

10.0 URBAN GOVERNANCE AND INSTITUTIONAL FRAMEWORK

10.1 INTRODUCTION

This chapter presents the existing institutional framework in Udaipur region responsible for provision of urban infrastructure. It presents institutional set-up, issues and the institutional development strategy. The first section of the chapter describes the reform actions undertaken by the local government, second section briefly describes about the agencies involved, while last section bring outs the issues and recommendations.

10.2 REFORM ACTIONS AND CAPACITY BUILDING

Urban reforms in Rajasthan started with the 74th CAA. The state government formally set up the First State finance commission, which has submitted its report. Action on the report has also been taken. The State government is in the process to set up the second finance commission. In 1999, the Government of Rajasthan with the assistance of the ADB initiated Rajasthan Urban Infrastructure Development Project (RUIDP). The State Government has also constituted the Third State Finance Commission.

The Government of Rajasthan is a signatory to Urban Reform Incentive Fund (URIF) scheme of central government and has agreed to most of the conditions. Udaipur Agenda Action Group (UAAG) and State Urban Agenda for Rajasthan (SUARAJ) is the latest initiative by Government of Rajasthan. The Agenda identifies fast track and reform projects. The fast track projects include houses for urban poor, city infrastructure project, Heritage conservation and management Institute, SWM innovation project, conservation and restoration of urban water bodies, and rehabilitation project. The reform projects include creation of spatial data center, urban land reforms, and training programme for human resource development in ULB, formulating state urban policy, municipal financial reform and revamping model municipal law. UAAG identifies thrust areas identified through community consultations such as management of civic facilities and a consensus based need for new asset creation.

The reform measures undertaken by the state government as part of SUARAJ includes:

- a) Placement of the 'Rajasthan Municipality Bill 2005'
- b) Enactment of new property tax assessment rules,
- c) Double entry accounting system,
- d) Draft integrated township guidelines,

e) Simplification of land allotment rules, etc.

10.3 INSTITUTIONAL ARRANGEMENT (UDAIPUR REGION)

The urban institutional set-up in Udaipur is fragmented into various departments responsible for provision, operation and maintenance of urban services. The Udaipur Municipal Council is the main civic body. Urban Improvement Trust (UIT) is responsible for overall development of Udaipur town. It is responsible for implementation of development plans and infrastructure in the notified UIT areas, which includes both, rural as well as urban areas. In addition to UMC and UIT, there are a number of Line Departments (such as Town Planning, PHED, PWD, Rajasthan Housing Board, RSRTC, Forest Department, Tourism Department), who are stakeholders in delivery of urban services, and infrastructure development.

Udaipur Urban Improvement Trust							
Financial Statements for Years 2000-01 to 2004-05							
All Values in Absolute Figures (Rupees)	Actual data						CAGR
	2000-01	2001-02	2002-03	2003-04	2004-05		
INCOME STATEMENT							
1	Revenue Income						
A	Charges / Penalties Income	33883336	57518954	46332889	65421368	65598602	14.13%
B	Works Credits	6073020	8882600	6976426	10539228	8716996	7.50%
	Total Revenue Income	39956356	66401554	53309315	75960596	74315598	13.21%
2	Capital Income						
A	Sale of Land, Plots and Houses	74909009	89476384	159439200	118231655	162180038	16.71%
B	Grants/ Loans & Other Heads	41706795	85460430	71519751	51943211	79762279	13.85%
C	Establishment Deduction	6862975	5473926	6987248	8680138	7863720	2.76%
	Total Capital Income	123478779	180410740	237946199	178855004	249806037	15.13%
	Grand Total Income	163435134	246812294	291255514	254815600	324121635	14.68%
EXPENDITURE STATEMENT							
1	Revenue Expenditure						
A	Payment & Allowances	19246304	18723899	18031505	19076152	18428918	-0.86%
B	Loan to UIT Staff	346000	349700	348100	211300	132650	-17.45%
C	Office Expenditure	3720204	4177863	3783793	4050870	4085187	1.89%
D	Salary Deduction	5121753	9030266	6795153	6598039	9911236	14.11%
E	Other Works Deduction	5457407	5878335	6380319	6916151	10898969	
	Total Revenue Expenditure	33891668	38160063	35338870	36852512	43456960	5.10%
2	Capital Expenditure						
A	Development Works Scheme Areas	14732206	19355701	21360102	26129258	21332840	7.69%
B	Hudco Schemes	9516531	9593503	1281933	5776482	2207106	-25.34%
C	Other Development Heads	7655101	5803939	5841503	6020186	11812417	9.06%
D	Non scheme Areas	7419884	8786371	10515859	28718725	21566450	23.79%
E	Land Acquisition	7060631	31847644	27317930	55893884	717480	-36.70%
F	Repayment of Hudco Loan	16510678	11527732	10961262	9485280	8373301	-12.70%
G	Other Heads	66199377	23129056	45564145	30810872	71105598	1.44%
H	Machinery Tools and Plants	2024578	838494	89918	543582	1067510	-12.02%
	Total Capital Expenditure	131118986	110882440	122932652	163378269	138182702	1.05%
	Grand Total Expenditure	165010654	149042503	158271522	200230781	181639662	1.94%

