy and time of the DFC, besides forcing the various departments and organisations of the state government and the municipalities into supplying the information to the DFC for the preceding years.

11.38. The previous DFCs had recommended to have a permanent Finance Commission Cell in the GNCTD. Perhaps the GNCTD did set up a permanent FC Cell in the UDD. However, the Fifth DFC found the Cell to be a nominal entity with few junior staff, having very little significance in the bureaucracy and with hardly any idea about the data requirements for the DFC. All they could make available to the DFC were some files relating to administrative issues for the DFC, while the subject matter information compiled by the 4th and the earlier DFCs were completely unavailable with that Cell. This forced the 5th DFC to start its work from the scratch levels for collection of information from government departments and municipalities.

11.39. It appears desirable to restructure the permanent Finance Commission Cell (FCC) in the GNCTD, by placing it under a Secretary level officer of the Urban Development Department. Strengthening the DFC Cell is important because the DFC has to assess the finances of both, the state government and the municipalities. Moreover, the introduction of the GST regime through the 101st Constitutional Amendment has brought in a new fiscal framework for the GNCTD, which will impact both, state and municipal finances very significantly. The impact of the GST regime would need to be carefully monitored by the DFC in close association with FD.

11.40. The Secretary level officer heading the FCC should automatically become the Secretary of the DFC, as soon as the DFC is constituted. He/she should provide an effective interface between the DFC, the state government, the municipalities and various other authorities that are required to provide host of information, besides data, to the DFC. Subsequently, upon the submission of the report by the DFC and its winding up, the same officer should continue to head the FCC and look after the following activities:

- All matters relating to implementation of the DFC recommendations.
- Preserving the hard and soft copies of the database and files/records of the DFC to be used for various analytical and administrative purposes and to hand over the same to the next DFC.
- Collecting and compiling information from other states and GOI, relevant for the next DFC.
- Interacting with the SFCs of other states.

11.41. The restructured permanent Finance Commission Cell may have the following supporting staff:

- Secretary
- Additional/Joint Secretary
- Deputy/Under Secretary-2
- Dy. Controller of Accounts
- Statistical Officer
- Programmer/Assistant Programmer
- Data Entry Operators-2
- Ministerial Staff (Superintendent, Clerks, MTS, etc.)

11.42. The Union Finance Commissions (11th to 14th) had examined the issues relating to composition of SFCs and made certain recommendations, which are extracted in Box-11.1, for reference.

11.43. We sought for opinion from the UDD, so that the permanent Finance Commission Cell (FCC) could be strengthened before conclusion of our term, for safekeeping of the database and numerous records, prepared with considerable efforts by the DFC. Even though we could not get a response from the state government on this issue in time, we still feel it

Box 11.1: Extract from the Reports of the Eleventh, Twelfth, Thirteenth & Fourteenth Central Finance Commissions

Fourteenth FC (December 2014)

"We recommend that the State Governments should strengthen SFCs. This would involve timely constitution, proper administrative support and adequate resources for smooth functioning and timely placement of the SFC report before State legislatures, with action taken notes." (Para 9.84)

Thirteenth FC (December 2009)

"State Governments should ensure that the recommendations of State Finance Commissions (SFCs) are implemented without delay and that the Action Taken Report (ATR) is promptly placed before the legislature." (Para 10.129)

Twelfth FC (November 2004)

"The number of members including the chairperson may not exceed five excluding a serving officer who may act as the secretary. Since the SFCs are temporary bodies and dedicated efforts are called for to discharge their functions within the time limit, all members and chairman should be full time." (Para 8.34)

"As the collection and collation of data would need to be done constantly and data would need to be made available to the SFC as and when it is constituted, it may be desirable to set up a permanent SFC cell in the finance department of each state. This cell may be headed by a secretary level officer, who will also function as secretary of the SFC, as and when constituted." (Para 8.35)

"It is desirable that SFCs are constituted at least two years before the required date of submission of their recommendations, and the deadline should be so decided as to allow the state government at least three months' time for tabling the ATR, preferably along with the budget for the ensuing financial year." (Para 8.36)

"We recommend that in future, the SFCs must clearly identify the issues which require action on the part of the central government to augment the consolidated fund of the state and list them out in a separate chapter for the consideration of the Central Finance Commission." (Para 8.37)

Eleventh FC (June 2000)

"It is necessary to ensure that State Governments take their decisions on the recommendations of the SFC, especially in regard to matters relating to resource transfer, and place the ATRs on the floor of the State Legislature within six months from the date of submission of the report by the SFC. Amendments in the laws, if necessary, be made at the earliest." (Para 8.11c)

desirable to make this recommendation, which should be useful for the next DFCs.

Recommendation

We summarise our recommendation, as follows:

11.44. The existing permanent Finance Commission Cell (FCC) located in the UDD should be upgraded and restructured, by placing it under a Secretary level officer along with a support team comprising an Additional/Joint Secretary, Deputy/Under Secretary, Accounts Officer, Statistical Officer, Programmer, Data Entry Officer and Ministerial Staff.

11.45. The Secretary level officer heading the FCC should automatically become the Secretary of the DFC, as soon as the DFC is constituted and provide an effective interface between the DFC and the state government, municipalities and various other authorities that are required to provide host of information, besides data, to the DFC.

11.46. Subsequently, upon the submission of the report by the DFC and its winding up, the same officer should continue to head the FCC and look after the following activities:

- All matters relating to implementation of the DFC recommendations.
- Preserving the hard and soft copies of the database and files/records of the DFC to be made use of for various analytical and administrative purposes and to hand over the same to the next DFC.
- Collecting and compiling information from other states and GOI, relevant for the next DFC.
- Interacting with the SFCs of other states.

Chapter 12

Best Practices of the Municipalities

Introduction

12.1. During the course of our interactions with the municipalities, we learnt about a number of special and innovative efforts being put in by them in discharge of their obligatory and discretionary functions and in resource mobilisation endeavour. We had requested the municipalities to share with us further details about at least three of their best practices. All the municipalities responded and some reported even more than three such practices. We have tried to retain all that was reported to us while we reproduce the gist of their innovative efforts in this chapter.

Innovations in Infrastructure Management

12.2. We received brief case studies about transformation of street lighting (MCD-North), smart street poles as a source of revenue (NDMC) and harnessing solar energy (NDMC). These are explained below.

Transformation of Street Lighting: MCD-North

12.3. Street lighting is an obligatory function of the municipal corporations. MCD-North maintains around 2.05 lakh street light points and semi-high mast lights. MCD-North pays for maintenance and energy consumption of these points, which currently come to around ₹ 119 crore annually, to the DISCOMs. With a view to ushering in energy efficiency and also savings on its energy bills, MCD-North undertook a project, of replacing all the conventional street lights with LED lights, which consume around 60 per cent less power compared to the conventional lights. Further, to make the project more beneficial to the corporation, open tenders were floated to get the best offers. MCD-North achieved a minimum guaranteed saving of 64.44 per cent, out of which 21 per cent would be the revenue to the MCD-North. Translated into monetary terms, MCD-North would save a minimum of ₹ 37 crore per annum for first seven years. The savings figure will dramatically increase thereafter.

Smart Street Poles as a Source of Revenue: NDMC

12.4. NDMC has proposed to replace the existing street light poles with smart poles, which will have, besides warm LED luminaries, internet protocol (IP) based pan-tilt-zoom (PTZ) camera, Wi-Fi, environment monitoring sensors, mobile phone charging facility and sitting place around smart poles, i.e. one stainless steel bench per pole. The project is proposed to be carried out on PPP model, where a concessionaire would carry out the above stated works for NDMC in lieu of right over these poles for installation of telecom equipment to enable multiple telephone services based on Wi-Fi/2G/3G/4G/RF/Next-gen for the concession period. The concessionaire will also pay a monthly fee. The process for selection of concessionaire for contracting of 55 such smart poles is in final stage.

Harnessing Solar Energy: NDMC

12.5. NDMC is one of the few DISCOMs in the country, which is fulfilling its renewal power obligations by purchasing green energy as per the norms set by the Government of India (GOI). In the field of solar energy, NDMC has taken many initiatives, including setting up 3.5 MW roof-top solar panels on 63 buildings, which have been commissioned during 2016-17. Further work on 0.9 MW projects are underway on 74 buildings. The NDMC has proposed to install façade solar panels on its own buildings such as Palika Kendra and has also proposed to make necessary provisions for façade and roof-top solar panels in the skill development centre building coming up at Moti Bagh. As the roof top space of NDMC's premises is limited and is almost fully explored, it has now proposed to promote the rooftop solar energy on private buildings in NDMC area by facilitating GOI's 30 per cent capital subsidy scheme, in collaboration with the Solar Energy Corporation of India (SECI). The SECI has finalised the vendors as also the rates for extending capital subsidies to private individuals. NDMC will act as system aggregator between private individuals and SECI to facilitate such capital subsidy disbursement for promoting solar rooftop panels in the private buildings in NDMC area.

Waste to Wealth

12.6. It was impressive to learn about the efforts being made by the municipalities to introduce innovative approach towards waste management, which would be environment friendly and, in addition, generate revenue also, for the municipalities. The examples that we received included waste-to-energy (MCD-North), door-to-door collection of garbage, and segregation and processing at ward level (MCD-East) and recycling construction & demolition waste (MCD-East). Further details are as below.

Waste to Energy: MCD-North

12.7. MCD-North had started the construction of a 24-megawatt Waste-to-Energy (W2E) plant based on reciprocating grate technology at Narela-Bawana landfill site in January 2012. The capacity of this plant is to process 2,200 metric tonnes of garbage on a daily basis. The concessionaire has since got the regulatory approvals during 2014 to sell the generated power at a tariff of ₹7.03 per kWh. It has also agreed to share revenues @ 3 per cent of levelised tariff of the electricity produced. It is estimated that initially a monthly income of ₹ 30 - 40 lakh will accrue to the MCD-North. The project would help the municipality keep its area free from dumping of civic refuse and also make money out of the same.

Door-to-Door Collection and Processing of Garbage: MCD-East

12.8. MCD-East undertook a pilot project for door-to-door collection of garbage, and segregation and processing at ward level. This project has been put to tender for implementation in PPP mode for more efficient operations.

Recycling Construction & Demolition Waste: MCD-East

12.9. Delhi generates around 5,000-6,000 tons of construction & demolition (C&D) waste per day, because of large-scale construction and redevelopment activities. However, such activities also clog the drains, block the traffic and occupy dumping spaces.A C&D waste processing plant was established by the erstwhile MCD at Burari in partnership with M/s ILFS Environmental Infrastructure & Services Ltd. in 2009 with an initial capacity to process 500 tons per day (TPD). The capacity of the plant was enhanced to 2,000 TPD with wet process technology and commissioned on 25th March 2013. After successful trials, the necessary permission for its operation was granted by the Delhi Pollution Control Committee on 16th July 2014. The plant produces reusable size graded aggregates, sand, soil, cement blocks and cast products, which have potential for replacing the natural materials and address the shortage of building materials, as well as help in maintaining dust-pollution free environment.

Adding Value to Public Healthcare

12.10. Some municipalities presented exciting reports about their efforts to add value to the normal public healthcare activities. These included a prototype activity on air quality forecasting and research (DCB), monitoring of mosquito breeding control and sanitation (MCD-East) and smart public hygiene centres having novel features (NDMC). Details are as below.

Air Quality Forecasting and Research: DCB

12.11. The Delhi Cantonment Board (DCB) has undertaken an initiative for setting up a 'System of Air quality Forecasting And Research'(SAFAR), to provide location-specific information on air quality in near real time and its forecast from one to three days. The World Meteorological Organization has recognised SAFAR as a prototype activity on the basis of the high quality control and standards maintained in its implementation. One of the main objectives of the project is not simply to monitor the quality of air but to provide forecasting information on air quality.

SAFAR, the air quality and weather monitoring system, is a first-of-its-kind initiative, which has already shown positive impact in the areas of public health, timely intimation of impending disasters/weather extremities, inputs for environment issues and generating important data for the government.

Monitoring of Mosquito Breeding Control and Sanitation: MCD-East

12.12. MCD-East has set up a special group of officers drawn from its various departments and assigned them with specific municipal wards. These officers would visit their wards every day and report on certain critical public health and management indicators such as mosquito breeding, availability of sanitation staff on field, sanitation status, condition of dhalaos, availability and cleanliness of public toilets/urinals, availability of auto-tippers and their functioning and plantation in public places and their status. Each officer would upload the status report using mobile app on daily basis. All the Group-A officials, irrespective of the designation and department, have been assigned this work in addition to their respective duties.

Smart Public Toilet Units: NDMC

12.13. The NDMC is constructing 149 public toilet units, including 109 smart public hygiene centres having features like bank ATM, drinking water ATM, six non-invasive body basic vitals testing (ECG, spirometry, oximetry, blood pressure, glucose level and body temperature), vending machines, high quality fittings and facilities like sanitary napkin vending machine, solar roof-top panels, wherever feasible. This is the first time not only in India but globally that all these facilities have been developed in public toilets. These toilets that are being made under PPP model are self-sustainable and will also generate revenue for NDMC.

Enhancing the Quality of Primary Education

12.14. The DCB reported several initiatives to make primary education more inclusive and holistic. Such success stories include the initiative to educate the wards of the construction and migrant labours and the special cildren and e-learning. MCD-East also reported efforts to propagate e-learning and in-service training of the teachers of the primary schools operated by the MCD-East in PPP mode. Details are given below.

Improving the Access to Education: DCB

12.15. The Delhi Contonment Board (DCB) is giving thrust to ensuringaccess to the schools for all children of the cantonment as also to raise the quality of education in its schools. The Board is maintaining six senior secondary schools and one secondary school. One of these schools is an English medium school, which was upgraded from primary to secondary level during 2015-16. For promoting enrolment, *Dakhila Abhiyan Rallies* are conducted invariably every year. These schools have adopted no rejection policy and are promoting inclusive education. The DCB is providing, besides education, free facilities like uniform, shoes, books, and mid-day meal. Separate toilet facilities for girl and boys are provided in every school. Also, RO units have been installed in every school for ensuring safe water supply.

E-Learning: MCD-East & DCB

12.16. MCD-East has started the process for setting up of Computer Aided Learning Centers (CAL-C) in 200 primary schools. Under the CAL-C, each school will have a computer center with 10 monitors and a skilled teacher for imparting computer education as well as for learning through computer based technology. The DCB too has taken several measures to promote e-learning at elementary education levels. For instance, 100 smart (interactive) class-rooms have been set upin seven DCB schools, computer education has been made compulsory from class III onwards, and computer labs with internet facility have been provided in every school (so far 180 computers installed).

Caring for the Underprivileged Children: DCB

12.17. The DCB has started an initiative to educate the wards of the construction and migrant labours through 'Shradha Path' centres, which are equipped with all facilities available in the regular DCB schools, such as free education, uniform, shoes, books, and mid-day meal facilities. The first such centre is functioning at Church Road with 40 children at present.

Caring for the Special Children: DCB

12.18. The DCB is also operating a special school, named ‘Kripa’, for children with special needs due to problems like mental retardation/ syndrome, epilepsy, cerebral palsy, birth asphyxia, hyper-activity, etc. Presently 126 special children from cantonment and adjoining areas have been enrolled. Kripa provides a holistic approach, which includes pharmacological interventions, special diets, occupational therapy, sensory integration, behavioural therapies such as applied behaviour analysis or functional behaviour analysis, and symptom-specific treatments such as speech or language therapy, dance and music therapy, yoga and physiotherapy, etc. The Cantonment General Hospital has been associated with Kripa and takes full medical care of Kripa children at regular intervals, besides maintaining their health and medical record.

CSR-PPP for Teachers Training: MCD-East

12.19. MCD-East has started an “In-Service Teachers Training Institute” in collaboration with Tech Mahindra Foundation. This institute also has teacher’s helpline for assisting the teachers in their problems through a toll-free number. Teachers can take assistance of experts any time 24x7, even during class, if they face any problem in teaching. Also, special training has been conducted for more than 1,500 teachers so far for quality education and the target is to cover all the teachers of the MCD primary schools. This initiative is one of its kind where private sector has contributed to the improvement in education under corporate social responsibility (CSR) and public-private partnership (PPP).

Re-engineering the Governance Processes

12.20. A number of municipalities have informed about the efforts initiated by them for re-engineering the governance processes, for benefit and convenience of the citizens. These include issue of birth and death certificates on-line (MCD-North & MCD-East), online sanction of building plans (MCD-South), reforming the building bye laws (MCD-South), Information & Facilitation Centres (DCB), mobile-app and call-centre based handling of public grievances (DCB and MCD-East), reforming the licensing policy (MCD-East) and enhancing the motivation levels of the employees (DCB). Further details are stated in the subsequent paragraphs.

Online Birth & Death Registration: MCD-North & MCD-East

12.21. MCD-North has introduced a complete online system through which the citizens can obtain the birth and death certificates without making any visit to its offices. Citizens can log on to the MCD web site and place request for issue of these certificates after making the necessary payment. The first copy of the certificate is issued free of cost. Prior to this, a person had to visit the designated offices for obtaining these services. Now it has become hassle-free and the services are accessible from the comfort of one’s own house.

12.22. MCD-East has also launched the on-line system of registration and issue of birth and death certificates. It has also been sending the first copy of birth and death certificates free and by post for all registered events. A new counter has been started at the Zonal Citizens Service Centres for addition of the name of the child in the birth certificate. It would result in addition of name within 10 minutes.

Online Sanction of Building Plans: MCD-South

12.23. MCD-South has introduced a scheme of online sanction of building plans through common application form (CAF) under single window clearance system (SWCS). Under the scheme, the process of plinth inspection is also made online, based on the risk based assessment as given in the Uniform Building Byelaws (UBBL) 2016. The departments such as the MCD, Fire, Factory, Archeological Survey, Airports Authority, Delhi Urban Art Commission, Heritage, etc. from whom the no-objection certificates (NOC) are required before issue of completion–cum-occupancy cerificate, have also been integrated with the online CAF.

12.24. Earlier, the sanction of building plan was taking 3-4 months and in cases where more NOCs were required at the time of issue of completion–cum-occupancy cerificate, it took even years. However, now under the online system, the building plans are being sanctioned within a maximum of 30 days. In case the plans remained pending on the part of the department, deemed sanction is being done by the system. In case NOC is not granted within 15 days, the same is treated as the deemed NOC by the external agency and the building plan is sanctioned without delay through the online system. Similarly, the plinth certificate is to be issued within seven days or else deemed approval is granted. The occupancy-cum-completion certificate is to be issued within 22 days or else deemed approval shall be granted.

12.25. The average time for sanction has, during April 2016 to June 2017, come down to about 12 days, which is a major reform achieved by MCD-South. During this period, a total of 3,397 applications were filed, out of which 2,892 have been sanctioned online. About 539 building plans have been sanctioned on the same day and majority (62 per cent) of plans in which no NOC was required were sanctioned within seven days.

12.26. The innovative measures described above have led to the following tangible benefits to the citizens:

- There is no physical interaction between the department and the applicant, thereby eliminating the chances of corruption.
- SMS and mail are sent to the applicants at all stages, right from application submission to sanction.
- Submission of hard copy has been dispensed with since April 2016.
- Submission of fee is online only,through netbanking, debit/credit card and RTGS/ NEFT, etc.
- Digitally signed sanction letters are being issued which can be downloaded online by the architect/owner.

Reforming the Unified Building Bye Laws: MCD-South

12.27. MCD-South has persued and secured certain significant reforms in the Unified Building Bye Laws 2016 (UBBL), which have now been adopted by all the MCDs. These include revision in the environment clearance procedure, which was earlier required for buildings having covered area 20,000 sqm or more, and has now been revised empowering the MCD to issue the environmental clearance in cases of upto 1,50,000 sqm built up area. Secondly, risk-based assessment has been introduced in the UBBL for sanction, plinth intimation and completion cerificates.

Information & Facilitation Centre: DCB

12.28. The Delhi Cantonment Board has established the Information & Facilitation Centre (IFC) with the objective of providing a single-window solution for handling the public grievances. The facilities at the IFC include Samadhan Kendra, Suvidha Kendra, Tax/Revenue window, birth and death registration, handling of dak, IT control room and cash counter, all under one roof. This centre is a unique facility in resolving public grievances with IT support and is an e-governance initiative under Digital India Project.

Samadhan Mobile App: DCB

12.29. The DCB has introduced 'Samadhan App', with the objective of strengthening and empowering the citizens to report and evaluate the cleanliness of their own neighbourhoods. This App would also meet out the mandate of the Board towards sanitation. It would also allow the residents to post their complaints easily and also track status of the same. This App can be used 24x7 and is an e-governance initiative under Digital India Project and also a complimentary step towards making Smart Cantonment.

