JANAAGRAHA

UPDATES FROM THE WOMEN'S FELLOWSHIP IN PUBLIC FINANCE FOR CITIES

JAN-MAR '25

About the Fellowship

The Women's Fellowship in Public Finance for Cities is an immersive, two-year programme that provides a platform for young women professionals to carve out a niche for themselves in the domain of public finance. By nurturing women professionals to emerge as leaders in public finance management, the Fellowship aims to drive better gender outcomes in the future and catalyse reforms for better quality of life in India's cities and towns.

The first cohort, comprising 11 Fellows, was launched in January 2024. The Fellows are working on live projects with either the Finance Department or Urban Development Department in 6 states across India.

A Year of Transformation: Reflections and New Horizons

After a year of learning, unlearning, and navigating the world of public finance management (PFM) on the ground, the cohort gathered in Goa for a mid-point retreat. This update brings to you their insights from the year gone by and their vision for the year to come.

Voices for Change: The Vision Behind the Fellowship

"An important pre-condition for effective and efficient public finance management is an equal voice for women in policy making and resource allocation. As a first step towards ensuring that there are adequate women leaders in public finance in Indian cities, Janaagraha launched this pioneering Fellowship programme for young women leaders last year.

We now have an outstanding first cohort, who have just finished their first year, engaging actively with various civil society organisations, state governments, the union government, and constitutional bodies. We firmly believe that a greater number of women leaders who have powers and authorities over resource allocation, policy making, and other dimensions of public finance can transform India's cities and help achieve better quality of life."

Srikanth Viswanathan
Chief Executive Officer,
Janaagraha

"Throughout Janaagraha's two-decade-long journey, we have always believed that cities should be inclusive, fair, and accessible to everyone. Given this belief, the role of women has always played a very important part in our programmes, our thinking, and our philosophy. I certainly believe that women bring sensitivity, sensibility, and a nurturing and caring perspective in everything they do. This Fellowship is our pathway to bring more women into the ecosystem to ultimately create just, inclusive, and fair cities for all."

Sapna Karim
Chief Operating Officer,
Janaagraha

“We launched the first cohort to bring fresh talent into the overall public finance management ecosystem and to take the reform agenda forward. We have been successful in getting an energetic bunch of Fellows on board who have been successfully working with different state governments having different state capacities. There is a lot of camaraderie among the Fellows in terms of exchanging their learnings with respect to working on a diverse set of projects. I believe that going forward, the Fellows will be able to create significant impact in the PFM ecosystem in the country.”

Prabhat Kumar
Head, Public Finance Management,
Janaagraha

“The Fellowship attempted to not only drive PFM reforms for cities but nurture a cohort of young women leaders who can affect better outcomes in the future. It has been truly inspiring to see how the Fellows, having no prior experience in PFM, now confidently represent their work and single-handedly manage some of the very critical state engagements and projects for the PFM team. Their personal and professional journey has been transformative. It fills us with pride and hope for their future and reaffirms our motivation for scaling the Fellowship.”

Apula Singh
Manager, Public Finance Management,
Janaagraha

Midpoint Milestone: Pause, Play, and Plan Ahead

The mid-programme retreat, held in Goa from 5 to 9 March 2025, offered a much-needed break for the Fellows from the intensity of their day-to-day work. The pause gave them the space and opportunity to reflect on their journey, share insights, and plan for the future of both, their Fellowship as well as their careers.

Stories and Snacks: A Strong Start

The retreat began with an orientation session where the cohort reconnected after months of working across different geographies. One of the most memorable moments was the food exchange, where each Fellow brought local delicacies from their respective states. From homemade snacks to regional classics, it was a warm and flavourful way to bond, share stories, and celebrate their diverse backgrounds.

The Fellows and the Janaagraha team all geared up for the retreat.

A Look Back Before We Move Ahead

The first half of the retreat was designed to help Fellows reflect on the progress each of them had made in the past year. Through group discussions and introspective exercises, the Fellows unpacked the projects they worked on, the challenges they navigated, and the skills they built along the way.

Fellows discuss their learnings and insights from the first year of the programme

Conversations with Srikanth Viswanathan, CEO and Kesavan Srinivasan, Senior Adviser helped the Fellows situate their efforts within the broader public finance landscape. They also heard from the PFM Team on the organisational strategy and how their work contributes to Janaagraha's mission. These discussions nudged the Fellows to think about how they can create meaningful, long-term impact in their careers going forward.