Sources: UIT Financial Statement

Financial profile of UIT as depicted in the table 11.3 shows that total income is steadily rising at a compound annual growth rate of 14.68% in last five years. Charges and penalties account for over 85% of total revenue investment. Majorly, sale of land property and plots

(60.67%) and grants (about 33.78%) constitute capital income for Udaipur UIT. A high CAGR 14.68% can be seen in total income with income from charges and penalties growing at a similar rate of 14.13% along with a higher growth rate of 16.71% for sale of plots and lands. Grants and revenue also have a high growth rate of about 13.85%.

This shows a moderately large dependency on non-revenue based income. The over all income for UIT is growing at a CAGR of 14.68%, (revenue based income CAGR: 13.21% and capital income based CAGR 15.13%), which indicates that the share of revenue income would eventually go down if trend continues.

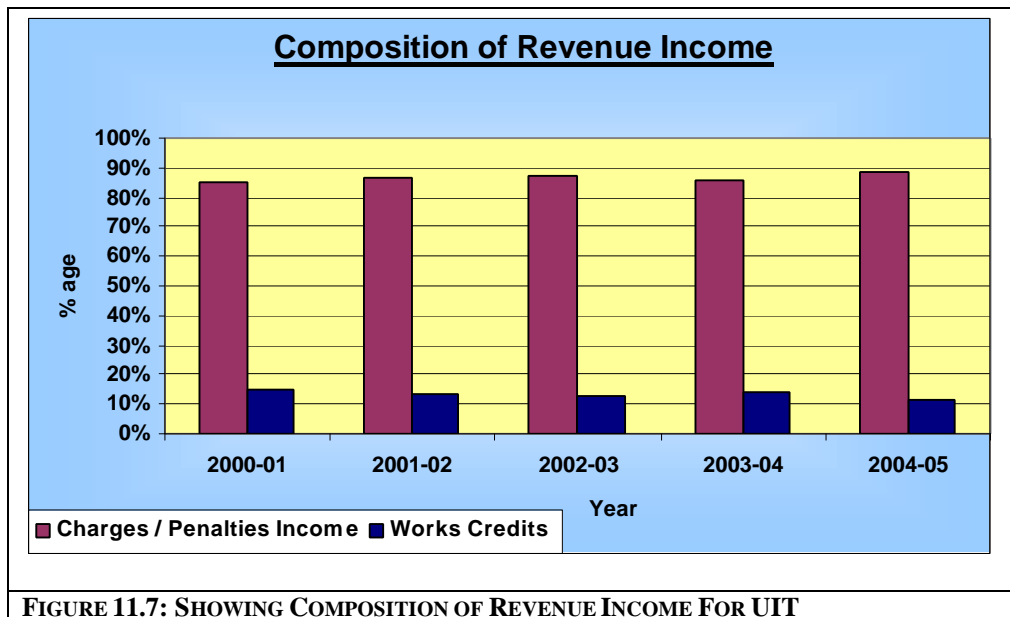


FIGURE 11.7: SHOWING COMPOSITION OF REVENUE INCOME FOR UIT

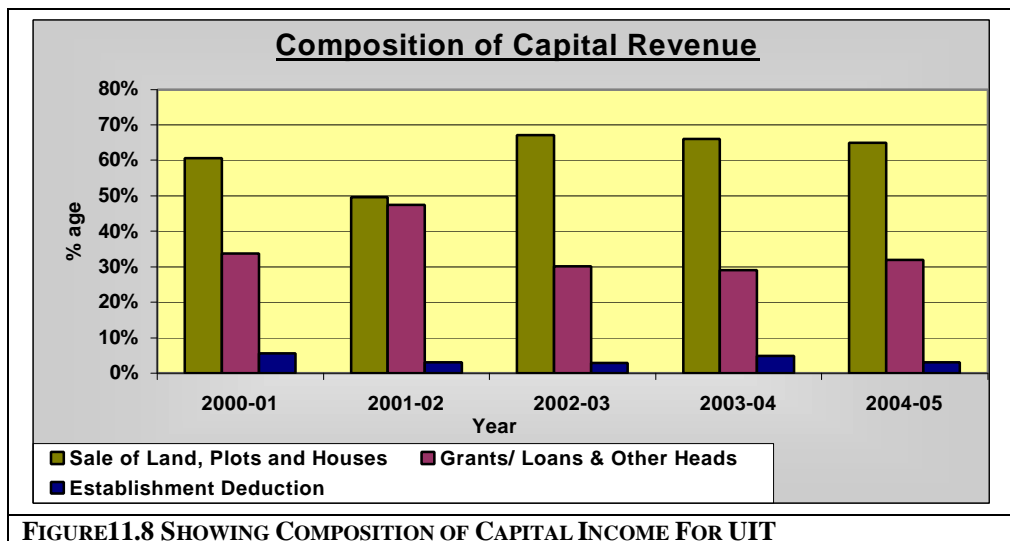


FIGURE 11.8 SHOWING COMPOSITION OF CAPITAL INCOME FOR UIT

From expenditure Statements it can be observed that Administrative charges, salary and other work deductions account for a significant part of revenue expenditure (about 50%, 20% and

18% respectively). The income is growing at a CAGR of 14.68% whereas expenditures are growing at a CAGR of 1.94% only. Income from sale of Land, Plot and properties (scheme and non-scheme) has been growing at a rate in excess of 16%, having an average contribution of more than 60% over the past five years.

