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# Govt to rank revenue-starved civic bodies on fiscal discipline

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NEW DELHI: In a first, the Centre on Wednesday announced it would rank the 4,500 cities and municipal bodies on the basis of their financial performance in its bid to create “healthy competition” among the civic entities. The ranking of cities will be on parameters such as their quality of current financial health, resource mobilisation, expenditure performance and fiscal governance systems.

Meagre revenue from municipal bodies own sources such as property tax and user charges, high dependence on funding from the state and central exchequer, poor management of finances and delay in audit of financial reports have been major concerns and these have impacted development goals of several cities. The Centre has been maintaining that robust finances of urban local bodies are crucial to emerge as a viable third tier

of government.

Taking a cue from the success of ranking cities on Swachhta parameters, the housing and urban affairs ministry has released the draft guidelines for “City Finance Rankings 2022” and expects the challenge may pave way for a new era of municipal governance. Union urban affairs secretary Manoj Joshi said the idea to introduce such a ranking was proposed by PM Narendra Modi when he interacted with all chief secretaries from states in Dharamsala.

Currently, the own revenues generated by the municipal entities in India are barely 0.15% of the GDP compared to 0.6% in developing countries and 2.1% in developed nations. So, the municipal entities are highly dependent on fund transfers from state and central governments.

Highlighting the limited revenues generated by municipal bodies from their own sources, Joshi said, “This is reflected in the chronic deficits that ULBs run and, also among other things, in their inability to fund infrastructure demand or even meet the operation and maintenance (O&M) requirements.”

In fact, a recent World Bank report had highlighted how several large and medium civic bodies can’t even earn enough from the tariff and charges for municipal services such as water supply and sewage management to meet operations and maintenance (O&M) costs incurred due to policy decisions to keep charges for such services below the economic cost.

Union housing and urban affairs minister Hardeep Singh Puri said a healthy sense of competition among cities gives the best performing cities a sense of pride. He also released the guideline for “City Beauty Competition”, which aims to encourage cities and wards to create beautiful, innovative and inclusive public spaces.