Beyond the structured sessions, the evenings offered opportunities for deeper connection as Fellows and the programme team bonded over local Goan cuisine, sunset

walks on the beach, and informal gatherings that strengthened the spirit and morale of the cohort.

The sessions provided a space for Fellows to introspect on what it means to be a woman in public finance, and how to lead with empathy, curiosity, and quiet strength.

Charting a Course for the Future

The second half of the retreat included future-focussed sessions that urged Fellows to plan not just the second year of their Fellowship but their careers as well. Based on their interests, the Fellows created 'self-strategy notes' that detailed their learning goals, key focus areas, and their professional aspirations.

The Fellows also got a chance to discuss opportunities for collaboration, ranging from working on projects like state budget analyses to setting up podcasts and writing op-eds.

Overall, the retreat was a perfect balance of deep reflection and energising discussions that offered the Fellows clarity and renewed purpose as they approach the second year of their work in public finance management.

The Fellows and the Janaagraha team wrap up the successful five-day retreat.

Voices from the Field

Balancing the Scales: Rethinking IGFTs for Local Impact

Ipshika Ghosh,
PFM Fellow, Uttar Pradesh

While working with the Barabanki Municipality as part of my Fellowship, I observed officials struggling to adopt formula-based approaches to estimate grant income. The municipal budgeting reforms initiative aimed to help Urban Local Governments (ULGs) create credible budgets, but I found the officers particularly resistant to scientific approaches for estimating income from grants and schemes.

For smaller ULGs like Barabanki, InterGovernmental Fiscal Transfers (IGFTs) from union and state governments are a substantial source of revenue that heavily influence their operations. In discussions with officials across departments, a common concern emerged regarding the efficacy of IGFTs' governance practices.

Unpredictability and Planning: The IGFT Dilemma

The most significant challenge was a ULG's limited visibility over the timing and quantum of grants. The existing mechanism involves receiving sporadic Government Orders (GO) that inform ULGs about grant instalments, utilisation conditions, and monitoring requirements. This unpredictability forces ULGs to undertake construction and maintenance projects in an ad hoc manner without comprehensive financial planning for their cities.

My work as part of Janaagraha's advisory support to Karnataka's 5th State Finance Commission (SFC) revealed deeper nuances in the design and operation of IGFTs. Karnataka follows the good practice of publishing detailed documents on SFC and Central Finance Commission allocations to each ULG in its budget volumes, providing visibility over funds budgeted for devolution.

A Sadan Meeting of Barabanki Municipality on Budget Estimations for the FY 2024-25

The Declining Autonomy of ULGs

The SFC funds critical ULG expenses including salaries, allowances, electricity bills, welfare spending, and civic amenities. However, committed expenditures (salaries, electricity bills, debt servicing) have grown to approximately 80% of total SFC transfers in recent years. Additionally, SFC grants are increasingly subsumed to finance urban schemes and projects of state-controlled parastatals.

Consequently, untied grants have dramatically decreased — from about 40% of total SFC transfers in FY 2011–12 to merely 9% in FY 2024–25. This trend severely constrains the fiscal autonomy of ULGs and their ability to address local needs effectively.

In a federal governance structure, IGFTs should balance local government needs with higher government policy objectives, enhancing both efficiency and equity. The issues outlined — unpredictability of transfers and diminishing discretionary space — are common across different settings to varying degrees.

Reimagining InterGovernmental Fiscal Transfers

The political economy of IGFTs is influenced by diverse historical, economic, and political circumstances, along with differential devolution of revenue and expenditure responsibilities. These factors have increasingly rendered IGFTs, especially from state governments to local governments, discretionary in nature, eroding the principles of transparent, formula-based allocation. Effective fiscal transfer systems must account for these complexities while incorporating clear mandates, adequate resource devolution, decision-making flexibility, and well-defined accountability mechanisms between government levels and citizens.

In the short term, constitutional institutions, such as the SFC, must be strengthened to bring credibility to IGFTs. In the longer run, devolution itself must be reimagined as an instrument for maintaining the buoyancy of transfers, and local governments must be incentivised to play a larger role in economic development through the devolution of revenue sources such as GST, stamp duty/ registration charges, and professional taxes.