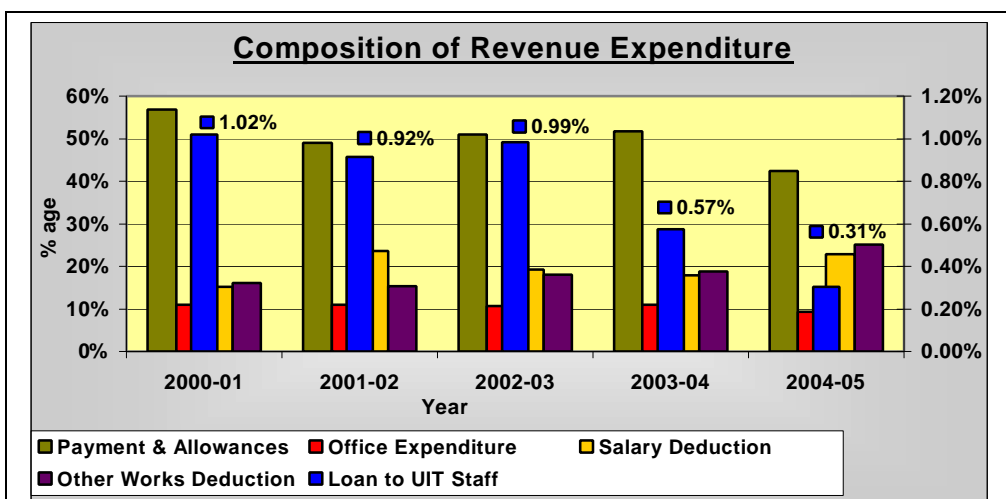


FIGURE 11.9: SHOWING COMPOSITION OF REVENUE EXPENDITURE FOR UIT

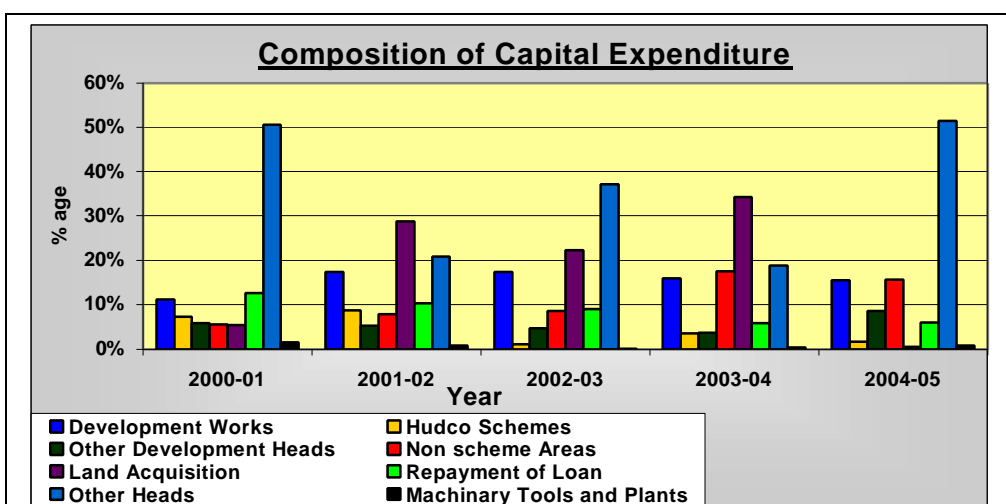


FIGURE 11.10: SHOWING COMPOSITION OF CAPITAL EXPENDITURE FOR UIT

11.1.4 Fiscal Health Indicators

The following table shows fiscal health indicators for Udaipur Urban Improvement Trust as estimated based on data given by UMC.

TABLE 11.4: SHOWING FISCAL HEALTH OF UIT

Finance Indicators	2000-01	2001-02	2002-03	2003-04	2004-05	AVG
Revenue Account Balance	6064688	28241491	17970445	39108084	30858638	
Capital Account Balance	-7640207	69528300	115013547	15476735	111623335	
Total Fiscal Balance	-1575519	97769791	132983992	54584819	142481973	
Operating Ratio (Revenue Expenditure / Revenue Income)	0.85	0.57	0.66	0.49	0.58	0.63
Debt Repayment/ Revenue Income	0.41	0.17	0.21	0.12	0.11	0.21
Establishment Cost/ Revenue Income	0.09	0.06	0.07	0.05	0.05	0.07

Expenditure	2000-01	2001-02	2002-03	2003-04	2004-05	
Share of Salaries and Wages / Allowances	11.66%	12.56%	11.39%	9.53%	10.15%	11.06%
Share of Repairs and Maintenance	3.48%	3.37%	2.45%	2.29%	2.84%	2.89%
Share of Debt Servicing Expenditure	10.01%	7.73%	6.93%	4.74%	4.61%	6.80%
Growth in Share of Salaries and Wages / Allowances		7.71%	-9.31%	-16.38%	6.50%	-2.87%
Growth in Share of Repairs and Maintenance		-3.32%	-27.28%	-6.25%	23.63%	-3.31%