Public Grievance Redress System: MCD-East

12.30. MCD-East has set up a 24x7 call centre for handling public grievances with a suitably designed framework, in which the call centre records every complaint received by it and also immediately forwards to the official concerned over SMS. The official concerned, after attending the grievance, gives feed back to the call centre, which in turn would call up the complainant and seek her/his satisfaction. Grievances not attended/redressed are forwarded to the next higher authority after three days over SMS till the issue is resolved. Dashboard for monitoring the process is made available to higher authorities.

Licensing Policy Reforms: MCD-East

12.31. MCD-East has simplified the licensing policy and reduced the documentation requirements. The licence issuance process has been outsourced to agencies that would collect documents and the fee on-site and issue license after processing is done by department. This has resulted in increase of licenses manifold.

Recognition of the Performing Employees: DCB

12.32. The Delhi Cantonment Board has introduced awards of 'Employee of the Month' and 'Employee of the Year'. These are awarded to the employees who make notable/significant contribution to the activities of the Board during the month/year. These awards have encouraged the employees to put in their best and motivated them to improve efficiency/productivity to the optimum, besides creating a healthy competition among them.

Resource Augmentation Efforts

12.33. Some of the municipalities have reported about the serious efforts being put in by them to enhace the revenue base. These include (*a*) the efforts to augment collections from advertisement leases and from property tax (MCD-South), (*b*) identifying the potential lands/sites for leasing out as vehicle parking sites and installation of Bank ATMs on municipal properties (MCD-East). (*c*) reduction in the discretionary funds of the members of the Council and land monetisation (MCD-East). These are explained further, in the paragraphs below.

Revenue Enhancement in Advertisement Leases: MCD-South

12.34. MCD-South was earlier awarding the advertisement rights by way of tender process through individual unipole (an advertising instrument) and only the registered advertisers were allowed to participate in the tenders. The unipole sites were limited in numbers and new sites were not explored. Hence, the revenue of the MCD-South on this count was sub-optimal. The possibility of increasing the revenue from allotment of advertisement rights was remote, until the illegal advertisements were removed and zero tolerance adopted. MCD-South carried out a special drive against the illegal advertisements on both private and public lands. It also made various complaints by way of registration of FIRs under Section 3 of the Delhi Prevention of Defacement of Property Act 2007 against the defaulting advertisers/owners of premises/ companies and their chief executives.

12.35. MCD-South combined the existing and new advertisement sites into clusters. To introduce wider participation in the tendering process, bids were thrownopen to all the eligible bidders with the condition that the H-1 bidder must be registered with MCD-South before allotment of the advertisement rights. This enabled those bidders to participate in the tender who were earlier not registered with Corporation.

12.36. The adoption of new tendering process and cluster-wise allotment of advertisement rights through unipoles and multipoles has fetched around ₹ 120 crore to the MCD-South in the financial year 2016-17, as against ₹ 53 crore in 2014-15 and ₹ 45 crore in 2015-16.The way things are moving now, it seems quite possible to get the revenue of around ₹ 150 crore per annum from the allotment of advertisement rights through unipoles in the FY 2017-18.

12.37. MCD-South is moving with the vision of regulated advertisement, increased revenue and better aesthetics of the capital city under its jurisdiction. It is going to install radio frequency identified device (RFID) on all the advertisement instruments to monitor these on real time basis. It is also moving strategically to increase the aesthetics of the market places by allowing digital (LED/LCD) and flag signs to suit the advertisement requirement of the showrooms/shops situated in the market areas.

Amnesty Scheme for Widening Property Tax Base: MCD-South

12.38. Presently, property tax is levied and collected on unit area method w.e.f. 1st April 2004, under which the tax is payable annually on self-assessment basis. Prior to this, property tax was levied and collected on rateable value (RV) and annual value (AV) methods. Huge arrears of property tax under the RV and AV methods were pending against the tax-defaulters. As per provisions of DMC Act, interest @1 per cent per month, besides penalty to the extent of 30 per cent, is leviable on property tax dues. Thus, as on date, interest is leviable on arrears pending before 2004-05 amounting to more than 150 per cent of the tax amount, and often far exceeds the principal amount of arrears, thereby making huge liability on the tax-defaulters.

12.39. In order to widen the tax-net and provide the taxpayers an opportunity to clear their previous dues, as an innovative measure, an amnesty scheme was launched by MCD-South during the period 18.11.2016 to 31.03.2017 under which. subject to full payment of all previous arrears, full amount of penaly and interest was waived off.

12.40. The scheme also attracted the residents/ inhabitants of even unauthorised colonies and unauthorised regularised colonies. Many government departments have also availed of the benfits of the amnesty scheme and liquidated their outstanding dues by paying only principal amount. For instance, the State Education Department had deposited ₹ 47 crore, BSES, ₹15 crore and the Airport Authority, ₹ 26 crore. Similarly, other departments/ organisations like police, para military forces, hotels, etc. also came forward to pay their dues under the amnesty scheme. MCD-South achieved a record collection of ₹ 650 crore during 2015-16 from propery taxes and eight per cent increase in the number of taxpayers. This is another record surpassing the growth of 19 per cent achieved last year.

Surface Parking Lease: MCD-East

12.41. MCD-East has identified the potential lands/ sites for leasing out as vehicle parking sites across its jurisdiction, irrespective of land owning agency. The sites allowed by the agencies as well as the own sites of MCD-East were auctioned for parking, yielding good revenue.

Bank ATMs on Municipal Properties: MCD-East

12.42. MCD-East has identified the suitable municipal properties and put to tender for installation of ATMs, thereby earning revenue from rent.

Discretionary Funds Reduced: MCD-East

12.43. MCD-East has reduced the discretionary funds from ₹ 2.00 crore per municipal ward to ₹ 25 lakh. This resulted in getting more funds available for undertaking budgeted works/services.

Land Monetisation: MCD-East

12.44. Even though MCD-East had inherited very few fixed assets/ properties from the erstwhile MCD, it has made plans to develop the available vacant land/ properties. These include re-development of the zonal office behind Karkardooma Court and leasing out 40 per cent of the building, re-development of Shahdra Jheel, re-development of own property at Anaj Mandi Shahdra into commercial complex and construction of its headquarters building at CBD Ground with 40 per cent leasing. All these would expectedly result in good revenues for the MCD-East.

The Take Away

12.45. We are placing the initiatives of the municipalities on record not only to recognise their efforts, but also to encourage propagation of such practices among all the municipalities. Such measures are likely to go a long way in enhancing the overall performance of the municipality and, in turn, the service delivery to the public at large. We would recommend to the Director of Local Bodies to organise quarterly workshops of the senior officers of the municipalities for experience sharing and mutual learning from their respective best practices.

Annexures

Annexure-2.1

DEPARTMENT OF URBAN DEVELOPMENT

ORDER

Delhi, the 26th April, 2016

F.NO.13/73/V-DFC/MB/UD/2016/643.- In exercise of the powers conferred by Section 3 of the Delhi Finance Commission Act, 1994 (Delhi Act 10 of 1994) and on the recommendation of the council of Ministers, the Lt. Governor of the National Capital Territory of Delhi, hereby, constitutes the Fifth Finance Commission for the National Capital Territory of Delhi to cover the five financial years period 2016-2021 commencing from 1st April, 2016 (herein referred to as "the Commission"). The commission shall comprise of the following as Chairman and Member Secretary:-

1. Shri Sudhir Krishna — Chairman
2. Shri K.R. Kishore — Member Secretary

The name of the other two members shall be notified separately by the Government.

2. The Chairman and Members of the Commission shall hold office for the period of 18 months commencing from the date of issue of notification constituting the Commission.

3. The Chairman and Member Secretary shall render full time service.

4. The Commission shall review the financial position of the Municipalities and make recommendations as to–

   (a) the principles which should govern

      (i) the distribution between the Government of National Capital Territory of Delhi and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the government of National Capital Territory of Delhi which may be divided between them,

      (ii) the determination of the taxes, duties, tolls and fees which may be assigned to the Municipalities.

      (iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi, and

   (b) the measures needed to improve the financial position of the Municipalities.

5. In making its recommendations, the Commission shall have regard, among other considerations, to -

the overall resource position of the Government of National Capital Territory of Delhi;

ii. the scope for economy in the municipal administration;

iii. the scope for improvement in resource mobilization by the Municipalities;

iv. tax effort made by the Municipalities;

v. adequate maintenance and upkeep of capital assets including those created or likely to be created under:

vi. the Plan schemes till the end of March, 2016 (the expenditure provided therefor and the norms, if any, on the basis of which such expenditure is provided for maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored may be indicated),

vii. the requirements of the Municipal bodies for modernization of administration (for example e-governance) and upgrading the standards of services (the details for such expenditure provided for and manner in which this could be monitored may be indicated).

6. The Commission may Review the functions assigned to Municipalities keeping in view the availability of resources, and the limitation of capacity especially with regard to the discretionary functions.

7. The Commission may make an assessment of the debt position of Municipalities as on 31st March, 2016 and suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the Government of National Capital Territory of Delhi.

8. The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of .the Consolidated Fund of the National Capital Territory of Delhi, as a special case.

9. The Commission must also focus on the following aspects which are essential for the long term strengthening of the local bodies:-

i. securing effective linkages between asset creation and asset management, so that infrastructural services created are not only maintained effectively but also become self-sustaining over time;

ii. scaling of delivery of civic amenities;

iii. Introduction of e-governance applications in core functions of municipal bodies;

iv. Capacity building programmes for better financial management;

v. Accounting reforms, adoption of double entry system and up-to-date accounting / audit system; and

vi. e-procurement and development of a well organized administrative system.

10. The Commission may in the first instance thoroughly analyze the Internal and External Revenue position of the local bodies for the last 10 to 15 years and then make realistic projections on the basis of some assumptions and Additional Resources Mobilization based on revision of rates of tax and non-tax revenue.

11. The expenditures and revenues of local bodies to be assessed based on actual and normative expenditure needs. While assessing expenditure needs the differences among the local bodies in fiscal capacity and expenditure need may also be considered.

12. The GNCTD will also furnish their projections of Tax revenue and proposed capital investment under Plan on outgoing works and new works after meeting the expenses of GNCTD under Non-Plan.

13. A comprehensive approach to the assessment of expenditure needs by taking both Plan and non-Plan expenditure of GNCTD may be adopted by the Commission before recommending the outgo of Tax revenue in the form of BTA to local bodies.

14. The Commission may also study the present activities of local bodies and see whether some of their functions

i.e. Major Hospitals etc. can be transferred to GNCTD which may reduce their expenditure.

15. The Commission may also look into the scope for better fiscal management consistent with efficiency and economy in major components of recurring and nonrecurring items of expenditure of local bodies.

16. The Commission shall also indicate in its report the basis on which it has arrived its findings and indicate, as far as possible, the estimates/forecasts of receipts and disbursements for all the Municipalities together as well as separately for each of such bodies.

17. The Commission shall submit its report within 18 months from the date of issue of notification constituting the Commission on each of the matters aforesaid and covering a period of five financial years starting from April 1, 2016.

By order and in the Name of the Lt. Governor
of the National Capital Territory of Delhi

SANJEEV MANKOTIA, Dy. Secy.

Annexure-2.1A

URBAN DEVELOPMENT DEPARTMENT
NOTIFICATION

Delhi, the 12* September, 2017

F.No.l3(73)/VthDFC/MB/UD/2016/Vol-l/3702.—In continuation of this Governments', Notification No. F. 13/73/V-DFC/MB/UD/2016/Vol-l/643 dated the 26th April 2016 in respect of constitution of Fifth Delhi Finance Commission for the National Capital Territory of Delhi and in exercise of the powers conferred by section 3 of the Delhi Finance Commission Act.1994 (Delhi Act of 10 of 1994), the Lt. Governor of the National Capital Territory of Delhi hereby specifies that the Fifth Finance Commission Constituted under said Act, shall be deemed to be the Finance Commission for the purpose of section 107A of the Delhi Municipal Corporation Act, 1957 (66 of 1957) and section 53 of the New Delhi Municipal Council Act, 1994 (44 of 1994).

By order and in the Name of the Lt. Governor of
National Capital Territory of Delhi,

SANJEEV MANKOTIA, Dy. Secy. (UD)

Annexure-2.2

DEPARTMENT OF URBAN DEVELOPMENT, 10TH LEVEL

NOTIFICATION

Delhi, the 28th April, 2017

F. No. 13/73/V-DFC/MB/UD/2016/Vol.1/1786.- In exercise of the powers conferred by section 3 of the Delhi Finance Commission Act 1994 (Delhi Act of 1994), the Lt. Governor of the National Capital Territory of Delhi, hereby makes the following amendments in the notification No. F.13/73/V-DFC/MB/UD/2016/643, dated the 26th April, 2016 published in the Delhi Gazette, namely:-

In the said notification, in 3rd para, for the words “other two members” the words “other three members” shall be substituted with effect from the date 26th April, 2016.

Further in exercise of the powers conferred by section 3 of the said Act, and in continuation of the order dated the 26th April, 2016, the Lt. Governor of the National Capital Territory of Delhi is pleased to nominate the following persons as part time members of the Fifth Finance Commission for the National Capital Territory of Delhi which was constituted vide order dated the 26th April, 2016, namely:-

1. Mr. Vishwa Nath Alok
2. Dr. Debolina Kundu
3. Sh. B.K. Sharma

By Order and in the Name of the Lieutenant Governor of
the National Capital Territory of Delhi.

PAWAN PRAVESH, Dy. Secy. (MB)

Annexure-2.3

Composition and Other Information about the First to the Fifth DFCs

Sl. No.	Particulars	First DFC	Second DFC	Third DFC	Forth DFC	Fifth DFC
1	**Chairperson**	Shri Virendra Prakash	Sh. S.R. Sharma (16.01.2001 to 12.07.2001) Shri K.S.Baidwan (From 13.07.2001)	Sh. M.K. Bezboruah, IAS(Retd.)	Sh. P.S. Bhatnagar, IAS(Retd.)	Dr. Sudhir Krishna, IAS (Retd.) (26.4.16 to 25.10.17)
2	**Member**	Sh. G.N. Tondon Sh. Balbir K. Punj (Dec. 1995 to Dec. 1997) Sh. S.C. Khandelwal (Dec 1995 to Dec.1997)	Sh. Desh Bandhu (Full Time) Prof. Om Prakash Mathur (Part Time)	Dr. N.J. Kurian	Prof. Mukesh Mathur (Part Time)	Prof. Vishwa Nath Alok (Part Time) 26.4.17 to 25.10.17) Sh. BK Sharma (Part Time) 26.4.17 to 25.10.17) Dr. Debolina Kundu (Part Time) 26.4.17 to 25.10.17)
3	**Ex-Officio** **Member**	Sh. Virender Singh (Aug.97 to Dec.97) Sh. P.S. Bhatnagar, IAS (Apr.95 to Nov.96) Sh. Dev Trivedi (Nov.96 to Mar.97) Sh. B.P. Mishra (Apr.97 to Aug.97)	Sh. Ramesh Chandra (24.01.2001 to 20.06.2002) Sh. Rakesh Singh (20.04.2001 to 02.08.2001) Sh. R.S. Gujral (From 02.08.2001)	-	-	-
4.	**Member** **Secretary**	-	Sh. C.S. Khairwal (Part Time till 31.05.2001) Smt. Sumati Mehta (Full Time from 30.05.2001)	Sh. D.M. Spolia, IAS	Sh. K.S. Wahi	Sh. K.R. Kishore 26.4.16 to 25.10.17)
5.	**Date of Constitution**	3.4.1995	9.1.2001	21.10.2004	14.10.2009	26.4.2016/ 26.4.2017
6.	**Award Period**	1996-97 to 2000-01	2001-02 to 2005-06	2006-07 to 2010-11	2011-12 to 2015-16	2016-17 to 2020-21
7.	**Date of Report Submission**	31.12.1997	14.3.2001 (Interim) 30.4.2002 (Final)	5.4.2007	5.4.2013	-
8.	**Date of the Explanatory Memorandum of the State Government**	28.9.1998	22.3.2004	28.12.2007	2.12.2015	-

Annexure- 3.1

Gender Ratio (Females/ per 1000 Males) in India and the States/UTs in 2001 and 2011

India/States/UTs	Total		Rural		Urban	
	2001	2011	2001	2011	2001	2011
India	933	940	946	947	900	926
Andhra Pradesh #	978	992	983	995	965	984
Arunachal Pradesh	893	920	914	929	819	889
Assam	935	954	944	956	872	937
Bihar	919	916	926	919	868	891
Chhattisgarh	989	991	1,004	1,002	932	956
Goa	961	968	988	997	934	951
Gujarat	920	918	945	947	880	880
Haryana	861	877	866	880	847	871
Himachal Pradesh	968	974	989	988	795	853
Jammu & Kashmir	892	883	917	899	819	840
Jharkhand	941	947	962	960	870	908
Karnataka	965	968	977	975	942	957
Kerala	1,058	1,084	1,059	1,077	1,058	1,091
Madhya Pradesh	919	930	927	936	898	916
Maharashtra	922	925	960	948	873	899
Manipur	978	987	967	966	1,009	1,038
Meghalaya	972	986	969	983	982	997
Mizoram	935	975	923	950	948	1,000
Nagaland	900	931	916	942	829	905
Odisha	972	978	987	988	895	934
Punjab	876	893	890	906	849	872
Rajasthan	921	926	930	932	890	911
Sikkim	875	889	880	883	830	908
Tamil Nadu	987	995	992	993	982	998
Tripura	948	961	946	956	959	976
Uttar Pradesh	898	908	904	914	876	888
Uttarakhand	962	963	1,007	1,000	845	883
West Bengal	934	947	950	950	893	939
A&N Islands	846	878	861	871	815	891
Chandigarh	777	818	621	691	796	821
Dadra & N. Haveli	812	775	852	863	691	684
Daman & Diu	710	618	586	867	984	550
Delhi	821	866	810	847	822	867
Lakshadweep	948	946	959	954	935	944
Puducherry	1,001	1,038	990	1,029	1,007	1,043

Source: Census of India, compiled by NITI Ayog.
#: Data relates to undivided Andhra Pradesh.

Annexure- 3.2

Navbharat Times, New Delhi, Dated June 28, 2016

पाँचवां दिल्ली वित्त आयोग

तीसरा तल, बी ब्लॉक, विकास भवन-2
अपर बेला रोड, निकट मेटकाफ हाउस, दिल्ली-110054
ईमेलः sfc5.delhi@govt.in

सार्वजनिक सूचना

दिल्ली वित्त आयोग अधिनियम, 1994 (1994 का दिल्ली अधिनियम 10) की धारा 3 में अन्तर्निहित प्रावधानों के अनुसरण में राष्ट्रीय राजधानी क्षेत्र दिल्ली के उपराज्यपाल ने दिनांक **26.04.2016** की अधिसूचना संख्या फ. 13/73/वी-डी एफ सी/एम बी/श. वि./2016/643 द्वारा श्री के. आर. किशोर, सदस्य सचिव तथा डॉ. सुधीर कृष्ण की अध्यक्षता में राष्ट्रीय राजधानी क्षेत्र दिल्ली के लिए पाँचवे वित्त आयोग का गठन किया है।

आयोग निम्न के विषय में सिफारिशें करेगा-

1 (क) नियम जो शासित करें:-

(i) राष्ट्रीय राजधानी क्षेत्र दिल्ली सरकार द्वारा वसूले जाने वाले कर, ड्यूटी तथा फीस की सकल आय को राष्ट्रीय राजधानी क्षेत्र दिल्ली सरकार तथा निगमों के बीच वितरण , जोकि दोनों के बीच वितरित किया जाना है।

(ii) कर, ड्यूटी टोल तथा फीस का निर्धारण जोकि निगमों को दिया जाना है।

(iii) राष्ट्रीय राजधानी क्षेत्र दिल्ली की समेकित निधि से निगमों को सहायता अनुदान; तथा

(ख) निगमों की वित्तीय स्थिति सुधारने हेतु उपाय।

2. आयोग नगर निगमों को उनके संसाधनों की उपलब्धता तथा क्षमता की, विशेष रूप से विवेकाधीन प्रकार्यों के विषय में, सीमाओं को ध्यान में रखते हुए नगर निगमों को सौंपे जाने वाले प्रकार्यों की समीक्षा करेगा।

3. आयोग 31 मार्च, 2016 तक नगर निगमों की कर्जे की स्थिति का आकलन करके दिल्ली सरकार की वित्तीय आवश्यकताओं को ध्यान में रखते हुए आवश्यक उपचारात्मक उपायों का सुझाव देगा।

4. आयोग दिल्ली छावनी बोर्ड को दिल्ली सरकार की समेकित निधि से, विशेष मामले के रूप में, वित्तीय हस्तांतरण की सिफारिश कर सकता है।

पाँचवे दिल्ली वित्त आयोग के संघठन और पूर्ण विचारणीय विषयों से संबंधित दिनांक **26.04.2016** की अधिसूचना वेबसाइट **http://delhi.gov.in/wps/wcm/connect/doit_dfcm/Fifth+Delhi+Finance+Commission/Home** पर उपलब्ध है।

आयोग अपने विचारणीय विषयों के अन्तर्गत आने वाले मामलों पर व्यक्तियों तथा संगठनों से उनके विचार तथा सुझाव पर ज्ञापन आमंत्रित करता है। ये विचार तथा सुझाव पाँचवे दिल्ली वित्तीय आयोग के सदस्य सचिव को **31 अगस्त, 2016** तक भेजे जा सकते हैं।

दिनांकः 24.6.2016 **हस्ता./- (के. आर. किशोर)**
DIP/Shabdarth/0960/16-17 **सदस्य सचिव**

Annexure- 3.3

The Hindustan Times, 28.6.2016

THE FIFTH DELHI FINANCE COMMISSION

3rd Floor, 'B' Block, Vikas Bhawan-II
Upper Bela Road, Near Metcalf House
Delhi-110054

Email: sfc5.delhi@gov.in

PUBLIC NOTICE

In accordance with the provisions contained in Section 3 of the Delhi Finance Commission Act, 1994 (Delhi Act 10 of 1994), the Lieutenant Governor of the National Capital Territory (NCT) of Delhi; vide notification No. F.13/73/V-DFC/MB/UD/2016/643 dated 26.04.2016 has constituted the Fifth Finance Commission for the NCT of Delhi (5th DFC) under the chairmanship of Dr. Sudhir Krishna with Sh. K.R. Kishore as Member Secretary.