The Urban Illusion: Why Our Cities Don't Work the Way They Should

Merin Sunny,
PFM Fellow, Bengaluru

"What do you do in your job?" has never been an easy question to answer, especially when working on Janaagraha's studies for the XVI Finance Commission, Government of India. When 'urban' and 'public finance' is mentioned in the response, people immediately ask me "Where is our tax money going? Why are cities struggling with congestion?" The underlying sentiment is clear: Why isn't our tax money visibly translating into better services? That's precisely one of the gaps we are working to bridge.

Urban public finance is not just about balance sheets and budget allocations. It is about how the lifeblood of a city — money — flows (or doesn't) to where it is needed most. Whether it is pothole-riddled roads or garbage that gets missed more often than picked up, the problems we experience in our cities rarely stem from a lack of funds alone. More often, they result from poor planning, ineffectual city-systems, and underdeveloped institutions.

Historically, urban areas were considered synonymous with better services, organised infrastructure, reliable utilities, and access to basic amenities. Cities have long been viewed as engines of progress, with concentrated resources driving efficiency. But today, the cracks in this urban ideal are widening.

Deteriorating infrastructure, congestion, and inconsistent service delivery force us to ask: Does urbanisation still guarantee better public services? As India undergoes a rapid rural-to-urban transition, this question becomes increasingly urgent.

Urbanisation without municipalisation

The last census data is 14 years old, but evidence makes one thing clear — India is urbanising rapidly. However, there's a visible dissonance between urbanisation and municipalisation. In many cases, municipalisation does not translate into fulfilment of urban aspirations.

As part of a study commissioned by the XVI Finance Commission, I visited newly-formed Urban Local Governments (ULGs) across four states. A pattern emerged: although classified as urban, their financial management and institutional capacities still operate at rural levels. Revenue streams such as property tax collection or user fees are either absent or severely underdeveloped. Institutional mechanisms for service delivery struggle to catch up with rising urban demands.

The result? A disconnect between the promise of urbanisation and the actual services residents receive.

The Case of Kandaghat and Madhusudangarh

Merin Sunny with the Janaagraha team and government officials of Madhusudangarh Nagar Panchayat, Madhya Pradesh

The newly-constituted ULG Kandaghat in Himachal Pradesh exemplifies this problem. Previously a Gram Panchayat with a population of around 2,500, it functioned as a bustling transit town serving nearly 5,000 people daily. Despite growing demands, it had just two part-time cleaners paid ₹6,000 a month to sweep the streets but garbage collection was non-existent. Several notices from the National Green Tribunal highlighted the severity of the waste management issue. With neither the resources nor the capacity to respond, the Gram Panchayat pushed for reclassification as a Town Panchayat — a move to formalise governance and access municipal resources.

Then there is Madhusudangarh Nagar Panchayat in Madhya Pradesh, a classic case of delayed institutionalisation. Though the notification declaring it a ULG was issued in 2018, it became operational only in 2021, when a Chief Municipal Officer was appointed. The ULG offers basic services like street lighting and water supply, but it lacks a drainage system, sewage network, property records, or GIS mapping. No posts have been sanctioned, and tax collection mechanisms are non-existent.

These towns represent a broader reality: newly-constituted ULGs often remain stuck in limbo — urban in name, but rural in resources and institutional muscle.

Bridging the Gap

Urbanisation, when done right, can unlock economic growth and improve quality of life. But simply declaring an area ‘urban’ is not enough. Political will, financial tools, and administrative frameworks are necessary to make it function like one. Currently, this reclassification is too often a political decision, rather than a deliberate step toward structured urban development.

We need to rethink what ‘urban’ means, not just as a demographic label, but as a commitment to institution-building. The future of India's cities doesn't lie just in how fast we urbanise, but in how thoughtfully we municipalise.

The question is not only about where our tax money is going; it is about whether we have built the systems to ensure it goes where it should.

Class is in Session: Learning Highlights

The Fellowship programme continues to build the Fellows' competencies in public finance through structured learning opportunities and expert engagement. These sessions are designed to connect theoretical frameworks with the practical challenges Fellows encounter in their state postings.