Growth in Share of Debt Servicing Expenditure		-22.70%	-10.46%	-31.60%	-2.69%	-16.86%
Income	2000-01	2001-02	2002-03	2003-04	2004-05	
Share of Tax Revenue	NIL	NIL	NIL	NIL	NIL	
Share of Property Tax Component	NIL	NIL	NIL	NIL	NIL	
Share of Other Taxes	NIL	NIL	NIL	NIL	NIL	
Share of Charges, Fees/ Penalty	20.73%	23.30%	15.91%	25.67%	20.24%	21.17%
Share of Own Sources of Income (Property / Land Sale)	45.83%	36.25%	54.74%	46.40%	50.04%	46.65%
Share of Grants and Contributions	25.52%	34.63%	24.56%	20.38%	24.61%	25.94%
Growth in Tax Revenue	NIL	NIL	NIL	NIL	NIL	
Growth in Property Tax Component	NIL	NIL	NIL	NIL	NIL	
Growth in Other Taxes	NIL	NIL	NIL	NIL	NIL	
Growth in Share of Charges, Fees/ Penalty		12.41%	-31.74%	61.39%	-21.17%	5.22%
Growth in Share of Own Sources of Income (Property / Land Sale)		-20.90%	51.00%	-15.24%	7.84%	5.67%
Growth in Share Grants and Contributions		35.69%	-29.08%	-16.99%	20.72%	2.59%

Source: Income Expenditure Statement, UIT, Udaipur

It can be observed that property / land and plot sale accounts for major part of revenue, followed by Government grants and loans. With addition of charges fees and penalties these three components of income themselves account for over 90% of income to UIT. Absence of any share of tax revenue and property tax component is one of the reasons resulting in high dependency on grants and property sale.