The Commission is to make recommendations as to –

1. (a) The principles which should govern:
   - (i) The distribution between the Government of the National Capital Territory of Delhi (GNCTD) and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the GNCTD, which may be divided between them.
   - (ii) The determination of the taxes, duties, tolls and fees, which may be assigned to the Municipalities.
   - (iii) The grants-in-aid to the Municipalities from the Consolidated Fund of the NCT of Delhi; and

   (b) The measures needed to improve the financial position of the Municipalities.
2. The Commission may review the functions assigned to the Municipalities keeping in view the availability of resources and the limitation of capacity especially with regard to the discretionary functions.
3. The Commission may make an assessment of the debt position of Municipalities as on 31st March, 2016 and suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the GNCTD.
4. The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the NCT of Delhi, as a special case.

A copy of the Notification dated 26.4.2016 detailing the composition and full terms of reference (TOR) for the 5th DFC is available on the website **http://www.delhi.gov.in/wps/wcm/connect/doit/Delhi+Govt/Delhi+Home/Departments/Commissions**

The Commission invites Memoranda containing views and suggestions of persons and organizations on the matters covered by its TOR. Views and suggestions may please be furnished to the Member Secretary of the 5th DFC **by 31st August, 2016.**

(K. R. KISHORE)
Member Secretary

DIP/Shabdarth/0960/16-17

Annexure- 3.4

Milap, New Delhi, Dated June 28, 2016

پانچواں دلی مالیاتی کمیشن

تیسری منزل، بی بلاک، وکاس بھون۔2

اپربیلہ روڈ، نزد میٹکاف ہاؤس، دلی۔110054

ای۔میل: sfc5.delhi@govt.in

اطلاع عام

دلی مالیاتی کمیشن ایکٹ 1994 (1994 کا دلی ایکٹ 10) کی دفعہ 3 میں شامل گنجائشات کی تعمیل میں خطہ قومی راجدھانی دلی کے لیفٹیننٹ گورنر نے مورخہ 26-04-2016 کو نوٹیفکیشن نمبر ایف۔13/73/وی۔ڈی ایف سی/ایم پی/ش۔وی۔/2016/643 کے ذریعہ شری کے۔آر۔ کشور، ممبر سکریٹری اور ڈاکٹر سدھیر کرشن کی صدارت میں خطہ قومی راجدھانی دلی کے لئے پانچویں مالیاتی کمیشن کا قیام کیا ہے۔

کمیشن مندرجہ ذیل موضوعات میں سفارشات کرے گا۔

1(اے) رولز جو شاست کریں:۔

(i) خطہ قومی راجدھانی دلی حکومت کے ذریعہ وصولے جانے والے ٹیکس، ڈیوٹی اور فیس کی کل آمدنی کو خطہ قومی راجدھانی حکومت دلی اور کارپوریشنوں کے بیچ تقسیم، جو کہ دونوں کے درمیان تقسیم کیا جاتا ہے۔

(ii) ٹیکس، ڈیوٹی، ٹول اور فیس کا تعین جو کہ کارپوریشنوں کو دیا جاتا ہے۔

(iii) خطہ قومی راجدھانی دلی کو مربوط فنڈ سے کارپوریشنوں کو گرانٹ ان ایڈ؛ اور

(بی) کارپوریشنوں کی مالی حالت سدھارنے کیلئے اقدام۔

2. کمیشن میونسپل کارپوریشنوں کو ان کے وسائل کی دستیابی اور صلاحیت کی، خاص طور سے دوبکادھین کاموں کے بارے میں، حدود کو دھیان میں رکھتے ہوئے میونسپل کارپوریشنوں کو سونپے جانے والے کاموں کی نظرثانی کرے گا۔

3. کمیشن 31 مارچ، 2016 تک میونسپل کارپوریشنوں کی قرضے کی صورتحال کا تجزیہ کرکے دلی سرکار کی مالی ضروریات کو دھیان میں رکھتے ہوئے ضروری اصلاحاتی اقدامات کا مشورہ دے گا۔

4. کمیشن دلی چھاونی بورڈ کو دلی سرکار کے مربوط فنڈ سے، خاص معاملے کی شکل میں، فنانس ٹرانسفر کی سفارش کر سکتا ہے۔

پانچویں دلی مالیاتی کمیشن کے ڈھانچہ اور تمام قابل غور مدعوں سے متعلق بتاریخ 26-04-2016 کا نوٹیفکیشن ویب سائٹ http://delhi.gov.in/wps/wcm/connect/doit_dfcm/Fifth+Delhi+Finance+Commission/Home پر دستیاب ہے۔

کمیشن اپنے زیر غور موضوعات کے تحت آنے والے معاملوں پر شہریوں اور اداروں سے ان کے خیالات اور مشورہ پر میمورنڈم طلب کرتا ہے۔ یہ خیالات اور مشورے پانچویں دلی مالیاتی کمیشن کے ممبر سکریٹری کو 31، اگست 2016 تک بھیجے جاسکتے ہیں۔

دستخط: (کے۔آر۔کشور)
ممبر سکریٹری

مورخہ: 24-06-2016
DIP/Shabdarth/0960/16-17

Annexure- 3.5

Quami Patrika, 28.6.2016

ਪੰਜਵਾਂ ਦਿੱਲੀ ਵਿੱਤ ਕਮਿਸ਼ਨ
ਤੀਜੀ ਮੰਜ਼ਿਲ, ਬੀ ਬਲਾਕ, ਵਿਕਾਸ ਭਵਨ-2,
ਅਪਰ ਬਬੇਲਾ ਰੋਡ, ਨੇੜੇ ਮੇਟਕਾਫ ਹਾਊਸ, ਦਿੱਲੀ-110054
ਈਮੇਲ : sfc5.delhi@govt.in
ਜਨਤਕ ਸੂਚਨਾ

ਦਿੱਲੀ ਵਿੱਤ ਕਮਿਸ਼ਨ ਐਕਟ, 1994 (1994 ਦਾ ਦਿੱਲੀ ਐਕਟ 10) ਦੀ ਧਾਰਾ 3 'ਚ ਅੰਤਰਨਿਹਿਤ ਪ੍ਰਾਵਧਾਨਾਂ ਦੇ ਅਨੁਸਰਣ 'ਚ ਰਾਸ਼ਟਰੀ ਰਾਜਧਾਨੀ ਖੇਤਰ ਦਿੱਲੀ ਦੇ ਉਪ ਰਾਜਪਾਲ ਨੇ ਮਿਤੀ 26.04.2016 ਦੀ ਅਧਿਸੂਚਨਾ ਨੰਬਰ ਫ. 13/73/ਵੀ- ਡੀ ਐਫ ਸੀ /ਐਮ ਬੀ/ਸ਼.ਵਿ./2016/643 ਰਾਹੀਂ ਸ਼੍ਰੀ ਕੇ.ਆਰ. ਕਿਸ਼ੋਰ, ਮੈਂਬਰ ਸਕੱਤਰ ਅਤੇ ਡਾ. ਸੁਧੀਰ ਕ੍ਰਿਸ਼ਣ ਦੀ ਪ੍ਰਧਾਨਗੀ 'ਚ ਰਾਸ਼ਟਰੀ ਰਾਜਧਾਨੀ ਖੇਤਰ ਦਿੱਲੀ ਦੇ ਲਈ ਪੰਜਵੇਂ ਵਿੱਤ ਕਮਿਸ਼ਨ ਦਾ ਗਠਨ ਕੀਤਾ ਹੈ।

ਕਮਿਸ਼ਨ ਹੇਠ ਦੇ ਵਿਸ਼ੇ 'ਚ ਸਿਫਾਰਸ਼ਾਂ ਕਰੇਗਾ-

1 (ਕ) **ਨਿਯਮ ਜੋ ਸ਼ਾਸਿਤ ਕਰਨ :-**

(i) ਰਾਸ਼ਟਰੀ ਰਾਜਧਾਨੀ ਖੇਤਰ ਦਿੱਲੀ ਸਰਕਾਰ ਰਾਹੀਂ ਵਸੂਲੇ ਜਾਣ ਵਾਲੇ ਕਰ, ਡਿਊਟੀ ਅਤੇ ਫੀਸ ਦੀ ਸਕਲ ਆਮਦਨ ਨੂੰ ਰਾਸ਼ਟਰੀ ਰਾਜਧਾਨੀ ਖੇਤਰ ਦਿੱਲੀ ਸਰਕਾਰ ਅਤੇ ਨਿਗਮਾਂ ਦੇ ਵਿਚਾਲੇ ਵੰਡ, ਜੋਕਿ ਦੋਨਾਂ ਦੇ ਵਿਚਾਲੇ ਵੰਡ ਕੀਤਾ ਜਾਣਾ ਹੈ।

(ii) ਕਰ, ਡਿਊਟੀ, ਟੋਲ ਅਤੇ ਫੀਸ ਦਾ ਨਿਰਧਾਰਨ ਜੋਕਿ ਨਿਗਮਾਂ ਨੂੰ ਦਿੱਤਾ ਜਾਣਾ ਹੈ।

(iii) ਰਾਸ਼ਟਰੀ ਰਾਜਧਾਨੀ ਖੇਤਰ ਦਿੱਲੀ ਦੀ ਸਮੇਕਿਤ ਨਿਧੀ ਤੋਂ ਨਿਗਮਾਂ ਨੂੰ ਸਹਾਇਤਾ ਅਨੁਦਾਨ ਅਤੇ

(ਖ) ਨਗਮਾਂ ਦੀ ਵਿੱਤੀ ਹਾਲਤ ਸੁਧਾਰਨ ਲਈ ਉਪਾਅ।

2. ਕਮਿਸ਼ਨ ਨਗਰ ਨਿਗਮਾਂ ਨੂੰ ਉਨ੍ਹਾਂ ਦੇ ਵਸੀਲਿਆਂ ਦੀ ਉਪਲਬਧਤਾ ਅਤੇ ਸਮਰੱਥਾ ਦੀ, ਵਿਸ਼ੇਸ਼ ਤੌਰ 'ਤੇ ਵਿਵੇਕਾਧੀਨ ਪ੍ਰਕਾਰਜਾਂ ਦੇ ਵਿਸ਼ੇ 'ਚ, ਸੀਮਾਵਾਂ ਨੂੰ ਧਿਆਨ 'ਚ ਰੱਖਦੇ ਹੋਏ ਨਗਰ ਨਿਗਮਾਂ ਨੂੰ ਸੌਂਪੇ ਜਾਣ ਵਾਲੇ ਪ੍ਰਕਾਰਜਾਂ ਦੀ ਸਮੀਖਿਆ ਕਰੇਗਾ।

3. ਕਮਿਸ਼ਨ 31 ਮਾਰਚ, 2016 ਤਕ ਨਗਰ ਨਿਗਮਾਂ ਦੀ ਕਰਜ਼ੇ ਦੀ ਹਾਲਤ ਦਾ ਆਂਕਲਣ ਕਰਕੇ ਦਿੱਲੀ ਸਰਕਾਰ ਦੀ ਵਿੱਤੀ ਅਵਸ਼ਕਤਾਵਾਂ ਨੂੰ ਧਿਆਨ 'ਚ ਰੱਖਦੇ ਹੋਏ ਜ਼ਰੂਰੀ ਉਪਚਾਰਾਤਮਕ ਉਪਰਾਲਿਆਂ ਦਾ ਸੁਝਾਅ ਦੇਵੇਗਾ।

4. ਕਮਿਸ਼ਨ ਦਿੱਲੀ ਛਾਉਣੀ ਬੋਰਡ ਨੂੰ ਦਿੱਲੀ ਸਰਕਾਰ ਦੀ ਸਮੇਕਿਤ ਨਿਧੀ ਨਾਲ, ਵਿਸ਼ੇਸ਼ ਮਾਮਲੇ ਦੇ ਤੌਰ 'ਤੇ, ਵਿੱਤੀ ਹਸਤਾਂਤਰਣ ਦੀ ਸਿਫਾਰਸ਼ ਕਰ ਸਕਦਾ ਹੈ।

ਪੰਜਵੇਂ ਦਿੱਲੀ ਵਿੱਤ ਕਮਿਸ਼ਨ ਦੇ ਸੰਘਠਨ ਅਤੇ ਪੂਰੇ ਵਿਚਾਰਯੋਗ ਵਿਸ਼ਿਆਂ ਨਾਲ ਸਬੰਧਿਤ ਮਿਤੀ 26.04.2016 ਦੀ ਅਧਿਸੂਚਨਾ ਵੈਬਸਾਈਟ http://delhigov.in/wps/ wcm/connect/doit_dfem/Fifth+Delhi+Finance+Commission/Home 'ਤੇ ਉਪਲਬਧ ਹੈ।

ਕਮਿਸ਼ਨ ਆਪਣੇ ਵਿਚਾਰਯੋਗ ਵਿਸ਼ਿਆਂ ਦੇ ਅੰਤਰਗਤ ਆਉਣ ਵਾਲੇ ਮਾਮਲਿਆਂ 'ਚੋ ਵਿਅਕਤੀਆਂ ਅਤੇ ਸੰਗਠਨਾਂ ਤੋਂ ਉਨ੍ਹਾਂ ਦੇ ਵਿਚਾਰ ਅਤੇ ਸੁਝਾਅ 'ਤੇ ਯਾਦ ਪੱਤਰ ਮੰਗ ਕਰਦਾ ਹੈ। ਇਹ ਵਿਚਾਰ ਅਤੇ ਸੁਝਾਅ ਪੰਜਵੇਂ ਦਿੱਲੀ ਵਿੱਤੀ ਕਮਿਸ਼ਨ ਦੇ ਮੈਂਬਰ ਸਕੱਤਰ ਨੂੰ 31 ਅਗਸਤ, 2016 ਤਕ ਭੇਜੇ ਜਾ ਸਕਦੇ ਹਨ।

(ਕੇ.ਆਰ. ਕਿਸ਼ੋਰ)
ਮੈਂਬਰ ਸਕੱਤਰ

ਮਿਤੀ 24.6.2016

DIP/Shabdarth/0960/16-17

Annexure-3.6

THE FIFTH DELHI FINANCE COMMISSION

Sudhir Krishna
Chairman

R. No. 210, 'A' Wing, 2nd Level
Delhi Secretariat, Delhi-110002
Email: sfc5.delhi@gov.in; M: 8800388000

No. 1(8)/5th DFC /2016/141-145

Dated 25th July 2016

Dear

Sub: Memorandum to the 5th Delhi Finance Commission.

As you would kindly recall, the 5th Delhi Finance Commission (DFC) has started functioning in terms of Notification No. 3/73A/-DFC/MB/UD/2016/643 dated 26th April 2016. The Notification describes the Terms of Reference (TOR) for the Commission and a copy of the same is attached as **Annex-1**. The Commission has already requested you to make available information in respect of devolution of functions and status of implementation of the recommendations of the 1st to 4th DFCs.

2. As per tradition, each Local Body submits a Memorandum to the Commission, which, in essence, provides factual information relevant to the TOR. The Memorandum also provides an opportunity to the Local Body and its key functionaries to present to the Commission their considered advice on the issues covered in the TOR.

3. The Principal Secretary (UD) had shared with you a copy of the fist cut of the draft template for the 5th DFC Report on 20th July 2016. Based on the same, we have prepared a template for the Memorandum that your Corporation would like to present to the Commission (**Annex-2**).

4. In submitting the Memorandum, please keep in view the following:

a. Data should be provided for past 10 years (2006 to 2016) with trend, and projection (forecast), for the period 2016-17 to 2020-21 (year-wise).

b. For 2016-17, the B.E. data should be reported now and, in due course, the RE/Actual should also be reported.

c. The projection (forecast) should be given in 3 alternatives scenarios, namely, (i) as per the trend of past 10 years, (ii) the worst case scenario, and (iii) the best case scenario; with the contours and assumptions underlying the best & worst case scenarios duly explained.

d. The Memorandum should be submitted in printed form as well as in soft (Word+Excel) form.

e. Source of data should invariably be stated at all places.

f. Tabular data can also be supplemented with (but not replaced by) charts and graphs.

5. We expect your Memorandum to reach us by **15th September 2016**. However, you can also submit it in parts ahead of that final date.

With regards.

Yours sincerely,
- Sd. -
(Sudhir Krishna)

Encl.: 2 (Annex-1 &2).

Shri Naresh Kumar
Chairman
New Delhi Municipal Council
3rd Floor, Palika Kendra
Parliament Street
New Delhi-110001

Shri Mohanjeet Singh
Commissioner
East Delhi Municipal Corporation
419, Udyog Sadan
Patparganj Industrial Area
Delhi-110092

Shri PK Gupta
Commissioner
North Delhi Municipal Corporation
Room No. 401, 4th Floor, Block-E-I
Dr. SPM Civic Centre
Jawaharlal Nehru Marg
Minto Road, New Delhi 110002

Shri Puneet Goyal
Commissioner
South Delhi Municipal Corporation
9th Floor, Block-E-I, Dr. SPM Civic Centre
Jawaharlal Nehru Marg
Minto Road
New Delhi 110002

Shri B Reddy Shankar Babu
Chief Executive Officer
Delhi Cantonment Board
Delhi- 110010

DEPARTMENT OF URBAN DEVELOPMENT

ORDER

Delhi, the 26th April, 2016

F.NO.13/73/V-DFC/MB/UD/2016/643.—In exercise of the powers conferred by Section 3 of the Delhi Finance Commission Act, 1994 (Delhi Act 10 of 1994) and on the recommendation of the council of Ministers, the Lt. Governor of the National Capital Territory of Delhi, hereby, constitutes the Fifth Finance Commission for the National Capital Territory of Delhi to cover the five financial years period 2016-2021 commencing from 1st April, 2016 (herein referred to as "the Commission"). The commission shall comprise of the following as Chairman and Member Secretary:-

1. Shri Sudhir Krishna — Chairman
2. Shri K.R. Kishore — Member Secretary

The name of the other two members shall be notified separately by the Government.

2. The Chairman and Members of the Commission shall hold office for the period of 18 months commencing from the date of issue of notification constituting the Commission.

3. The Chairman and Member Secretary shall render full time service.

4. The Commission shall review the financial position of the Municipalities and make recommendations as to –

(a) the principles which should govern

(i) the distribution between the Government of National Capital Territory of Delhi and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the government of National Capital Territory of Delhi which may be divided between them,

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to the Municipalities.

(iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi, and

(b) the measures needed to improve the financial position of the Municipalities.