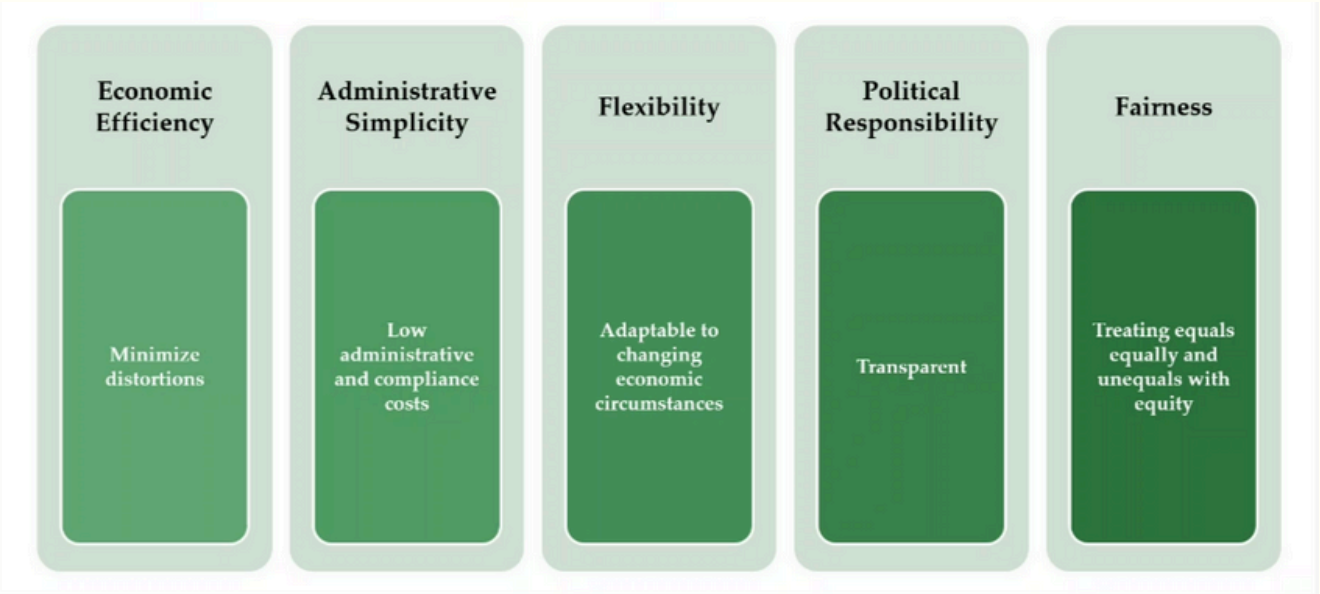
This quarter featured a session on State Revenues and Strengthening State Capacity, led by Devashish Deshpande, Lead, Strategic Public Finance, CEGIS. The discussion examined structural constraints in state financial systems and explored evidence-based approaches to enhance revenue mobilisation and expenditure management within current fiscal frameworks.

Key takeaways from the session included:

- **The role of taxation in state functioning:** Deshpande explained how taxation is the foundation of state capacity, emphasising the balance between tax effort and tax morale — where the willingness of citizens to pay taxes is shaped by their perception of government services.

- **Characteristics of an effective tax system:** He outlined the principles of good taxation and demonstrated how tax policies impact economic growth using historical and contemporary examples.

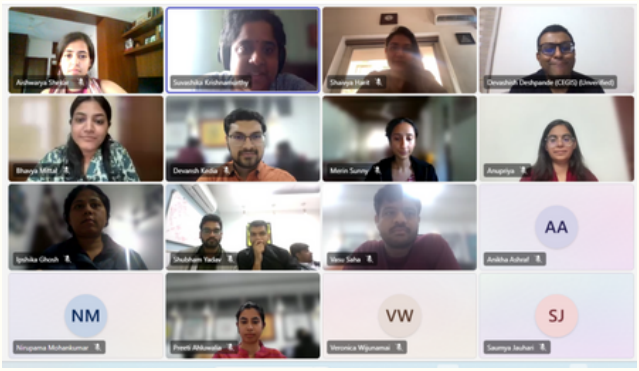
Desirable Characteristics of a 'good tax'



- **State revenue streams and fiscal imbalances:** The discussion highlighted the major sources of state revenue — including GST, excise duties, property taxes, and stamp duties — and the persistent mismatch between revenue collection and expenditure responsibilities among Indian states.

- **Strengthening state capacity for better fiscal outcomes:** The session underscored the importance of institutional reforms, intergovernmental coordination, and data-driven policymaking in enhancing fiscal management and governance effectiveness.

Drawing on practical examples from multiple states, Deshpande illustrated the relationship between fiscal frameworks and service delivery outcomes. The session concluded with a discussion on how evidence-based taxation approaches can address the persistent challenges in service delivery — knowledge particularly relevant to the Fellows' ongoing work with urban local governments.



Webinar by Devashish Deshpande, Public Finance expert on 24 February 2025

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