The revenue and capital account balances have been showing a steady growth over the years with total fiscal balance attaining a value of Rs. 14,24,81,973 at the end of fiscal year 2004-05.

Debt Servicing Ratio (DSR) is ratio of debt payment to total revenue income. This indicator helps in assessing the implication of debt on the local body finances. It has been observed that the local body services their debt on regular basis.

Operating ratio, which is defined as ratio of revenue expenditure to revenue income, is an indicator of profitability of operations of a local body. The operating ratio has been less than unity indicating a trend of being within means. But is showing a declining trend thereby indicating that UIT is not-improving, and expenditure is much less as compared to income.

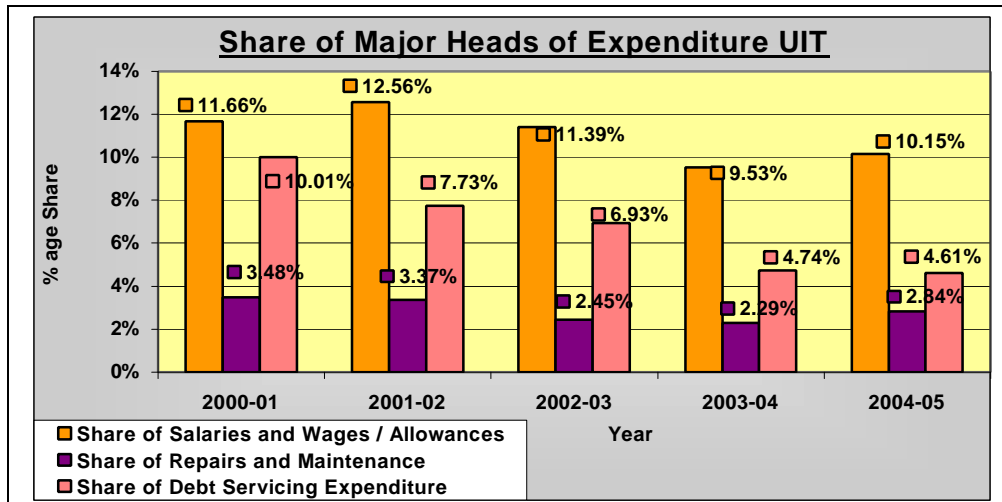


FIGURE 11.11 SHOWING SHARE OF MAJOR HEADS OF INCOME

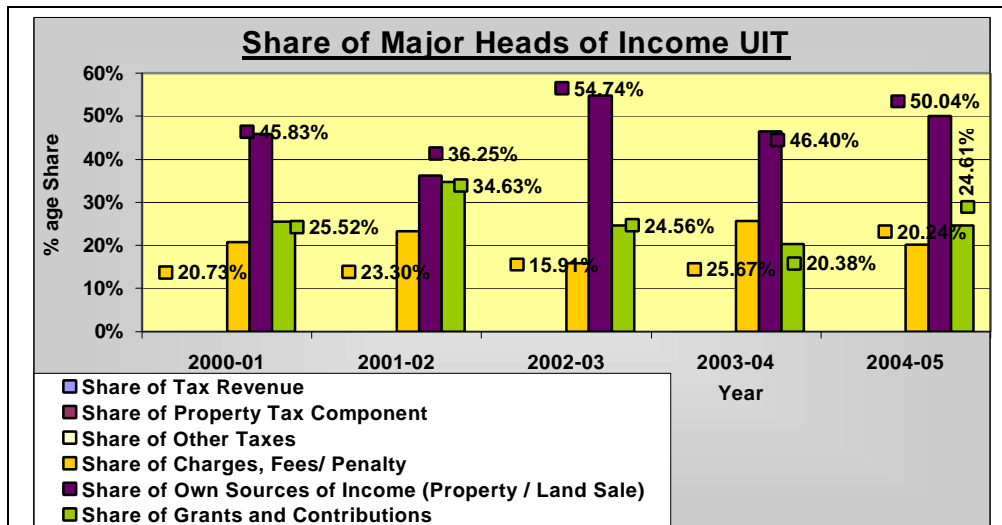


FIGURE 11.12 SHOWING SHARE OF MAJOR HEADS OF EXPENDITURE