5. In making its recommendations, the Commission shall have regard, among other considerations, to -

i. the overall resource position of the Government of National Capital Territory of Delhi;
ii. the scope for economy in the municipal administration;
iii. the scope for improvement in resource mobilization by the Municipalities;
iv. tax effort made by the Municipalities;
v. adequate maintenance and upkeep of capital assets including those created or likely to be created under:
vi. the Plan schemes till the end of March, 2016 (the expenditure provided therefor and the norms, if any, on the basis of which such expenditure is provided for maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored may be indicated),
vii. the requirements of the Municipal bodies for modernization of administration (for example e-governance) and upgrading the standards of services (the details for such expenditure provided for and manner in which this could be monitored may be indicated).

6. The Commission may Review the functions assigned to Municipalities keeping in view the availability of resources, and the limitation of capacity especially with regard to the discretionary functions.

7. The Commission may make an assessment of the debt position of Municipalities as on 31st March, 2016 and suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the Government of National Capital Territory of Delhi.

8. The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the National Capital Territory of Delhi, as a special case.

9. The Commission must also focus on the following aspects which are essential for the long term strengthening of the local bodies:-

i. securing effective linkages between asset creation and asset management, so that infrastructural services created are not only maintained effectively but also become self-sustaining over time;
ii. scaling of delivery of civic amenities;
iii. Introduction of e-governance applications in core functions of municipal bodies;
iv. Capacity building programmes for better financial management;
v. Accounting reforms, adoption of double entry system and up-to-date accounting / audit system; and
vi. e-procurement and development of a well organized administrative system.

10. The Commission may in the first instance thoroughly analyze the Internal and External Revenue position of the local bodies for the last 10 to 15 years and then make realistic projections on the basis of some assumptions and Additional Resources Mobilization based on revision of rates of tax and non-tax revenue.

11. The expenditures and revenues of local bodies to be assessed based on actual and normative expenditure needs. While assessing expenditure needs the differences among the local bodies in fiscal capacity and expenditure need may also be considered.

12. The GNCTD will also furnish their projections of Tax revenue and proposed capital investment under Plan on outgoing works and new works after meeting the expenses of GNCTD under Non-Plan.

13. A comprehensive approach to the assessment of expenditure needs by taking both Plan and non-Plan expenditure of GNCTD may be adopted by the Commission before recommending the outgo of Tax revenue in the form of BTA to local bodies.

14. The Commission may also study the present activities of local bodies and see whether some of their functions i.e. Major Hospitals etc. can be transferred to GNCTD which may reduce their expenditure.

15. The Commission may also look into the scope for better fiscal management consistent with efficiency and economy in major components of recurring and nonrecurring items of expenditure of local bodies.

16. The Commission shall also indicate in its report the basis on which it has arrived its findings and indicate, as far as possible, the estimates/forecasts of receipts and disbursements for all the Municipalities together as well as separately for each of such bodies.

17. The Commission shall submit its report within 18 months from the date of issue of notification constituting the Commission on each of the matters aforesaid and covering a period of five financial years starting from April 1, 2016.

By Order and in the Name of the Lt. Governor
of the National Capital Territory of Delhi
SANJEEV MANKOTIA, Dy. Secy.

Annex-2 to a Annexure - 3.6

DRAFT TEMPLATE FOR SUBMISSION OF MEMORANDUM TO THE FIFTH DELHI FINANCE COMMISSION BY THE LOCAL BODIES

Note:

1. Data to be provided for past 10 years (2006 to 2016), and projection (forecast) for the period 2016-17 to 2020-21. For 2016-17, the B.E. data should be reported now and, in due course, the RE/Actual should also be reported.

2. The projection (forecast) should be given in 3 alternatives scenarios, namely, as per trend of past 10 years, the worst case scenario and the best case scenario, with the contours of the best & worst case scenarios duly explained.

Chapter I: Introduction

About the Municipality

(Physical and social details)

Demographic details

(Trends emanating from Census of 1991, 2001 & 2011, for which Ward-wise details to be converted into Municipality-wide information, with the help of Census Directorate.)

Economic Scenario

(Trends emanating from the 5th & 6th Economic Census, for which Ward-wise details should be converted into Municipality-wide information, with the help of Census & Statistics Directorate.)

d. Staff details

Personnel position (Sanctioned, filled in, vacant), including contractual.

Chapter II: Major challenges and achievements

(During past 10 years 2006-2016 and projections for next 5 years 2016-2021.)

Chapter III: Status of Implementation of Previous (1-4) DFC Recommendations

a. Action Taken on Recommendations Relating to Devolution of Finances

b. Action Taken on Other Recommendations

Chapter IV: Municipality's Finances (review over a period of past 10 years)

a. Critical Analysis of Municipality's Finances.

b. Impact of Implementation of Recommendations of Previous State Finance Commissions on Municipality's Finances.

c. Direct Transfers to the Municipality by the State Government as well as through line departments, PSUs and parastatal bodies; Nature and Size of Transfers; Actual Outgo to the LB.

d. Direct Absorption by the State Government of Local Body Expenditures. (Salaries, Pensions and Other Liabilities)

e. Guarantees Provided by State Government on Behalf of the LB.

Chapter V: Review of the Status of Decentralised Governance and Devolution

Functional Devolution and Activity Mapping *Progress towards the delegation envisaged in Articles 243 G and 243 W: this may be assessed (a) in terms of formal notifications issued (b) linked to financial transfers*

a. Financial Accountability: *Quality of accounts maintained, whether technical guidance and supervision of C&AG has been availed, audit arrangements in place, status of audit of accounts and disposal of audit objections.*

b. Administrative Issues.

c. Role of Parastatals in Managing Functions Listed in XIIth Schedule and Linkages Between them and the Respective Local Bodies.

Chapter VI: Assessment of the Physical Services Provided by the Local Body – Level of Services – Availability, Access, Coverage and Quality

a. A Quantitative Estimate of Service Deficits with a Brief Account of the Reasons for the Deficit.

b. An Inventory of Assets; Current Use and Valuation.

c. Basic Services to Slum Settlements; Availability, Coverage, Access, Quality.

Chapter VII: Assessment of Finances of the Local Body

A*nalysis of all revenue sources in terms of trends, performance and efficiency as well as estimates of untapped tax potential to be provided.*

A. Revenue

i. Tax Revenue

Receipts from all sources to be analyzed with respect to trend, performance and efficiency. Estimates of untapped potential to be provided.

a. Taxes on Buildings and Land (Give further break up as available)

b. Duty on transfer of property

c. Taxes on Non-motorized Vehicles

d. Electricity Tax

e. Tax on Transfer of Property

f. Toll Tax

g. Taxes on Advertisements and Hoardings

h. Entertainment Tax

i. Any Other Taxes/Duties (Please add to the list)

j. Unrealised Revenue (Accrual Basis)

ii. Non-Tax Revenue

Receipts from all sources to be analyzed with respect to trend, performance and efficiency. Estimates of untapped potential to be provided.

a. User Charges on water

b. User charges on solid waste

c. Fees

d. Royalty on Minor Minerals

e. Dividend

f. Interest

g. Other (Please add to the list)

B. Transfers from State Government

Trend analysis as well as a description of the nature of the transfers to be provided. Also criteria for estimating transfers including grants for the next 5 years. Please indicate name of the tax/grant.

a. Assigned Taxes

b. Share in State Taxes

c. General Purpose Grants

d. Special Purpose Grants

e. Transfers for Agency Functions

C. Transfers from the Central Government

a. Finance Commission Grants and Impact - whether such flows were an additionality to State Government flows.

b. Grants from various Ministries

c. Agency Functions

D. Capital Account Receipts & Debt Status

a. Sources of Receipts e.g. Loans from State Government, Development Institutions, World Bank etc., Market Borrowings, Schematic Transfers, erstwhile JNNURM and other similar programmes, various current Missions & Programmes of GOI, Other ACA etc.

b. Trend of Such Receipts

c. Purpose of Such Receipts

E. Expenditure on Revenue Account

Expenditure analysis; component of regulatory and enforcement expenditures, operations and maintenance costs, interest payments and expenditure on services in weaker section areas/ slum settlements including area improvement/ slum improvement and upgrading and adequacy of such expenditures.

a. Administration
   - i. Salaries
   - ii. Pensions
   - iii. Contractual staff
   - iv. (Please add further items, as per actual)

b. Civic Functions
   - i. Sanitation
   - ii. Education
   - iii. Public Works
   - iv. Street Lighting
   - v. Solid Waste Disposal
   - vi. Public Health & Medical relief
   - vii. Horticulture
   - viii. (Please add further items, as per actual)

c. Expenditure on Maintenance of Community Assets

d. Expenditure on Schemes Assigned by the State Government

e. Expenditure on Schemes Assigned by the Central Government

f. Expenditure on Interest

F. Expenditure Incurred Directly by State Government on Behalf of Local Bodies (Salaries, Pensions and Other Liabilities, Wherever Applicable.)

G. Deferred Expenditure – Including Unpaid Bills, Annuity Payments,

H. Capital Expenditure

I. Net Budgetary Position

J. Reports of the Municipal Valuation Committees

The recommendations of the MVCs and status of its acceptance/ implementation. Also, the expected impact of the recommendations and the actual result (year-wise) may be reported.

K. Reports of any other Committees relating to revenue receipts and expenditure management

The recommendations of each such committee and status of its acceptance/ implementation. Also, the expected impact of the recommendations and the actual result (year-wise) may be reported.

L. Review of Fiscal and Financial Management

Chapter VIII: Recording of best practices- in/by the Local Body

a. Revenue mobilisation

b. Expenditure control

c. Administrative efficiency

Chapter IX: Assessment of the Gap in Financial Resources and Scheme of Devolution suggested

A. Assessment of the Gap

Normative adjustments made as well as assumptions for the same, population projections for the reference period, functional domain and norms for services, financial norms for services, volume of financial requirements for five years.

B. Strategy for Bridging Normative Vertical Gap

i. Approach to tax and non-tax domain – how can tax and non tax revenue collection efficiency be improved? What incentives should be put in place? How much more can be mobilised by better application of the existing tax domain?

ii. Other Approaches – Market; PPP etc.

C. Scheme of Devolution (Suggestions for the DFC)

- Assigned Taxes
- Share in State Taxes
- Share of the LBs and Inter se Distribution
- Grants-in-aid: Specific Purpose or General Purpose; Timing; Conditionality
- Fiscal delegation

Chapter X: General Observations and Concluding Remarks

a. Implementation Strategy

a. Improving Data Bases
b. Capacity Building and Training
c. Computerisation and E-Governance
d. Suggestions for the State Finance Commission
e. Suggestions for the National Finance Commission

Chapter XI: Monitoring & Evaluation System

Whether the local body has in place a framework to monitor the levels of service provided by it in its jurisdiction in comparison to the minimum standards notified.

Chapter XII: Studies commissioned by the Local Body

Whether the local body has commissioned any study for better management of civic services, internal administration, financial management etc. and status of its acceptance/ implementation. Also, the expected impact of the recommendations and the actual result (year-wise) may be reported.

Chapter XII: Summary of the Memorandum

Please summarise the Memorandum in para-wise form and also indicate in brackets cross-reference to the main body of the Memorandum.

Annexure-3.7

THE FIFTH DELHI FINANCE COMMISSION

Sudhir Krishna
Chairman

R. No. 210, 'A' Wing, 2nd Level
Delhi Secretariat, Delhi-110002
Email: sfc5.delhi@gov.in; M: 8800388000

No. 1(8)/5th DFC /2016/151-157

Dated 29th July 2016

Dear

Sub: Supplementary Memorandum to the 5th Delhi Finance Commission.

In my letter of even No. dated 25.7.2016, I had requested you to send the memorandum of your Municipal Body to the Fifth DFC, for which purpose, a template was also attached. In addition to that, the Commission would also like to have information on certain issues referred to in its Terms of Reference, which has already been forwarded to you. These are as follows:

1. **Financial management of the Municipal Body**
    a. The overall resource position of the Municipal Body.
    b. Efforts made by the Municipal Body to bring about economy in the administration.
    c. Scope for bringing in further economy in the administration;
    d. Effort made by the Municipal Body in mobilising revenue through various tax and non-tax measures.
    e. Scope for further improvement in resource mobilization by the Municipal Body.
    f. Scope for better fiscal management by the Municipal Body consistent with efficiency and economy in major components of recurring and nonrecurring items of expenditure.
2. **Maintenance and Upkeep of Capital Assets including those created under the Plan schemes till the end of March, 2016**
    a. Inventory of capital assets of the Municipal Body.
    b. Norms adopted by the Municipal Body for maintenance of different types of capital assets (e.g., Rs./sft for buildings) and whether these norms have been updated.
    c. Requirement of funds for adequate maintenance and upkeep of capital assets (i) as per norms and (ii) as per actuals- for past 10 years i.e. 2006-07 to 2016-17 (B.E.) year-wise.
    d. Projected requirement of funds for adequate maintenance and upkeep of capital assets (i) as per norms and (ii) as per past trend- for 2016-17 to 2020-21 year-wise.
    e. Arrangements for monitoring of such expenditure- (i) Current arrangements and (ii) Suggested improvements with likely benefits.
    f. Existing arrangements for securing effective linkages between asset creation and asset management, so that infrastructural services created are not only maintained effectively but also become self-sustaining over time; and suggestions for the coming years, along with the required administrative, physical and financial contours.

3. Modernization of administration

a. Efforts made by the Municipal bodies for modernization of administration (for example e-governance) and upgrading the standards of services- Physical & financial details and objectives and outcomes/ achievements.

b. Scope for further improvements- Physical & financial details and expected objectives and outcomes/ achievements.

c. Arrangements for monitoring of such expenditure- (i) Current arrangements and (ii) Suggested improvements with likely benefits.

d. Introduction of e-governance applications in core functions of municipal bodies.

e. e-procurement and development of a well-organized administrative system.

f. Scaling of delivery of civic amenities.

g. Capacity building programmes for better financial management.

h. Accounting reforms, adoption of double entry system and up-to-date accounting / audit.

4. Functions assigned to the Municipal Bodies

a. Review (self-assessment) by the Municipal Bodies about the functions assigned to them keeping in view the availability of resources; and

b. The limitation of capacity especially with regard to the discretionary functions.

c. Response to the suggestion that whether some of the functions being discharged by the Municipal Bodies, such as the Major Hospitals etc., can be transferred to GNCTD which may reduce their expenditure.

5. Debt position of the Municipal Bodies

a. Self-assessment by the Municipal Body of its debt position as on 31st March, 2016; and

b. Suggestions on such corrective measures as deemed necessary, keeping in view the requirements of fiscal and managerial prudence and long terms sustainability.

We expect your Memorandum, including the Supplementary as per this letter, to reach us by **15th September 2016**. However, you can also submit it in parts ahead of that final date.

With regards.

Yours sincerely,
- Sd. -
(Sudhir Krishna)

1. Shri Naresh Kumar
Chairman
New Delhi Municipal Council
3rd Floor, Palika Kendra, Parliament Street
New Delhi-110001

2. Shri Mohanjeet Singh
   Commissioner
   East Delhi Municipal Corporation
   419, Udyog Sadan
   Patparganj Industrial Area
   Delhi-110092

3. Shri PK Gupta
   Commissioner
   North Delhi Municipal Corporation
   Room No. 401, 4th Floor, Block-E-I
   Dr. SPM Civic Centre
   Jawaharlal Nehru Marg
   Minto Road, New Delhi 110002

4. Shri Puneet Goyal
   Commissioner
   South Delhi Municipal Corporation
   9th Floor, Block-E-I, Dr. SPM Civic Centre
   Jawaharlal Nehru Marg
   Minto Road
   New Delhi 110002

5. Shri B Reddy Shankar Babu
   Chief Executive Officer
   Delhi Cantonment Board
   Delhi- 110010

Copy to:

1. Shri Ramesh Negi
   Principal Secretary (UD)
   R. No. 901, C Wing, Sachivalaya
   New Delhi – 110002; &
2. Shri Prachur Goel
   Addl. Director General
   Directorate General of Defence Estates
   Raksha Sampada Bhavan, Ulan Baatar Marg
   New Delhi- 110 010.

It is requested that the Municipal Bodies may kindly be suitably advised to submit the Memorandum in terms of our letters dated 25.7.2016 & 29.7.2016, within time.

Annexure-3.8

THE FIFTH DELHI FINANCE COMMISSION

Sudhir Krishna
Chairman

3rd Floor, Vikas Bhavan-2
Upper Bela Road, Delhi-110054
Email: sfc5.delhi@gov.in; M: 8800388000

D.O. No. 1(11)/5th DFC /2016/159-160

Dated 2nd August 2016

Dear

Sub: Memorandum to the 5th Delhi Finance Commission.

As you would kindly recall, the 5th Delhi Finance Commission (DFC) has been constituted vide Notification No. 3/73A/-DFC/MB/UD/2016/643 dated 26th April 2016. The Notification describes the Terms of Reference (TOR) for the Commission and a copy of the same is attached as **Annex-1**.

2. In essence, the Commission is to make recommendations in relation to:-

- Sharing of the proceeds of taxes, duties etc. collected by the Government of Delhi (GoD) between the GoD and the Municipalities (Local Bodies, or 'LBs', including the Delhi Cantonment Board).
- Assignment of taxes, duties etc. leviable by the GoD to the LBs.
- Grants in-aid to the LBs from the Consolidated Fund of the NCT of Delhi.
- Measures needed to improve the financial position of the LBs.

3. The TOR also indicates the approaches to be adopted by the Commission, which include, though not limited to,-

- Assessment of the revenue mobilization and expenditure needs of GoD and of the LBs on both Plan/ Non-Plan accounts, on normative and actual bases.
- Administrative reforms including e-governance and better fiscal management.

4. While the Commission has already advised the LBs to submit their respective Memorandum, it would be helpful to get Memoranda from various Departments of the GoD, with factual information relevant to the TOR and also their considered advice on the issues covered in the TOR, including the following aspects:

- Status of the Sector with historical trends and Vision & Objectives for the next 5-10 years.
- Normative requirements vs actual availability of funds.
- Scope for better fiscal management consistent with efficiency and economy in major components of recurring and non-recurring items of expenditure.
- Roles assigned to Local Bodies and the need for a review of the same, keeping in view the availability of resources and the limitation of capacity, especially with regard to the discretionary functions.
- Suggestions for scaling of delivery of civic amenities.
- Status of e-governance including e-procurement applications.
- Arrangements for monitoring of the expenditure.

5. In submitting the Memorandum, the Departments may keep in view the following:

Data may be provided for past 10-15 years (up to March 2016) with trends; and projection for the period 2016-17 to 2020-21 (year-wise).

The projection may be given in 3 alternatives scenarios, namely, (i) as per the trend of past 10-15 years, (ii) the worst case scenario, and (iii) the best case scenario; with the assumptions duly explained.

For 2016-17, the B.E. data may be reported for now and, in due course, the RE/Actual may also be reported.

The Memorandum may be submitted in print as well as in soft form.

Tabular data may be supplemented with charts & graphs.

Source of data should invariably be stated at all places.

6. As a general practice, each Line Department should secure information from its PSUs/HODs and submit an integrated Memorandum for its sector. However, in exceptional cases, the PSUs/HODs may submit their own Memorandum as well. The Memoranda of Urban Development and Finance Departments would, however, have to contain still more details, in terms of the letter & spirit of the TOR.

7. I shall be grateful if you could kindly advise the various line Departments to submit their respective Memoranda to the Commission by **30th September 2016**, to allow opportunity for clarification and discussions.

With regards.

Yours sincerely,
- Sd. -
(Sudhir Krishna)

Encl.: As above.

Shri K.K. Sharma
Chief Secretary
Government of Delhi
Sachivalaya
Delhi- 110002

Copy to: The Deputy Chief Minister, Government of Delhi, Sachivalaya, Delhi- 110002.

Annexure-3.9

Memoranda received by the 5th DFC

S. No.	Organisation	Reference No. & Date of Memorandum[1]
1.	Director (Panchayat), GNCTD	Email dated 8th May 2016
2.	Shri MS Jain, 1/12056, Dwarka Puri, F-28, Naveen Shahdara, Delhi-32	Letter dated 1.8.2016
3.	Delhi Jal Board (DJB)	DJB/AO(B&A)/2016/485 dated 29th August 2016 and DJB/AO(B&A)/ 2017/683 dated 02.08.2017
4.	Directorate of Education	D.E.18-6(14)/2016/Plg./2120 dated 21.11.2016
5.	Food, Supplies & Consumer Affairs Department, GNCTD	F.9(2)/2016/DFC/F&S/Admn./3357 dated 31st October 2016
6.	Commissioner of Industries, GNCTD	F.CI/Misc/Admn/14(201)/2016/3289 dated 9th November 2016
7.	Department of Women & Child Development, GNCTD	F.76/Acctts/Misc. –I/2016-17/27126-27 dated 23rd November 2016
8.	Department of Training & Technical Education, GNCTD	F75(152)/ADPL/2016-17/978/9392 dated 28th November 2016
9.	Department of Weights & Measures, GNCTD	F.6(79)/WM/Acctts./ATR/GOI/2016/5890-91 dated 9th December 2016
10.	Delhi Subordinate Services Selection Board	F.9(1)/2008/Admn/DSSSB/25192 dated 15th December 2016
11.	Administrative Reforms Department, GNCTD	F.ARD-R-022/3/2016/Misc-O/o Secy AR/7028 dated 30th December 2016
12.	Delhi Urban Shelter Improvement Board (DUSIB)	PM/1810/P-58/DUSIB/2016-17/Pt. File/D-01 dated 10th January 2017; PM/1810/P-58/DUSIB/15-16/D-35 dated 23.02.2017; and PM/1810/P-58/DUSIB/15-16/D-39 dated 07.03.2017
13.	Delhi Transport Corporation (DTC)	Act/CS-I/DFC(5)/2017/25 dated 30th January 2017
14.	Department of Social Welfare, GNCTD	DO No. 821 dated 28.10.2016; F.76/Acctts/Misc.-1/2016-17/25758-59 dated 11.11.2016; F.76/ Acctts/ Misc.-1/2016-17/27126-27 dated 23.11.2016 and F.54(111)/ DSW/Plg/2016/ P.F/33213 dated 20th March 2017
15.	Department of Trade & Taxes, GNCTD	A.11029/02/2012/R&S/CT&T/3291-92 dated 30th March 2017 and A.11029/02/2012/R&S/CT&T/ 3299 dated 01.05.2017
16.	Urban Development Department, GNCTD	F. No.18(1)/2016-17/UD/Acs/5th DFC/2293-95 dated 01.12.2016; and F.No. 18(1)/Misc/2016-17/UD/ Acs/5th DFC/206-07 dated 7th March 2017
17.	Department of Health & Family Welfare, GNCTD	F.400/251/HFW/Plg/PF/CD112418645/JS3HFW/1013 dated 17th April 2017
18.	Commissioner of Excise, Entertainment & Luxury Tax, GNCTD	F.L-1/1/Ex./IMFL/2017-18/420 dated 8th May 2017
19.	Municipal Corporation of Delhi- North	D/Addl. Comm. (Finance)/ 2017/148 dated 12th April 2017
20.	Municipal Corporation of Delhi-South	CA/FMB/SDMC/2017/D-40 dated 19th May 2017
21.	Municipal Corporation of Delhi-East	Email dated 09th June 2017, No. CA/EDMC/2017/D-06 dated 16th June, 2017, Email dated 17th June, 2017 and 27th June, 2017
22.	New Delhi Municipal Council	F./173/Budget/HA/2017/D-189 dated 02.06.2017
23.	Delhi Cantonment Board	DCB/8/Engg./5th FC/2016-17 dated 19.09. 2016 and DCB/8/Engg/5th FC/2017-18 dated 05.09.2017

Annexure-3.10

Information (other than Memorandum) Received by the 5th DFC

Sl. No.	Organisation	No. & Date of Reference	Subject of Information
1.	Delhi Electricity Regulatory Commission, Power Companies/ DISCOMs, MCD-North, MCD-South, New Delhi Municipal Council	No. F.17(220/Engg./DERC/2016-17/5510/2660 dated 28.03.2017; SR VP(B) BYPL/2/198 dated 03.04.2017; RA/ BYPL/2017-18/1 dated 05.04.2017; TPDDL/ Regulatory/03 dated 12.04.2017; RA/2017-18/01/A/13 dated 17.04.2017; E. Mail dated 19.04.2017; Budget/SA-II/Finance(B)/ D-136 dated 28.04.2017; CA/DCA/F&G/ SDMC/D-19 dated 03.05.2017; TPDDL/ Regulatory/03 dated 15.05.2017; HOD(B)/ BYPL/5/208 dated 05.07.2017 and TPDDL/ Regulatory/03 dated 18.07.2017	Electricity Tax and Subscribers' data
2.	Principal Accounts Office, GNCTD	No. F.1(22)/Pr.AO/Appro/RE/ DPD/ 2014-15/2212 dated 02.12.2016 and F.2(7)/Pr.AO/ Comp./2017-18/2108 dated 25.08.2017	Debt position of GNCTD, Details of financing of State Plan & CSS and Scheme-wise details of receipt and expenditure under CSS for Delhi
3.	Lokayukta, NCT of Delhi	No.F.1/2/Misc/2016/Lok/1587 dated 27.09.2016	Expenditure data of the Lokayukta, Delhi
4.	Directorate of Economics & Statistics, GNCTD	F. N.F.3(3)/DES/DES/CF/2016-MI-3312 dated 14.10.2016; DES-F011(12)/ 1/2016-Planning-O/o Dir(DES) MI 4678 dated 03.11.2016; F.4/63/2016/ DES/EC-VI/MI-2593-2598 dated 31.08.2016 and F.4/63/2016/ DES/EC-VI/MI-8327 dated 20.03.2017	Census of Employees undertaken by DES for the five 5 Local Bodies in the NCT, Development of Economic Census & other datasets of DES for the jurisdiction of 5 Municipal Bodies in the NCT, Basic Statistics for Local Level Development (BSLLD) for Urban & Rural Areas, Revised Estimates (RE) figures for the years 2015-16 and Budget Estimates (BE) figures for the year 2016-17 under the Plan Expenditure in the Budget Document prepared by the 3 Delhi Municipal Corporations
5.	Registrar General & Census Commissioner, India, GOI	D.O. No. 9/23/2011 CD(CEN)-part-I dated 9th August, 2016; D.O. No. 9/22/2013-CD dated 06/10/2016 and D.O. No. 9/23/2011 CD(CEN)-Part.I dated 10.03.2017	Development of Census Datasets for the jurisdiction of the 5 Municipal Bodies of the NCT
6.	MCD-South, MCD-East MCD-North and New Delhi Municipal Council	No. CA/DCA/FMB/SDMC/2016/59 dated 01.07.2016; CA/FMB/2016/D-89 dated 20.07.2016 and F.173/HA/ Fin(B)/2016/D-1036 dated 29.06.2016	Activity Mapping of assignment of the twelfth Schedule Functions to the Municipalities& Ward Committees in Delhi
7.	Planning Department, GNCTD	F. No. 22(06)/2015-16/Plg/Res/2542 dated 16.06.2016; F. No.22(06)/2015-16/ Plg/Res/ 2843-2844 dated 09.05.2017; F. No.22(06)/2015-16/Plg/Res/ 2845-2846 dated 09.05.2017; F.No. 22(06)/2015-16/ Plg/Monit/5657 dated 25.08.2017 and F.No. 22(06)/2015-16/Plg/Res/ 5744 dated 29.08.2017	Exclusion of NCT of Delhi and Union Territory from the Devolution Framework of Central Finance Commission. Details of Own Tax Revenue Receipts, GIA from the Centre and Capital Receipts of Delhi Govt., Details of Revenue Expenditure, Details of financing of state plan and CSS of Delhi from 2005-06 to 2016-17, Revenue Projections of GNCTD during 2016-17 to 2020-21
8.	Urban Development Department, GNCTD	Explanatory Note dated 13.02.2017 of Project Officer, UD Department, GNCTD	Brief/ status of Centrally Sponsored Schemes i.e. Smart City Mission and Atal Mission for Rejuvenation & Urban Transformation (AMRUT)

9.	Ministry of Statistics & Programme Implementation, Central Statistics Office, GOI	D.O. No. M-12012/28/2008-SSD dated 05.10.2016; D.O. No. M-12012/28/2008-SSD dated 16.11.2016 and D.O. No. M-12012/28/2008-SSD dated 13.12.2016	Implementation of the Basic Statistics for Local Level Development (BSLLD) pilot scheme
10.	Finance Department, GNCTD	F.2(13)/2016-2017/Fin.(B)/jsfb/ 710-711 dated 25.11.2016	Information regarding format for preparation of Budget of the Local Bodies in the NCT
11.	Development Department, GNCTD	F.10/52/PDRD/Accts/Loan MCD/ 2015-16/177 Dated 18.05.2017	Expenditure performance and debt position
12.	Department of Forests & Wildlife, GNCTD	F6(38)/CF/HQ/Accts/Misc/2016/2259-60 dated 18th November 2016	Annual Budget/Expenditure for the last 10 years and Budget Estimates for next 5 years
13.	Public Grievances Commission, GNCTD	F3(253)/PGC/206/Misc/Pt. File/26745 dated 2nd November 2016	Details of annual budget and expenditure for the last 10 years
14.	Director of Higher Education, GNCTD	Email dated 25th October 2016	Information about assessment of expenditure-trend for last 10 years
15.	Administrative Reforms Department, GNCTD	No. F.ARD-R022/3/2016-Misc-O/o Secy. AR/5586 dated 07.10.2016	Information about budget estimate and revised estimates
16.	Director (Panchayat), GNCTD	Copy of Note dated 30.03.2017	Information about Land Revenue from Gaon Sabha Land
17.	Ministry of Urban Development, GOI	D.O. No. N-11025/26/2003-LSG dated 05.10.2016	Taxation of Central & State Government Properties by the Municipal Bodies
18.	Delhi Cantonment Board, MCD-South, MCD-North, MCD-East, NDMC,	Forwarding Remarks dated 06.10.2016 of DCB; Tax/HQ/NDMC/2016-17 dated 13.10.2016; No. Tax/EDMC(HQ)/ 2016/D-2612 dated 14.10.2016; No. Tax/HQ/SDMC/ DFC/2016/D-1415 dated 19.10.2016; No. Tax/HQ/ NDMC/2016/1279 dated 08.11.2016 and No.D-837/JD(Tax)/2017 dated 06.07.2017	Taxation of Immoveable Properties.
19.	MCD-South, MCD-North, MCD-East, NDMC, Delhi Cantonment Board	N. Tax/HQ/SDMC/5th DFC/2017/D-405 dated 02.06.2017; Tax/A&C(HQ)/ NDMC/2017-18/516 dated 05.06.2017; Email. Dated 05.06.2017 of NDMC; letter dated 07.06.2017 of DCB; N. Tax/HQ/SDMC/5th DFC/2017/D-424 dated 08.06.2017; A&C/ SDMC/2017/D-428 dated 09.06.2017; A&C/ HQ/2017/ 554 dated 13.06.2017; A&C/ SDMC/ 2017/D-468 dated 16.06.2017; E mail dated 20.06.2017 of MCD-South; No. 734/ JD(Tax)/2017 dated 23.06.2017; Tax/HQ/ SDMC/5th DFC/2017/D-516 dated 03.07.2017 and letters dated 11.07.2017 & 18.07.2017 of DCB	Information relating to Property Tax
20.	MCD-South, New Delhi Municipal Council, Planning Department, GNCTD	No. CA/DCA/FMB/SDMC/2016/89 dated 16.08.2016; No. F.173/HA/ Fin(B)/2016/D-1086 dated 27.07.2016 and F. No. 22(06)/2015-16/Plg/Res/2894-2895 dated 05.07.2016;	Status of implementation of the recommendations of the Central Finance Commission (CFC) relating to the Local Bodies (Municipalities) in GNCTD
21.	MCD-South, MCD-North, MCD-East and New Delhi Municipal Council	No. CA/DCA/FMB/SDMC/2016/98 & 99 dated 29.08.2016; F. 173/HA/Fin.(B)/ 2017/D-72 dated 21.02.2017; E mail dated 15.03.2017 of MCD-East; E mail dated 15.03.2017 of MCD-North and F. 173/HA/ Finance(B)/ 2017/D-145 dated 12.05.2017	Status of implementation of the Recommendations of the 1st, 2nd, 3rd& 4th DFC.

22.	MCD-South, MCD-North, NDMC, Finance Deptt., GNCTD, Department of Trade & Taxes, GNCTD	No. DCA/F&G/2017/D-24 dated 05.05.2017; No. F/73/HA/Finance (B)/2017/D-171 dated 22.05.2017; No. D/DCA (IAD)/49 dated 24.05.2017 and No. F.3(4)/Fin(Rev.-I)/2017-18/dsVI/315 dated 14.6.2017	Impact of the proposed Goods and Service Tax (GST) regime on the finances of the GNCTD and the Municipal Bodies in the NCT
23.	New Delhi Municipal Council, MCD-South,	No. F.173/Budget/HA-1/2017-18/D-228 dated 29.06.2017; email dated 24.07.2017 from MCD-South and No. EE/SLF/O/SDMC/2017-18/148 dated 08.08.2017	Information relating to solid Waste Management-User Charges
24.	MCD-North	No. Addl.Com.(Rev.)/North DMC/17-18/565 dated 15.06.2017 and No. 31/DHA/NDMC/2017 dated 27.04.2017	Information relating to Redevelopment Projects; Transfer of major Hospitals to GNCTD
25.	Delhi Cantonment Board	No. CGH/5th DFC/2016-17 dated 01.03.2017	Brief on the medical and health services being provided by DCB along with budgetary figures
26.	MCD-South, MCD-North	Note dated 05.06.2017 of MCD-North and AC(RPC)2017/D-359 dated 11.08.2017	One time parking charges on registration of motor vehicles
27.	MCD-North, MCD-South, MCD-East, NDMC, Delhi Cantonment Board	No. DCB/12/VI/Misc/2017-18 dated 21.08.2017; E-mail dated 23.08.2017 of NDMC; D/2930/Plan/Edn./HQ/SDMC/ 2017 dated 28.08.2017; No. D/46/ADE/Plan/Edu./HQ/2017 dated 01/09/2017; E-mail dated 12.09.2017 of DCB and N. D/ADE/Edu/HQ/EDMC/17-18 dated NIL	Information relating to Schools
28.	MCD-North, NDMC	AO(H&P)/2017/D-100 dated 24.08.2017 and D-916/JD(Tax) dated 19/07/2017	Details regarding Revenue Related Litigation
29.	Transport Department, GNCTD	F.No. 23(1319)CAP/TPT/PCD/2015/ 2627 dated 18.08.2017	Information regarding collection of Environment Compensation Charge (E.C.C.)
30.	MCD-South	No. CA/DCA/FMB/SDMC/2016/114 dated 12.09.2016	Information regarding Census of Employees
31.	Municipal Corporation of Greater Mumbai	No. HO/8759/NPR dated 06.07.2017 and No. CA/FAA/276 dated 25.07.2017	Statistical Data about the Municipal Corporation
32.	Ministry of Road Transport & Highways, Government of India	No. NH-20016/01/2015-DLH/CRF/NH-II dated 01.09.2017	Information relating to Central Road Fund (CRF)-Quota and utilization of the NCT of Delhi

Annexure-3.11

Meetings with the State Government, Municipalities and other Authorities/ Organisations

Sl. No.	Date of the Meeting	Participants
1	06.5.2016	• Sh. Ramesh Negi, Principal Secretary, Department of Urban Development, GNCTD • Sh. D.P. Dwivedi, Director, Planning Department, GNCTD • Sh. Praveen Kumar Gupta, Commissioner, MCD-North • Dr. Puneet Kumar Goel, Commissioner, MCD-South • Sh. Naresh Kumar, Chairman, New Delhi Municipal Council • Sh. Ram Mohan Singh, FA, MCD-South • Dr. Brajesh Singh, CA cum FA, MCD-East • Sh. Pawan Kumar Sharma, Addl. Commissioner, MCD-East • Ms. Geetali Tare, Financial Advisor, NDMC
2	09.05.2016	• Sh. Mohanjeet Singh, Commissioner, MCD-East • Dr. Brajesh Singh, CA cum FA, MCD-East
3	10.05.2016	• Shri Prachur Goel, Addl. Director General, Defence Estates, New Delhi • Sh. B. Reddy Shankar Babu,CEO, Delhi Cantonment Board
4	20.07.2016	• Sh. Ramesh Negi, Principal Secretary (UD), GNCTD • Sh. Dharmendra Sharma, Principal Secretary (Finance & Planning), GNCTD • Sh. Sanjeev Mankotia, Dy. Secretary, Department of Urban Development, GNCTD
5.	01.08.2016	• Officers of Director of Economics & Statistics • Officers of Geo Spatial Delhi Ltd. • Officers of Director of Census Operations, Delhi • Officers of Ministry of Statistics &Programme Implementation
6.	31.08.2016	• Shri Ram Mohan Singh, Addl. Commissioner, MCD-South • Ms. Geetali Tare, Financial Advisor, NDMC • Shri S.C. Tripathi, Joint Director, Census Operations, Delhi • Ms. Anu Singh, Executive, Geospatial, GSDL • Officers of Local Bodies • Officers of Directorate of Economic & Statistics, GNCTD • Officers of Directorate of Census Operations, Delhi
7.	05.09.2016	• Shri Ram Mohan Singh, Addl. Commissioner, MCD-South • Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri S.C. Tripathi, Joint Director, Census Operations, Delhi • Dr. Nitesh Parashar, Senior Geographer, Directorate of Census Operations, Delhi • Ms. Anu Singh, Executive GSDL, • Other officers of Directorate of Census Operations • Officers from Directorate of Economic & Statistics, GNCTD • Officers of Local Bodies

8.	22.09.2016	• Shri Ram Mohan Singh, Addl. Commissioner, MCD-South • Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri Prakash Chand, Controller of Accounts, Pr. Accounts Office, GNCTD • Shri Shan-E-Alam, Dy. Director, Directorate of Economic & Statistics, GNCTD with other officers • Shri S.C. Tripathi, Joint Director, Census Operations, Delhi with other officers • Ms. Anu Singh, Executive GSDL, • Officers of Local Bodies • Officers of Department of Urban Development, GNCTD
9.	28.09.2016	• Shri Ram Mohan Singh, Addl. Commissioner, MCD-South • Ms. Renu K. Jagdev, Addl. Commissioner(Revenue), MCD-North • Dr. Brajesh Singh, CA cum FA, MCD-East • Shri Vivek Pandey, Addl. Commissioner, MCD-East • Ms. Geetali Tare, Financial Advisor, NDMC • Dr. Nitesh Parashar, Senior Geographer, Directorate of Census Operations, Delhi • Ms. Anu Singh, Executive Geospatial, GSDL • Officers of IT Department, GNCTD • Other Senior Officers of Local Bodies
10.	13.10.2016	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri S.C. Singh Bisht, Joint Financial Advisor, NDMC • Officers of Department of Trade & Taxes, GNCTD • Officers of Local Bodies
11.	21.10.2016	• Shri Shyam Lal Agarwal, Chairman, ICAI Committee on Accounting Standards for Local Bodies, ICAI Bhawan, Indraprastha Marg, New Delhi
12.	04.01.2017	• Shri Sathya Pramod Nagraj, Chief Financial Officer, M/s Tally Solutions Pvt. Ltd., Hosur Main Road, Bengaluru • Sh. Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Officers of Local Bodies
13.	15.02.2017	• Shri VK Jain, CEO, DUSIB • Shri Pankaj Asthan, Member Administration & Finance, DUSIB • Shri Ravi Dadhich, Member(P), DUSIB • Shri MK Tyagi, Member (Engg.), DUSIB
14.	28.02.2017	• Sh. Madhup Vyas, Secretary, Health & Family Welfare Deptt., GNCTD • Sh. S. N. Mishra, Special Secretary, Health & Family Welfare Deptt., GNCTD • Sh. Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Dr. Brajesh Singh, CA cum FA, MCD-East • Dr. Kirti Bhushan,, DGHS, Delhi Government • Dr. B.S. Mahaur, DHA East • Chief Medical Officers of Local Bodies • Other Senior Officers of Delhi Government
15.	17.03.2017	• Dr. Brajesh Singh, CA cum FA, MCD-East • Sh. Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Dr. B.S. Mahaur, DHA • Chief Medical Officers of Local Bodies

16.	29.03.2017	• Officers of Department of Excise, Entertainment and Luxury Taxes, GNCTD
17.	30.03.2017	• Shri K.K. Dahiya, Special Commissioner, Transport Department, GNCTD • Shri Anil Banka, Special Commissioner, Transport Department, GNCTD • Other Senior Officers of Transport Department, GNCTD
18.	31.03.2017	• Shri S.K. Jha, Special Secretary (Revenue), Department of Revenue and Panchayat, GNCTD • Shri Pravesh R. Jha, Director (Panchayat), Department of Revenue and Panchayat, GNCTD • Other officers of Department of Revenue and Panchayat, GNCTD
19.	19.04.2017	• Shri Sharad Singhal, Secretary, Indirect Taxes Committee, ICAI, ICAI Bhawan, Indraprastha Marg, New Delhi • Ms. Savita Kamboj, Asstt. Director, Department of Trade & Taxes, GNCTD
20.	08.05.2017	• Shri Dharam Pal, Controller of Accounts, UD Department, GNCTD • Dy. Controller of Accounts, UD Department
21.	16.05.2017	• Shri Ashwani Kumar, Principal Secretary, Public Works Department • Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Other Senior Officers from Local Bodies and DUSIB • Officers/Team Leader from DIMTS
22.	02.06.2017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Ms. Renu K. Jagdev, Addl. Commissioner(Revenue), MCD-North • Dr. Brajesh Singh, CA cum FA, MCD-East • Other Senior Officers from Local Bodies • Officers/Team Leader from AIILSG
23.	06.06.2017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri S.C. Singh Bisht, Joint Financial Advisor, NDMC • Other Senior Officers from Local Bodies • Officers/Team Leader from AIILSG
24.	09.06.2017	• Shri Murari Sharma, Director(Tax), NDMC • Officers of Local Bodies
25.	12.06.2017	• Officers of MCD-South
26.	29.06.2017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri Ram Mohan Singh, Addl. Commissioner, MCD-South • Dr. Brajesh Singh, CA-cum-FA, MCD-East • Shri S.C. Singh Bisht, Joint Financial Advisor, NDMC • Other Senior Officers from Local Bodies • Officers/Team Leader from Growdiesel Ventures Ltd.
27.	04.07.12017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri Randhir Sahay, CA cum FA, MCD-South • Shri S.C. Singh Bisht, Joint Financial Advisor, NDMC • Shri Dharam Pal, Controller of Accounts, UD Department • Other Senior Officers from Local Bodies • Officers/Team Leader from PSP Financial Consultants Ltd.

28.	06.07.2017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri S.C. Singh Bisht, Joint Financial Advisor, NDMC • Other Senior Officers from Local Bodies • Officers/Team Leader from PSP Financial Consultants Ltd.
29.	25.07.2017	• Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Shri Randhir Sahay , CA cum FA MCD-South • Dr. Brajesh Singh, CA-cum-FA, MCD-East • Dr. Shakuntala Srivastava, CMO(H), NDMC • Other Senior Officers from Local Bodies
30.	01.08.2017	• Shri Randhir Sahay , CA cum FA, MCD-South • Other Senior Officers from Local Bodies
31.	08.08.2017	• Shri Jojneswar Sharma, Director General Defence Estates • Shri Rakesh Mittal, Addl. Director General, Defence Estates • Shri B. Reddy Sankar Babu, Chief Executive Officer, Delhi Cantonment Board • Other Senior Officers from Delhi Cantonment Board
32.	10.08.2017	• Shri Naresh Kumar, Chairman, NDMC • Ms. Geetali Tare, Financial Advisor, NDMC
33.	14.08.2017	• Shri Mohanjeet Singh, Commissioner, MCD-East • Dr. Brajesh Singh, CA cum FA, MCD-East • Shri Vivek Pandey, Addl. Commissioner, MCD-East • Other Senior Officers from MCD-East
34.	17.08.2017	• Dr. Puneet Kumar Goel, Commissioner, MCD-South • Shri Randhir Sahay, CA cum FA , MCD-South • Dr. P.K. Dash, Addl. DHA, MCD-South • Other Senior Officers from MCD-South
35.	18.08.2017	• Shri P.K. Gupta, Commissioner, MCD-North • Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North • Ms. Renu K. Jagdev, Addl. Commissioner, MCD-North
36.	21.08.2017	• Smt. Neema Bhagat, Mayor, MCD-East • Dr. Brajesh Singh, CA cum FA, MCD-East • Other Senior Officers of MCD-East
37.	22.08.2017	• Ms. Preety Agarwal, Mayor, MCD-North • Shri Pankaj Kumar Singh, Addl. Commissioner, MCD-North
38.	23.08.2017	• Smt. Kamaljeet Sehrawat, Mayor, MCD-South • Shri Randhir Sahay, CA cum FA , MCD-South • Shri Premaranjan, DCA, MCD-South
39.	28.08.2017	• Shri Raajiv Yaduvanshi, Principal Secretary, UD Department, GNCTD • Shri S.S. Gill, Special Secretary, UD Department, GNCTD
40.	29.08.2017	• Shri S.N. Sahai, Principal Secretary, Finance, Planning & Home Departments, GNCTD • Shri Devinder Singh Nijjer, Special Secretary, Planning Department, GNCTD

41.	08.09.2017	• Ms. Vinita Mishra, Municipal Chief Auditor Delhi Municipal Corporations
42.	15.09.2017	• Shri Manish Sisodiya, Deputy Chief Minister & Minister for Finance, Planning, Education, GNCTD • Shri Satyendar Jain, Minister for Urban Development and Health & FW, GNCTD • Shri S.N. Sahai, Principal Secretary, Finance, Planning & Home Departments, GNCTD
43.	15.09.2017	• Shri Ashutosh Sharma, Chief Auditor, New Delhi Municipal Council • Shri A.S. Budhwar, Addl. Chief Auditor, New Delhi Municipal Council
44.	22.09.2017	• Shri Raajiv Yaduvanshi, Principal Secretary, H&FW Department, GNCTD • Ms Rashmi Krishnan, Special Secretary, H&FW Department, GNCTD
45.	25.09.2017	• Dr. Ranbir Singh, Commissioner, MCD-East • Dr. Brajesh Singh, CA cum FA, MCD-East

Annexure-3.12

Visits /Interaction with other Authorities/ Commissions

Date of Visit/ Meetings	Name of the Delegation	Participants
16.12.2016	Meeting with/Visit of the nine-member Ethiopian Government Delegation	• Firweyeni Gebregziabher (Ms), Secretary General, House of Federation • Kidusan Nega (Mrs), Speaker, Tigray Regional Council/ Parliament • Hiwot Hailu (Mrs), Speaker, SNNP Regional Council/ Parliament • Mohamed Kedir (Mr), Speaker, Afare Regional Council/ Parliament • Taket Asefaw (Mr), Speaker, Gambella Regional Council/ Parliament • Aschalew Tekle (Mr), Director General, IGR Directorate, House of Federation • Tsegabrehan Tadese (Mr), Director General, IGR Directorate, Ministry of Federal & Pastoral Area Development • Maeregu Habtemariam (Mr), Regional Director, East Africa, Forum of Federations • Dassa Bulcha (Mr), Program Analyst, UNDP
25.04.2017	The Fourth Karnataka State Finance Commission	• Shri C.G. Chinnaswamy, Chairman • Shri H.D. Amarnath, Member • Shri H. Shashidhar, Member • Shri C.G. Suprasanna, Addl. Secretary
24.05.2017	The Municipal Valuation Committee, MCD, Delhi	• Shri G.S. Patnaik, IAS (Retd.), Chairperson • Smt.Shipra Maitra, Member
04.08.2017	The Jharkhand State Finance Commission	• Shri Nand Kishore Mishra, Chairman, Jharkhand State Finance Commission
24.08.2017	Delegation of Ministry of Finance, Islamic Republic of Afghanistan (introduced by the Indian Institute of Public Administration, New Delhi)	• Mohammad Ali Rezayee, Executive Specialist District 13th Kabul City • Shamsullah Noori, Operational Budget Manager, street 5 Taimani Project Kabul City • Abdul Hameed Stanikzai, • Book Keeping Officer Darul Aman Road Kabul City • Nawiedullah Ibrahimkhail, Development Budget Officer Khoshal Khan Kabul City • Mohammad Asif Yaqooby, Operational Payment Officer Chehl Sutoon Kabul City • Mohammad Hashim Nahwori, Development Payment Officer District 13th Kabul City • Safiullah Rasooly, Payroll Officer Qala e Waki! Kabul City • Walid Ahmed Noori, Payroll Officer Bagh e Ali Mardan Kabul City • Sayed Amir Hamidi, Development Payroll Officer Karta e Sakhi Kabul City • Mohammadullah Ibrahimi, Finance Assistant Khoshal Khan Kabul City

Annexure 4.1

NO. 14011/28/2015-D-II

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

North Block, New Delhi-110001
Dated the 12th April, 2016

The Chief Secretary,
Govt. of NCT of Delhi,
Delhi Secretariat,
IP Estate,
New Delhi

Subject:– Fourth Delhi Finance Commission Report.

Sir,

I am directed to refer to DO letter No.F-13/17/2015/UD/MB/PF-II/538 dated 28.01.2016 from the Chief Secretary, GNCTD addressed to the Union Home Secretary, on the subject and to state that the matter has been examined in consultation with the Ministry of Law & Justice.

2. As per the Constitutional provisions relating to Finance Commission, the Commission may make its recommendations to the Governor of State (in this case, Lt. Governor of NCT of Delhi) on the principles governing distribution of net proceeds of taxes between the State and the Municipalities and related subjects. However, in the instant case, the 4th Delhi Finance Commission has also made certain recommendations for the Central Government which do not appear to be having any direct bearing to the mandate of Commission, which has to make recommendations on the principles as defined in Article 243Y(1)(a)(i) to (iii) and can make certain recommendations *only* about measures for improving the financial position of municipalities and not on the subjects which do not have bearing to the subject reference.

3. Notwithstanding the fact that the recommendations made by the Delhi Finance Commission for the Central Government are being examined in consultation with the concerned Ministries/ Departments, there is no impediment on the GNCTD to take decision on the recommendations made by the Commission for their consideration.

4. In view of above, the contention of the GNCTD that only after the Government of India implements the recommendations (*meant for the GoI)*,the GNCTD will then implement its part of the recommendations, is erroneous. The GNCTD may take immediate necessary action, as deemed fit, as per law, on the recommendations made by the 4th Finance Commission meant for the consideration of the GNCTD. In this regard, attention is also invited to Order dated 7.1.2016 of the Hon'ble High Court of Delhi in WP(C) 3385/2015 – Compaign for people

participation in Developmental Planning v/s LG &Ors, inter-alia directing the GNCTD that the recommendations made by the 4th Finance Commission together with the explanatory memorandum as to action taken thereon is laid before the next Assembly session without fail.

5. This issues with the approval of the competent authority.

Yours faithfully,

- Sd. -

(Ashok Kumar Sharma)
Under Secretary (Delhi)
Tel: 23093599

Annexure-5.1

Year-wise Devolution of Funds to Municipalities in Delhi

(Rs. crore)

No.	Details	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	TGR (%) *	2016-17 (RE)	2017-18 (BE)
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
1	**Grant-in Aid (G-I-A)**														
a	MCD	344.5	469.4	565.7	563.5	635.8	746.1	972.4	1109.5	1212.0	1245.4	1277.7	**14.1**	1460.9	1607.0
i	North DMC	—	—	—	—	—	—	—	486.6	531.4	545.8	560.0		640.3	704.3
ii	South DMC	—	—	—	—	—	—	—	375.0	409.7	421.1	432.1		494.0	543.4
iii	East DMC	—	—	—	—	—	—	—	248.0	270.9	278.4	285.6		326.6	359.3
b	NDMC	21.3	29.1	35.1	36.3	37.5	22.4	59.4	67.1	64.5	72.3	74.1	**13.0**	84.8	93.2
c	DCB	1.7	1.9	2.0	2.1	2.2	2.6	3.4	3.9	3.6	4.3	4.4	**11.2**	5.0	5.0
e	**Total**	**367.4**	**500.4**	**602.8**	**601.9**	**675.6**	**771.1**	**1035.3**	**1180.5**	**1280.1**	**1321.9**	**1356.1**	**14.0**	**1550.7**	**1705.3**
2	**Basic Tax Assignment (BTA)**														
a	MCD	389.8	508.7	640.1	432.4	496.6	527.2	690.6	789.6	763.0	854.5	911.2	**7.9**	967.9	1102.7
i	North DMC	—	—	—	—	—	—	—	279.7	270.3	302.7	332.9		332.6	390.6
ii	South DMC	—	—	—	—	—	—	—	358.8	346.7	388.3	398.4		455.5	501.1
iii	East DMC	—	—	—	—	—	—	—	151.1	146.0	163.6	179.9		179.8	211.1
b	NDMC	12.7	17.3	20.8	14.8	16.0	9.0	23.7	27.1	26.2	29.3	30.1	**8.3**	34.4	37.9
c	DCB **	5.3	5.9	6.4	8.7	4.7	5.3	14.0	15.8	15.3	17.2	17.6	**14.8**	20.1	22.1
d	**Total**	**407.8**	**531.8**	**667.3**	**455.9**	**517.4**	**541.5**	**728.3**	**832.5**	**804.5**	**901.0**	**958.9**	**8.0**	**1022.4**	**1162.7**
3	**Total G-I-A & BTA (1+2)**														
a	MCD	734.3	978.1	1205.8	996.0	1132.4	1273.4	1663.0	1899.1	1975.0	2099.9	2188.8	**11.2**	2428.8	2709.7
i	North DMC	—	—	—	—	—	—	—	766.2	801.7	848.5	892.9		973.0	1094.9
ii	South DMC	—	—	—	—	—	—	—	733.8	756.4	809.4	830.4		949.5	1044.5
iii	East DMC	—	—	—	—	—	—	—	399.1	416.9	442.0	465.5		506.3	570.3
b	NDMC	33.9	46.4	55.9	51.1	53.6	31.4	83.1	94.2	90.7	101.6	104.2	**11.4**	119.2	131.1
c	DCB	7.0	7.7	8.5	10.8	6.9	7.9	17.5	19.7	19.0	21.4	22.0	**14.0**	25.2	27.2
4	Municipal Reform Fund	—	—	—	—	3.0	143.0	—	150.0	—	—	—		414.9	474.4
	Total Devolution (3+4)	**775.2**	**1032.2**	**1270.1**	**1057.8**	**1195.9**	**1455.6**	**1763.6**	**2163.0**	**2084.6**	**2222.9**	**2315.0**	**11.4**	**2988.0**	**3342.4**

* Trend Growth Rate

** Basic Tax Assignment (BTA) in case of DCB for the years 2005-06 to 2007-08 represents the aggregate of itemised tax assignments under Entertainment Tax, Taxes on Vehicles and Compensation in lieu of Terminal Tax and thereafter the same is as per global tax share agreed by GNCTD.

Source : Finance Accounts / Budget Documents of Delhi Government.

Annexure-5.2

Capital Receipts of GNCTD

(Rs. crore)

S.No.	Year	Small Saving Loan/Loan from NSSF	Non-Plan Loan	Total (2+3)	Loan & Advances (Recovery)	Loan Recovery from Government Servant	Total Capital Receipts (4+ 5 + 6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2005-06	5896	–	5896	315	4.9	6216
2	2006-07	4002	–	4002	225	3.9	4231
	AGR	***-32.1***	–	***-32.1***	***-28.6***	***-21.5***	***-31.9***
3	2007-08	746	–	746	228	3.4	977
	AGR	***-81.4***	–	***-81.4***	***1.4***	***-11.6***	***-76.9***
4	2008-09	429	–	429	796	3.2	1228
	AGR	***-42.5***	–	***-42.5***	***249.3***	***-6.1***	***25.6***
5	2009-10	1769	–	1769	315	3.1	2087
	AGR	***312.6***	–	***312.6***	***-60.4***	***-4.3***	***70.0***
6	2010-11	4389	–	4389	434	2.7	4826
	AGR	***148.1***	–	***148.1***	***37.8***	***-11.7***	***131.2***
7	2011-12	556	–	556	374	2.3	932
	AGR	***-87.3***	–	***-87.3***	***-13.8***	***-16.9***	***-80.7***
8	2012-13	922	–	922	723	2.1	1647
	AGR	***65.9***	–	***65.9***	***93.3***	***-7.1***	***76.7***
9	2013-14	837	3326	4163	801	1.9	4966
	AGR	***-9.3***	–	***351.3***	***10.8***	***-11.4***	***201.4***
10	2014-15	1764	–	1764	225	2.2	1992
	AGR	***110.9***	–	***-57.6***	***-71.9***	***20.4***	***-59.9***
11	2015-16	2241	–	2241	82	1.4	2325
	AGR	***27.0***	–	***27.0***	***-63.6***	***-39.5***	***16.7***
12	**TGR**	**-6.5**		**-2.3**	**-2.7**	**-10.1**	**-2.9**
13	2016-17 (RE)	3000	–	3000	159	2.2	3161
	AGR	***33.9***	**–**	***33.9***	***93.5***	***63.0***	***36.0***
14	2017-18 (BE)	2856	–	2856	397	3.0	3256
	AGR	***-4.8***	**–**	***-4.8***	***150.0***	***35.7***	***3.0***

Source: Finance Accounts / Budget Documents of Delhi Government.

Annexure-5.3

Capital Expenditure of GNCTD

(Rs. crore)

S.No.	Years	Capital outlay			Repayment/ pre-payment of Loan			Loans & Advances by State Government.			Total Capital Expenditure		
		Plan/ Scheme	Non-Plan/ Other than Scheme	Total	Plan/ Scheme	Non-Plan/ Other than Scheme	Total	Plan/ Scheme	Non-Plan/ Other than Scheme	Total	Plan/ Scheme	Non-Plan/ Other than Scheme	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*
1	2005-06	1440	63	1502	–	224	224	1212	1688	2900	2652	1974	4626
2	2006-07	1931	-148	1783	–	134	134	1136	2158	3294	3067	2143	5211
	AGR	***34.1***	***-336.0***	***18.7***	**–**	***-40.2***	***-40.2***	***-6.3***	***27.9***	***13.6***	***15.7***	***8.6***	***12.6***
3	2007-08	3761	3	3764	–	975	975	1695	1955	3650	5456	2933	8389
	AGR	***94.8***	***-102.1***	***111.1***	**–**	***629.0***	***629.0***	***49.1***	***-9.4***	***10.8***	***77.9***	***36.8***	***61.0***
4	2008-09	3992	3	3995	–	386	386	1699	2518	4217	5691	2908	8599
	AGR	***6.1***	***3.0***	***6.1***	**–**	***-60.4***	***-60.4***	***0.3***	***28.8***	***15.6***	***4.3***	***-0.9***	***2.5***
5	2009-10	4714	4	4717	–	606	606	1672	4029	5701	6385	4640	11025
	AGR	***18.1***	***14.1***	***18.1***	**–**	***57.1***	***57.1***	***-1.6***	***60.0***	***35.2***	***12.2***	***59.6***	***28.2***
6	2010-11	3981	3	3985	–	793	793	1671	4693	6365	5653	5490	11143
	AGR	***-15.5***	***-4.4***	***-15.5***	**–**	***30.8***	***30.8***	***0.0***	***16.5***	***11.6***	***-11.5***	***18.3***	***1.1***
7	2011-12	4000	4	4004	–	1088	1088	3259	86	3345	7259	1178	8438
	AGR	***0.5***	***23.9***	***0.5***	**–**	***37.2***	***37.2***	***95.0***	***-98.2***	***-47.4***	***28.4***	***-78.5***	***-24.3***
8	2012-13	4172	5	4177	–	1288	1288	2734	1001	3735	6906	2294	9199
	AGR	***4.3***	***13.7***	***4.3***	**–**	***18.4***	***18.4***	***-16.1***	***1064.7***	***11.6***	***-4.9***	***94.7***	***9.0***
9	2013-14	4703	4	4707	–	1325	1325	2075	3577	5652	6778	4907	11685
	AGR	***12.7***	***-8.4***	***12.7***	**–**	***2.9***	***2.9***	***-24.1***	***257.5***	***51.3***	***-1.9***	***113.9***	***27.0***
10	2014-15	4399	5	4404	–	1347	1347	1634	46	1680	6033	1397	7431
	AGR	***-6.5***	***7.3***	***-6.4***	**–**	***1.6***	***1.6***	***-21.2***	***-98.7***	***-70.3***	***-11.0***	***-71.5***	***-36.4***
11	2015-16	4712	11	4723	–	1435	1435	1843	851	2694	6555	2298	8853
	AGR	***7.1***	***129.1***	***7.3***	**–**	***6.6***	***6.6***	***12.8***	***1762.8***	***60.4***	***8.7***	***64.4***	***19.1***
12	**TGR**	**9.3**	**–**	**9.5**	**–**	**22.6**	**22.6**	**5.4**	**-18.7**	**-2.3**	**7.9**	**-1.1**	**5.2**
13	2016-17 (RE)	4665	21	4686	–	1655	1655	1702	1081	2783	6367	2757	9124
	AGR	***-1.0***	***91.9***	***-0.8***	**–**	***15.3***	***15.3***	***-7.6***	***26.9***	***3.3***	***-2.9***	***20.0***	***3.1***
14	2017-18 (BE)			5127			1682			2763			9573
	AGR		***9.4***			***1.7***	-0.7		***4.9***				

Source: Finance Account / Budget Document of GNCTD.

Annexure-5.4

Details of Capital Outlay of GNCTD

(Rs. crore)

Years		Public Works Office Building	Education, Sports, Art &Culture	Health and Family Welfare	Water Supply, Sanitation, Housing & Urban Development	Transport	Others	Total
2005-06 (Ac)	Plan	63	78	129	52	891	227	1440
	Non-Plan	–	–	–	59	–	4	63
	Total	63	78	129	111	891	230	1502
2006-07 (Ac)	Plan	113	147	150	61	1146	315	1931
	Non-Plan	–	–	–	-151	–	3	-148
	Total	113	147	150	-90	1146	318	1783
2007-08 (Ac)	Plan	250	254	161	169	1601	1327	3761
	Non-Plan	–	–	–	–	–	3	3
	Total	250	254	161	169	1601	1330	3764
2008-09 (Ac)	Plan	261	374	174	92	2270	822	3992
	Non-Plan	–	–	–	–	–	3	3
	Total	261	374	174	92	2270	825	3995
2009-10 (Ac)	Plan	283	423	156	16	3508	328	4714
	Non-Plan	–	–	–	–	–	4	4
	Total	283	423	156	16	3508	332	4717
2010-11 (Ac)	Plan	205	308	164	27	2952	326	3981
	Non-Plan	–	–	–	–	–	3	3
	Total	205	308	164	27	2952	329	3985
2011-12 (Ac)	Plan	126	327	167	34	2141	1205	4000
	Non-Plan	–	–	–	–	–	4	4
	Total	126	327	167	34	2141	1209	4004
2012-13 (Ac)	Plan	151	378	226	401	1961	1055	4172
	Non-Plan	–	–	–	–	–	5	5
	Total	151	378	226	401	1961	1060	4177
2013-14 (Ac)	Plan	156	514	353	560	2561	559	4703
	Non-Plan	–	–	–	–	–	4	4
	Total	156	514	353	560	2561	563	4707
2014-15 (Ac)	Plan	238	497	490	258	2364	552	4399
	Non-Plan	–	–	–	–	–	5	5
	Total	238	497	490	258	2364	557	4404
2015-16 (Ac)	Plan	296	1013	385	231	2429	358	4712
	Non-Plan	3	–	–	–	–	8	11
	Total	299	1013	386	231	2429	365	4723
2016-17 (RE)	Total	352	1469	453	371	1553	488	4686
2017-18 (BE)	Total	246	1054	688	331	1600	1208	5127

Source: Budget Document of GNCTD.

Annexure-5.5

Loans & Advances provided by GNCTD

(Rs. crore)

Years		Water Supply and Sanitation	Urban Development **	Power Project	Road Transport	Misc Loans *	Others	Total
2005-06 (Ac)	Plan	678	144	266	63	–	62	1212
	Non-Plan	–	–	150	974	563	0.4	1688
	Total	678	144	416	1037	563	62	2900
2006-07 (Ac)	Plan	748	170	91	59	0	68	1136
	Non-Plan	–	–	–	882	1274	1	2158
	Total	748	170	91	942	1274	69	3294
2007-08 (Ac)	Plan	1149	188	131	225	–	1	1695
	Non-Plan	–	–	–	1092	862	1	1955
	Total	1149	188	131	1317	862	3	3650
2008-09 (Ac)	Plan	1231	178	94	156	–	40	1699
	Non-Plan	–	–	–	1558	959	1	2518
	Total	1231	178	94	1714	959	41	4217
2009-10 (Ac)	Plan	1433	157	–	15	–	66	1672
	Non-Plan	–	–	–	1981	2047	1	4029
	Total	1433	157	–	1996	2047	68	5701
2010-11(Ac)	Plan	1274	157	150	40	–	51	1671
	Non-Plan	–	–	–	2129	2564	1	4693
	Total	1274	157	150	2169	2564	51	6365
2011-12 (Ac)	Plan	1268	244	966	530	–	251	3259
	Non-Plan	–	–	–	–	45	41	86
	Total	1268	244	966	530	45	292	3345
2012-13 (Ac)	Plan	1195	248	700	520	–	71	2734
	Non-Plan	–	–	–	–	1000	1	1001
	Total	1195	248	700	520	1000	72	3735
2013-14 (Ac)	Plan	1102	290	302	380	–	1	2075
	Non-Plan	–	–	3326	–	250	1	3577
	Total	1102	290	3628	380	250	2	5652
2014-15 (Ac)	Plan	1154	144	295	41	–	0.3	1634
	Non-Plan	–	–	–	–	45	1	46
	Total	1154	144	295	41	45	1	1680
2015-16 (Ac)	Plan	857	53	220	617	–	97	1843
	Non-Plan	–	–	250	–	591	10	851
	Total	857	53	470	617	591	107	2694
2016-17 (RE)	Plan	640	60	170	710	–	121	1702
	Non-Plan	–	–	300	–	780	1	1081
	Total	640	60	470	710	780	122	2783
2017-18 (BE)	Total	928	112	466	394	780	83	2763

Source: Budget Document of GNCTD.
* Includes Ways & Means Loan to Municipalities.
** Includes Plan Loan to Municipalities.

Annexure-7.1

National Family Health Survey-4, 2015-16 , Key Indicators from Table-H-8

S. No.	Indicators	India	Delhi	Mizoram	Puducherry	Goa	Kerala	Tamil Nadu
Population and Household Profile								
1	Population (female) age 6 years and above who ever attended school (%)	80.6	81.7	95.9	83	87.1	96.5	83.6
2	Population below age 15 years (%)	24.9	24.6	27.2	23.9	25	20.3	22.4
3	Sex ratio of the total population (females per 1,000 males)	956	849	1043	1083	996	1058	1020
4	Sex ratio at birth for children born in the last five years (females per 1,000 males)	899	811	926	786	894	1062	972
5	Children under age 5 years whose birth was registered (%)	88.8	86.8	97.8	99.2	98.9	97.3	98.5
6	Households with electricity (%)	97.5	99.8	99.7	99.8	99.8	99.5	99.2
7	Households with an improved drinking-water source[1] (%)	91.1	85.8	94.1	93.8	97.8	95.7	86.9
8	Households using improved sanitation facility[2] (%)	70.3	73.9	90.9	73.4	76.8	98.7	69.7
9	Households using clean fuel for cooking[3] (%)	80.6	97.9	92.8	91.6	91	65.2	87.4
10	Households using iodized salt (%)	96.5	98.4	99.3	96.3	97.6	98.8	89.1
11	Households with any usual member covered by a health scheme or health insurance (%)	28.2	16.4	42.3	38.1	18.5	45.3	59.2
Characteristics of Adults (age 15-49)								
12	Women who are literate (%)	81.4	81.8	98.6	85.1	88	98.4	85.6
13	Men who are literate (%)	90.8	89.2	99.3	89.8	93.5	98.8	91.7
14	Women with 10 or more years of schooling (%)	51.5	55.4	52	61.8	58.5	74.1	58.6
Marriage and Fertility								
15	Women age 20-24 years married before age 18 years (%)	17.5	13.1	7.1	10.9	14.8	7.7	13
16	Men age 25-29 years married before age 21 years (%)	14.1	21	10.1	10.4	17.3	1.8	18.4
17	Total fertility rate (children per woman)	1.8	1.7	2	1.7	1.7	1.6	1.5
18	Women age 15-19 years who were already mothers or pregnant at the time of the survey (%)	5	2.2	6.2	3.7	3.6	2.7	3.7
Infant and Child Mortality Rates (per 1,000 live births)								
19	Infant mortality rate (IMR)	29	35	31	10	*	6	18
20	Under-five mortality rate (U5MR)	34	47	35	10	*	8	24
Current Use of Family Planning Methods (currently married women age 15–49 years)								
21	Any method[4] (%)	57.2	52.9	38.5	62.4	33.2	53.3	54.1
22	Any modern method[4] (%)	51.3	47.2	38.4	61.5	31.6	50.6	53.5
23	Female sterilization (%)	35.7	19.3	19.4	58.5	21.6	45.7	49.4
24	Male sterilization (%)	0.3	0.2	0	0	0	0.1	0
25	IUD/PPIUD (%)	2.4	5.3	3.9	2.1	0.9	1.5	2.3
26	Pill (%)	3.5	3.2	13.6	0.3	0.4	0.3	0.4
27	Condom (%)	9	19	1.5	0.6	8.5	3	1.2

Unmet Need for Family Planning (currently married women age 15–49 years)5								
28	Total unmet need (%)	12.1	15.8	19.1	9.3	16.9	14.3	10.6
29	Unmet need for spacing (%)	5.1	4.9	11.3	5.3	8	8.8	5.1
Quality of Family Planning Services								
30	Health worker ever talked to female non-users about family planning (%)	18.6	12.1	12.4	38.1	49.6	17.9	29.7
31	Current users ever told about side effects of current method[6] (%)	50.1	43.3	55	74.8	76.6	55	76.7

[1] Piped water into dwelling/yard/plot, public tap/standpipe, tube well or borehole, protected dug well, protected spring, rainwater, community RO plant. [2] Flush to piped sewer system, flush to septic tank, flush to pit latrine, ventilated improved pit (VIP)/biogas latrine, pit latrine with slab, twin pit/composting toilet, which is not shared with any other household. [3] Electricity, LPG/natural gas, biogas. [4] Includes other methods that are not shown separately [5] Unmet need for family planning refers to fecund women who are not using contraception but who wish to postpone the next birth (spacing) or stop childbearing altogether (limiting). Specifically, women are considered to have unmet need for spacing if they are: At risk of becoming pregnant, not using contraception, and either do not want to become pregnant within the next two years, or are unsure if or when they want to become pregnant. · Pregnant with a mistimed pregnancy. · Postpartum amenorrheic for up to two years following a mistimed birth and not using contraception. Women are considered to have unmet need for limiting if they are: · At risk of becoming pregnant, not using contraception, and want no (more) children. · Pregnant with an unwanted pregnancy. · Postpartum amenorrheic for up to two years following an unwanted birth and not using contraception. Women who are classified as infecund have no unmet need because they are not at risk of becoming pregnant. Unmet need for family planning is the sum of unmet need for spacing plus unmet need for limiting.
[6] Based on current users of female sterilization, IUD/PPIUD, injectable and pill who started using that method in the past 5 years.

Source: 1 NFHS-4,2015-16, Ministry of Health and Family Welfare Govt. of India. & International Institute for Population Sciences (Deemed University) Mumbai.

Annexure-7.2

National Family Health Survey-4, 2015-16, Key Indicators (contd.)

S. No.	Indicators	India	Delhi	Mizoram	Puducherry	Goa	Kerala	Tamil Nadu
	Maternal and Child Health							
	Maternity Care (for last birth in the 5 years before the survey)							
32	Mothers who had antenatal check-up in the first trimester (%)	69.1	63.2	77	86	84.7	96.2	65.1
33	Mothers who had at least 4 antenatal care visits (%)	66.4	68.8	77.5	90.1	90.6	88.5	81.3
34	Mothers whose last birth was protected against neonatal tetanus[7] (%)	89.9	90	88.5	84.9	97.6	96.2	72.4
35	Mothers who consumed iron folic acid for 100 days or more when they were pregnant (%)	40.8	50	59.3	67.4	66.3	69.7	65.1
36	Mothers who had full antenatal care[8] (%)	31.1	37.4	47.9	59.4	64.4	63.1	46.3
37	Registered pregnancies for which the mother received Mother and Child Protection(MCP) card (%)	87.7	87.4	97.8	98.8	99.5	82	96
38	Mothers who received postnatal care from a doctor/ nurse/LHV/ANM/midwife/other health personnel within 2 days of delivery (%)	71.7	62.4	77	88.3	93	87.7	74.3
39	Mothers who received financial assistance under Janani Suraksha Yojana (JSY) for births delivered in an institution (%)	21.4	8	44.9	22.8	6.8	19.1	25.3
40	Average out of pocket expenditure per delivery in public health facility (Rs.)	3913	8770	5019	2176	4159	6848	2476
41	Children born at home who were taken to a health facility for check-up within 24hours of birth (%)	3.2	2.7	2.9	*	*	*	*
42	Children who received a health check after birth from a doctor/nurse/LHV/ANM/midwife/other health personnel within 2 days of birth (%)	27.2	19.6	13.2	34.9	50.3	48.1	34.9
	Delivery Care (for births in the 5 years before the survey)							
43	Institutional births (%)	88.7	84.4	97.2	99.9	95.8	99.9	99.2
44	Institutional births in public facility (%)	46.2	56.7	70.2	77.9	57.3	35.6	58.7
45	Home delivery conducted by skilled health personnel (out of total deliveries) (%)	3.0	3.9	0.8	0.1	2.8	0.1	0.6
46	Births assisted by a doctor/nurse/LHV/ANM/other health personnel (%)	90	86.8	97.9	100	97.5	100	99.6
47	Births delivered by caesarean section (%)	28.3	23.7	19	30.9	33.5	37.1	36.1
48	Births in a private health facility delivered by caesarean section (%)	44.8	42.9	31.4	47.1	58.9	39.2	48.6
49	Births in a public health facility delivered by caesarean section (%)	19.9	20.9	15.1	26.4	18.8	33.5	28
	Child Immunizations and Vitamin A Supplementation							
50	Children age 12-23 months fully immunized (BCG, measles, and 3 doses each of polio and DPT) (%)	63.9	66.2	49.8	93.9	87.7	82.2	73.3

51	Children age 12-23 months who have received BCG (%)	93.2	94.6	79.2	99.8	100	98.3	96.2
52	Children age 12-23 months who have received 3 doses of polio vaccine (%)	73.4	77.4	64.2	97.7	93.7	89.6	84.4
53	Children age 12-23 months who have received 3 doses of DPT vaccine (%)	80.2	83.7	63	98.1	94	90.5	86.3
54	Children age 12-23 months who have received measles vaccine (%)	83.2	90.3	60.4	95.2	95.6	90.3	85.9
55	Children age 12-23 months who have received 3 doses of Hepatitis B vaccine (%)	63.3	60.1	58	89.9	89.7	82.7	70.9
56	Children age 9-59 months who received a vitamin A dose in last 6 months (%)	62.9	53.9	75.2	77	88.3	74.3	65.9
57	Children age 12-23 months who received most of the vaccinations in public health facility (%)	82.1	92.2	86.8	86.2	72.7	72.6	78.7
58	Children age 12-23 months who received most of the vaccinations in private health facility (%)	16.7	7.5	13.1	13.8	27.3	27.4	21.3
Treatment of Childhood Diseases (children under age 5 years)								
59	Prevalence of diarrhoea (reported) in the last 2 weeks preceding the survey (%)	8.2	10.6	7.6	9.9	3	2.7	8.2
60	Children with diarrhoea in the last 2 weeks who received oral rehydration salts (ORS) (%)	58.5	62.2	76.3	79.4	*	40.5	65
61	Children with diarrhoea in the last 2 weeks who received zinc (%)	23.7	25.7	31.7	78.3	*	5.4	46.6
62	Children with diarrhoea in the last 2 weeks taken to a health facility (%)	74.1	81.4	46.7	80.6	*	69.5	73.9
63	Prevalence of symptoms of acute respiratory infection (ARI) in the last 2 weekspreceding the survey (%)	2.3	2.7	3	2.5	0.9	0.6	2.7
64	Children with fever or symptoms of ARI in the last 2 weeks preceding the surveytaken to a health facility (%)	80	81.5	62.8	77.8	89.1	90.2	83.4
Child Feeding Practices and Nutritional Status of Children								
65	Children under age 3 years breastfed within one hour of birth[9] (%)	42.8	29.3	67	70.3	72.5	63.7	55.4
66	Children under age 6 months exclusively breastfed[10] (%)	52.1	49.8	59.8	57.4	*	55	47.8
67	Children age 6-8 months receiving solid or semi-solid food and breastmilk10 (%)	50.1	45	69.6	78.3	*	64.2	76.4
68	Breastfeeding children age 6-23 months receiving an adequate diet10,11 (%)	10.1	4.6	15.6	18.1	9.3	19.5	20.9
69	Non-breastfeeding children age 6-23 months receiving an adequate diet10,11 (%)	16.9	9.7	18.4	57.8	*	*	42.6
70	Total children age 6-23 months receiving an adequate diet[10,11] (%)	11.6	5.6	16	28	11.5	19.9	23.4
71	Children under 5 years who are stunted (height-for-age)[12] (%)	31.0	32.4	22.7	24.7	18.3	19.8	25.5
72	Children under 5 years who are wasted (weight-for-height)[12] (%)	20.0	17.2	4.5	26.1	27.7	16	19

73	Children under 5 years who are severely wasted (weight-for-height)[13] (%)	7.5	5	1.2	8.3	13.7	7.1	8.2
74	Children under 5 years who are underweight (weight-for-age)[12] (%)	29.1	27.3	8.5	23.3	25.3	15.5	21.5

[7] Includes mothers with two injections during the pregnancy of her last birth, or two or more injections (the last within 3 years of the last live birth), or three or more injections (the last within 5 years of the last birth), or four or more injections (the last within 10 years of the last live birth), or five or more injections at any time prior to the last birth. Not exactly comparable with NFHS-3 due to differences in definition. [8] Full antenatal care is at least four antenatal visits, at least one tetanus toxoid (TT) injection and iron folic acid tablets or syrup taken for 100 or more days. [9] Based on the last child born in the 5 years before the survey. [10] Based on the youngest child living with the mother. [11] Breastfed children receiving 4 or more food groups and a minimum meal frequency, non-breastfed children fed with a minimum of 3 Infant and Young Child Feeding Practices (fed with other milk or milk products at least twice a day, a minimum meal frequency that is receiving solid or semi-solid food at least twice a day for breastfed infants 6-8 months and at least three times a day for breastfed children 9-23 months, and solid or semi-solid foods from at least four food groups not including the milk or milk products food group). [12] Below -2 standard deviations, based on the WHO standard. [13] Below -3 standard deviations, based on the WHO standard.

* Percentage not shown; based on fewer than 25 unweighted cases.

Source: 1 NFHS-4,2015-16, Ministry of Health and Family Welfare Govt. of India. & International Institute for Population Sciences (Deemed University) Mumbai.

Annexure-7.3

National Family Health Survey-4, 2015-16, Key Indicators (contd.)

S. No.	Indicators	India	Delhi	Mizoram	Puducherry	Goa	Kerala	Tamil Nadu
	Nutritional Status of Adults (age 15-49 years)							
75	Women whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m2)[14] (%)	15.5	12.8	7.5	10.5	10.3	9.1	10.9
76	Men whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m2) (%)	15.3	17.9	6	9.3	8.4	8.4	10.7
77	Women who are overweight or obese (BMI ≥ 25.0 kg/m2)[14] (%)	31.3	34.9	26.8	38.1	36.3	33.5	36.2
78	Men who are overweight or obese (BMI ≥ 25.0 kg/m2) (%)	26.3	24.1	28.1	40.5	35.3	31.1	30.6
	Anaemia among Children and Adults15							
79	Children age 6-59 months who are anaemic (<11.0 g/dl) (%)	55.9	62.3	13.2	43.4	52.2	35.5	48.6
80	Non-pregnant women age 15-49 years who are anaemic (<12.0 g/dl) (%)	50.9	52.6	19.2	52.3	30.9	36.7	53.9
81	Pregnant women age 15-49 years who are anaemic (<11.0 g/dl) (%)	45.7	45.1	23.4	23.6	*	22.7	37.2
82	All women age 15-49 years who are anaemic (%)	50.8	52.3	19.3	51.4	30.8	36.3	53.4
83	Men age 15-49 years who are anaemic (<13.0 g/dl) (%)	18.4	21.4	8.8	16.2	12.3	12.4	16.9
	Blood Sugar Level among Adults (age 15-49 years)16							
	Women							
84	Blood sugar level - high (>140 mg/dl) (%	6.9	7.7	9.4	6.8	8.4	8.4	8
85	Blood sugar level - very high (>160 mg/dl) (%)	3.6	4	4.6	4.1	4.9	4.8	4.5
	Men							
86	Blood sugar level - high (>140 mg/dl) (%)	8.8	9.8	10.7	7.9	12.6	13.7	10.2
87	Blood sugar level - very high (>160 mg/dl) (%)	4.4	4	5	5.2	7.9	4.7	5.9
	Hypertension among Adults (age 15-49 years)							
	Women							
88	Slightly above normal (Systolic 140-159 mm of Hg and/or Diastolic 90-99 mm of Hg) (%)	7.3	5.9	8.1	7.3	6.7	4.8	6.8
89	Moderately high (Systolic 160-179 mm of Hg and/or Diastolic 100-109 mm of Hg) (%)	1.6	1	2	2	1.4	0.6	1.9
90	Very high (Systolic ≥180 mm of Hg and/or Diastolic ≥110 mm of Hg) (%)	0.7	0.7	0.5	0.9	0.8	0.6	0.6
	Men							
91	Slightly above normal (Systolic 140-159 mm of Hg and/or Diastolic 90-99 mm of Hg) (%)	11.4	3.8	14.3	14.2	8.4	5.6	12.2
92	Moderately high (Systolic 160-179 mm of Hg and/or Diastolic 100-109 mm of Hg) (%)	2.7	0.4	5.7	0.8	2.8	1.5	3
93	Very high (Systolic ≥180 mm of Hg and/or Diastolic ≥110 mm of Hg) (%)	1.0	0.1	0.6	1.3	0	0.5	1.2
	Women Age 15-49 Years Who Have Ever Undergone Examinations of:							
94	Cervix (%)	25.3	26.8	24.4	20.1	51.3	61.7	21.7
95	Breast (%)	11.7	10.2	9.2	14.6	44.6	34	14

96	Oral cavity (%)	15.6	14.6	29.7	10.3	51.6	51.5	11.2
	Knowledge of HIV/AIDS among Adults (age 15-49 years)							
97	Women who have comprehensive knowledge[17] of HIV/AIDS (%)	28.1	32.6	70.9	26.6	36	42.5	16.4
98	Men who have comprehensive knowledge[17] of HIV/AIDS (%)	37.4	27.4	71.8	21.6	42.9	51.8	10.6
99	Women who know that consistent condom use can reduce the chances of getting HIV/AIDS (%)	67.0	72.6	94.0	69.4	80.8	74.9	67.8
100	Men who know that consistent condom use can reduce the chances of getting HIV/AIDS (%)	83.4	83.3	95.7	84.6	91.9	86.1	81.2
	Women's Empowerment and Gender Based Violence (age 15-49 years)							
101	Currently married women who usually participate in household decisions (%)	85.8	74.1	96.3	90	94.5	91.7	83.3
102	Women who worked in the last 12 months who were paid in cash (%)	23.2	21	34	21.7	24.7	21.4	25.2
103	Ever-married women who have ever experienced spousal violence (%)	23.6	27.1	16.7	33.3	15.3	13.7	37.2
104	Ever-married women who have experienced violence during any pregnancy (%)	2.9	3.5	2.8	2.7	1.9	0.9	5
105	Women owning a house and/or land (alone or jointly with others) (%)	35.2	34.7	14.9	41.9	33.4	31.1	34.6
106	Women having a bank or savings account that they themselves use (%)	61	64.5	68.4	65.2	84.4	70.3	75.7
107	Women having a mobile phone that they themselves use (%)	61.8	66.6	88.5	68	81.5	81.1	70.7
108	Women age 15-24 years who use hygienic methods of protection during their menstrual period[18] (%)	77.5	90.3	96.3	96.5	94.1	91.7	93.5
	Tobacco Use and Alcohol Consumption among Adults (age 15-49 years)							
109	Women who use any kind of tobacco (%)	4.4	1.8	59.2	0.8	1.7	0.1	1.5
110	Men who use any kind of tobacco (%)	38.9	30.2	82	13.2	22.1	23.6	32.2
111	Women who consume alcohol (%)	0.7	0.7	6.7	0.5	4.2	2.4	0.5
112	Men who consume alcohol (%)	28.7	24.8	52.3	38.8	49.4	32.8	46
113	Women who tried to stop smoking or using tobacco in any other form during the past 12 months[19] (%)	33	31.9	45.8	*	*	*	44.8
114	Men who tried to stop smoking or using tobacco in any other form (during the past 12 months)[19] (%)	29.6	31.6	43	14.4	9.5	21.3	26.1

[14] Excludes pregnant women and women with a birth in the preceding 2 months. [15] Haemoglobin in grams per decilitre (g/dl). Among children, prevalence is adjusted for altitude. Among adults, prevalence is adjusted for altitude and for smoking status. [16] Random blood sugar measurement (including those under medication). [17] Comprehensive knowledge means knowing that consistent use of condoms every time they have sex and having just one uninfected faithful sex partner can reduce the chance of getting HIV/AIDS, knowing that a healthy-looking person can have HIV/AIDS, and rejecting two common misconceptions about transmission or prevention of HIV/AIDS. [18] Locally prepared napkins, sanitary napkins and tampons are considered as hygienic methods of protection. [19] Based on those who currently smoke or use tobacco

Source: 1 NFHS-4,2015-16, Ministry of Health and Family Welfare Govt. of India. & International Institute for Population Sciences (Deemed University) Mumbai.

Note:1. NFHS-4 fieldwork for India was conducted from 20 January 2015 to 4 December 2016 by 14 Field Agencies and gathered information from 601,509 households, 699,686 women, and 103,525 men.

2.NFHS-4 fieldwork for NCT Delhi was conducted from 21 February 2016 to 14 September 2016 by Development & Research Services Pvt. Ltd. (DRS) and gathered information from 6,050 households, 5,914 women, and 672 men.

3. NFHS-4 fieldwork for Mizoram was conducted from 3 February 2016 to 10 October 2016 by Research & Development Initiative (RDI)

and gathered information from 11,397 households, 12,279 women, and 1,617 men.

4. NFHS-4 fieldwork for Puducherry was conducted from 17 June 2015 to 12 July 2015 by EHI International Pvt. Ltd. and gathered information from 3,205 households, 4,012 women, and 606 men.

5. NFHS-4 fieldwork for Goa was conducted from 20 January 2015 to 6 April 2015 by Goa Institute of Management (GIM) and gathered information from 1,588 households, 1,696 women, and 761 men.

6. NFHS-4 fieldwork for Kerala was conducted from 8 March 2016 to 3 October 2016 by Society for Promotion of Youth & Masses (SPYM) and gathered information from 11,555 households, 11,033 women, and 1,864 men.

7. NFHS-4 fieldwork for Tamil Nadu was conducted from 23 February 2015 to 29 June 2015 by EHI International Pvt. Ltd. and gathered information from 26,033 households, 28,820 women, and 4,794 men. Fact

Annexure-9.1

Grants to the Municipallities for Public Works

including Roads, Drains, Pavements, Resettlement Colonies, JJ Colonies, & Maintenance of Capital Assets etc. during 2012-13 to 2017-18 (BE)

1A. 2012-13 to 2017-18 (BE) of Grant for LA Roads (Rs. crore)																		
Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	10	10	0	30	30	0	53	53	0	0	0	0	0	0	0	93	93
2013-14	0	3	3	0	35	35	0	11	11	0	0	0	0	0	0	0	49	49
2014-15	0	0	0	0	110	110	0	30	30	0	0	0	0	0	0	0	140	140
2015-16 (Ac)	0	0	0	0	50	50	0	35	35	0	0	0	0	0	0	0	85	85
2016-17 (RE)	0	3	3	0	100	100	0	45	45	0	0	0	0	0	0	0	148	148
2017-18 (BE)	0	1	1	0	10	10	0	5	5	0	0	0	0	0	0	0	16	16
1B. 2012-13 to 2017-18 (BE) of Grants for Maintenance of Ressettlement Colonies /Additional Facilities JJR colonies (Rs. Crore)																		
Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	22	18	40	44	20	64	34	26	60	0	0	0	0	0	0	100	64	164
2013-14	22	16	38	44	21	65	34	27	61	0	0	0	0	0	0	100	64	164
2014-15	22	23	45	44	21	65	34	27	61	0	0	0	0	0	0	100	71	171
2015-16 (Ac)	22	20	42	44	20	64	34	27	61	0	0	0	0	0	0	100	67	167
2016-17 (RE)	22	20	42	44	20	64	34	18	52	0	0	0	0	0	0	100	58	158
2017-18 (BE)	22	2	24	44	2	46	34	2	36	0	0	0	0	0	0	100	6	106

1C. 2012-13 to 2017-18 (BE) of Grants for Maintanance of Capital Assets (Rs. Crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	9	0	9	15	0	15	15	0	15	1	0	1	0	0	0	40	0	40
2013-14	10	0	10	16	0	16	16	0	16	1	0	1	0	0	0	44	0	44
2014-15	11	0	11	18	0	18	18	0	18	2	0	2	0	0	0	49	0	49
2015-16 (Ac)	12	0	12	19	0	19	19	0	19	2	0	2	0	0	0	33	0	33
2016-17 (RE)	13	0	13	21	0	21	21	0	21	2	0	2	0	0	0	36	0	36
2017-18 (BE)	15	0	15	23	0	23	23	0	23	2	0	2	0	0	0	40	0	40

1D. 2012-13 to 2017-18 (BE) of Grant for Community Centres (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	8	8	0	21	21	0	21	21	0	0	0	0	0	0	0	50	50
2013-14	0	0	0	0	19	19	0	5	5	0	0	0	0	0	0	0	24	24
2014-15	0	4	4	0	5	5	0	10	10	0	0	0	0	0	0	0	19	19
2015-16	0	7	7	0	14	14	0	13	13	0	0	0	0	0	0	0	34	34
2016-17 (RE)	0	10	10	0	18	18	0	23	23	0	0	0	0	0	0	0	51	51
2017-18 (BE)	0	1	1	0	1	1	0	1	1	0	0	0	0	0	0	0	3	3

1E. 2012-13 to 2017-18 (BE) of Grant for environmental improvement through Horticulture Development (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	3	3	0	4	4	0	3	3	0	0	0	0	0	0	0	9	9
2013-14	0	3	3	0	5	5	0	3	3	0	0	0	0	0	0	0	11	11
2014-15	0	5	5	0	5	5	0	3	3	0	0	0	0	0	0	0	13	13
2015-16	0	5	5	0	8	8	0	3	3	0	0	0	0	0	0	0	16	16
2016-17 (RE)	0	3	3	0	3	3	0	5	5	0	0	0	0	0	0	0	11	11
2017-18 (BE)	0	1	1	0	1	1	0	1	1	0	0	0	0	0	0	0	3	3

1F. Total of 2012-13 to 2017-18 (BE) of Grant for Public Works (A+B+C+D+E) (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	31	28	59	59	50	109	48	78	127	1	0	1	0	0	0	140	156	296
2013-14	32	19	52	60	56	116	50	38	88	1	0	1	0	0	0	144	113	257
2014-15	34	23	57	62	131	193	52	57	109	2	0	2	0	0	0	149	211	360
2015-16 (Ac)	34	20	54	63	70	133	53	62	115	2	0	2	0	0	0	152	152	304
2016-17 (RE)	35	23	58	65	120	185	55	63	118	2	0	2	0	0	0	157	206	363
2017-18 (BE)	37	3	40	67	12	79	57	7	64	2	0	2	0	0	0	163	22	185

Annexure-9.2

Grants to the Municipallities for Sanitation Services during 2012-13 to 2017-18 (BE)

2A. 2012-13 to 2017-18 (BE) of Grant for Strengthning & Mechanisation of Conservancy & Sanitation Services (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	40	40	0	102	102	0	138	138	0	0	0	0	0	0	0	279	528
2013-14	0	65	65	0	140	140	0	137	137	0	0	0	0	0	0	0	342	528
2014-15	0	70	70	0	160	160	0	130	130	0	0	0	0	0	0	0	360	528
2015-16	0	70	70	0	160	160	0	135	135	0	0	0	0	0	0	0	365	365
2016-17 (RE)	0	108	108	0	214	214	0	206	206	0	0	0	0	0	0	0	528	528
2017-18 (BE)	0	189	189	0	408	408	0	318	318	0	0	0	0	0	0	0	915	915

2B. 2012-13 to 2017-18 (BE) of Grants for Sanitation in unauthorised colonies (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	15	15	0	24	24	0	34	34	0	0	0	0	0	0	0	73	73
2013-14	0	13	13	0	35	35	0	50	50	0	0	0	0	0	0	0	98	98
2014-15	0	20	20	0	40	40	0	55	55	0	0	0	0	0	0	0	115	115
2015-16	0	20	20	0	40	40	0	55	55	0	0	0	0	0	0	0	115	115
2016-17 (RE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017-18 (BE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2C. Total of 2012-13 to 2017-18 (BE) of Grant for Sanitation (2A & 2B) (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	55	55	0	125	125	0	172	172	0	0	0	0	0	0	0	352	601
2013-14	0	78	78	0	175	175	0	187	187	0	0	0	0	0	0	0	440	626
2014-15	0	90	90	0	200	200	0	185	185	0	0	0	0	0	0	0	475	643
2015-16	0	90	90	0	200	200	0	190	190	0	0	0	0	0	0	0	480	480
2016-17 (RE)	0	108	108	0	214	214	0	206	206	0	0	0	0	0	0	0	528	528
2017-18 (BE)	0	189	189	0	408	408	0	318	318	0	0	0	0	0	0	0	915	915

Annexure-9.3

Grants to the Municipallities for Primary Education; Secondary Education; & Maintenance of School Buildings & Nutrition during 2012-13 to 2017-18 (BE)

3A. 2012-13 to 2017-18 (BE) of Grant for Primary Education (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	208	79	287	411	130	541	314	112	426	29	0	29	4	0	4	966	321	1287
2013-14	229	90	319	453	135	588	346	110	456	28	0	28	4	0	4	1059	335	1394
2014-15	234	92	326	463	145	608	353	115	468	31	0	31	4	0	4	1086	352	1438
2015-16 (Ac)	241	92	333	476	145	621	364	115	479	32	0	32	4	0	4	1117	352	1469
2016-17 (RE)	279	80	359	551	123	674	420	99	519	37	0	37	5	0	5	1291	302	1593
2017-18 (BE)	309	95	404	610	150	760	466	115	581	41	0	41	6	0	6	1431	360	1791

3B. 2012-13 to 2017-18 (BE)of Grant for Secondary Education

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	0	0	0	0	0	0	0	0	36	0	36	0	0	0	36	0	36
2013-14	0	0	0	0	0	0	0	0	0	35	0	35	0	0	0	35	0	35
2014-15	0	0	0	0	0	0	0	0	0	39	0	39	0	0	0	39	0	39
2015-16 (Ac)	0	0	0	0	0	0	0	0	0	40	0	40	0	0	0	40	0	40
2016-17 (RE)	0	0	0	0	0	0	0	0	0	46	0	46	0	0	0	46	0	46
2017-18 (BE)	0	0	0	0	0	0	0	0	0	51	2	52	0	0	0	51	2	52

3C. 2012-13 to 2017-18 (BE) of Grant for Maintenance of School Buildings (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total

2012-13	9	0	9	17	0	17	13	0	13	0	0	0	0	0	0	38	0	38
2013-14	9	0	9	19	0	19	14	0	14	0	0	0	0	0	0	42	0	42
2014-15	11	0	11	21	0	21	16	0	16	0	0	0	0	0	0	47	0	47
2015-16 (Ac)	11	0	11	21	0	21	16	0	16	0	0	0	0	0	0	49	0	49
2016-17 (RE)	12	0	12	25	0	25	19	0	19	0	0	0	0	0	0	56	0	56
2017-18 (BE)	14	0	14	27	0	27	21	0	21	0	0	0	0	0	0	61	0	61

3D. 2012-13 to 2017-18 (BE) of Grants for Nutrition (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Scheme	Total	Non-Plan/ Other than Scheme	Plan/ Scheme	Total	Non-Plan/ Other than Scheme	Plan/ Scheme	Total	Non-Plan/ Other than Scheme	Plan/ Scheme	Total	Non-Plan/ Other than Scheme	Plan/ Scheme	Total	Non-Plan/ Other than Scheme	Plan/ Scheme	Total
2012-13	0	14	14	0	22	22	0	20	20	0	1	1	0	0.10	0	0	57	57
2013-14	0	4	4	0	8	8	0	7	7	0	0.3	0.3	0	0.12	0	0	19	19
2014-15	0	4	4	0	8	8	0	8	8	0	1	1	0	0.02	0	0	21	21
2015-16 (Ac)	0	3	3	0	5	5	0	4	4	0	1	1	0	0.02	0.02	0	12	12
2016-17 (RE)	0	5	5	0	9	9	0	8	8	0	1	1	0	0.03	0.03	0	22	22
2017-18 (BE)	0	20	20	0	33	33	0	30	30	0	4	4	0	2	2	0	90	90

3E. 2012-13 to 2017-18 (BE) of Grant for Primary Education, Secondary Education, Maintenance of School Buildings & Nutrition (A+B+C+D) (Rs. crore)

Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	216	93	309	428	152	580	327	132	459	66	1	66	4	0	4	1041	378	1419
2013-14	238	94	333	471	143	614	360	117	477	63	0	63	4	0	4	1136	354	1491
2014-15	245	96	341	484	153	637	369	123	492	71	1	71	4	0	4	1173	373	1545
2015-16 (Ac)	252	95	346	497	150	648	380	119	499	72	1	73	4	0	4	1206	364	1570
2016-17 (RE)	291	85	376	575	132	707	439	107	546	83	1	84	5	0	5	1393	324	1717
2017-18 (BE)	322	115	437	637	183	820	487	145	631	91	6	97	6	2	8	1543	451	1994

Annexure-9.4

Grants to the Municipallities for Medical Relief (Hospitals) during 2012-13 to 2017-18 (BE)

4A. 2012-13 to 2017-18 (BE) of Grant for Medical Relief (Rs. crore)																		
Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	35	35	0	100	100	0	18	18	0	0	0	0	0	0	0	153	153
2013-14	0	31	31	0	83	83	0	14	14	0	0	0	0	0	0	0	128	128
2014-15	0	31	31	0	85	85	0	15	15	0	0	0	0	0	0	0	131	131
2015-16 (Ac)	0	19	19	0	70	70	0	16	16	0	0	0	0	0	0	0	105	105
2016-17 (RE)	0	19	19	0	58	58	0	36	36	0	0	0	0	0	0	0	113	113
2017-18 (BE)	0	19	19	0	79	79	0	36	36	0	0	0	0	0	0	0	133	133

Annexure-9.5

Grants to the Municipallities for Public Health during 2012-13 to 2017-18 (BE)

5A. 2012-13 to 2017-18 (BE) of Grant for Public Health (Rs. crore)																		
Year	MCD-East			MCD-North			MCD-South			NDMC			DCB			Total for 5 Municipalities		
	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total	Non-Plan/ Other than Scheme	Plan/ Schemes	Total
2012-13	0	16	16	0	31	31	0	28	28	0	0	0	0	0	0	0	76	76
2013-14	0	15	15	0	36	36	0	31	31	0	0	0	0	0	0	0	82	82
2014-15	0	19	19	0	40	40	0	31	31	0	0	0	0	0	0	0	90	90
2015-16 (Ac)	0	22	22	0	43	43	0	34	34	0	0	0	0	0	0	0	99	99
2016-17 (RE)	0	22	22	0	44	44	0	34	34	0	0	0	0	0	0	0	100	100
2017-18 (BE)	0	24	24	0	53	53	0	38	38	0	0	0	0	0	0	0	114	114

Annexure-11.1

Format for Publication of Employee Census Data by the Municipalities

Entry Report Form																
	NAME OF THE DEPARTMENT :-									Year ending 31/03/20--						
Category	**Pay-Band**	**Grade Pay**	**Sanctioned Posts**	**SC**		**ST**		**OBC**		**Others**		**PH**		**Ex Service**		**Total**
				M	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	
S.No.	**REGULAR EMPLOYEES**															
A	ACBA**	90000 (Fixed)														
	APXS*	80000 (Fixed)														
	HAG	(annual inreament @ 3%-7900)														
	PB-4	10000														
		8900														
		8700														
		TOTAL														
	PB - 3	7600														
		6600														
		5400														
		TOTAL														
B	PB-2	5400														
		4800														
		4600														
		4200														
		TOTAL														
C	PB-1	2800														
		2400														
		2000														
		1900														
		1800														
		1S (IF ANY)														
		TOTAL														
D	PB-1	2400														
		2000														
		1900														
		1800														
		1S (If any)														
		TOTAL														
	No. of Safai Karmacharis***															

	TOTAL (ACAB**APXS*HAG and HAG*)															
TOTAL PB	Total -PB4															
	Total -PB3															
	Total -PB2															
	Total -PB1															
	Total -1S															
Contractual Employees																
Z	CONT-A															
	CONT-B															
	CONT-C															
	CONT-D															
	CONT-DS															
Total Group	Total Group A															
	Total Group B															
	Total Group C															
	Total Group D															
	Total Group Z															
	Grand Total (Group)															

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