



Municipal Finance Blueprint for Odisha

December, 2025



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List of Abbreviations

AAP	Annual Action Plan
AFS	Audited Financial Statement
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
ARO	Assistant Revenue Officer
AS	Accounts Section
ATR	Action Taken Report
B.E	Budgeted Estimates
BBMP	Bruhat Bengaluru Mahanagara Palike
BeMC	Berhampur Municipal Corporation
BMC	Bhubaneshwar Municipal Corporation
BWG	Bulk Waste Generator
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAs	Chartered Accountants
CAP	City Action Plan
CB	Closing Balance
CCA	Creation of Capital Assets
CFC	Central Finance Commission
CIP	Capital Investment Plan
CSS	Centrally Sponsored Schemes
CV	Capital Value
DCB	Demand Collection Balance
DDN	Digital Door Number
DLFA	Directorate of Local Fund Audit
DMA	Directorate of Municipal Administration
DTI	Directorate of Treasures & Inspection
DUDA	District Urban Development Authority
EO	Executive Officer
F&A	Finance & Accounts
FBAS	Fund Based Accounting System
GOI	Government of India
GST	Goods and Services Tax
HR	Human Resources
HUDD	Housing and Urban Development Department
I&E	Income and Expenditure
IFMS	Integrated Financial Management System
IGFT	Inter-Governmental Fiscal Transfers
IGR	Inspector General of Registration Department
INR	Indian Rupees
IVR	Interactive Voice Response
MC	Municipal Corporation
MCA	Maintenance of Capital Assets
MLALAD	Member of Legislative Assembly Local Area Development Fund
MOPS	Multi Option Payment System
MPLADS	Members of Parliament Local Area Development Scheme
MRF	Material Recovery Facilities
MSBY	Mukhyamantri Sahari Bikash Yojana

MUKTA	Mukhya Mantri Karma Tatpara Abhiyan
NAC	Notified Area Council
NDMC	New Delhi Municipal Council
NMAM	National Municipal Accounting Manual
NOC	No Objection Certificate
O&M	Operations and Maintenance
OB	Opening Balance
OM Act	Odisha Municipal Act
OMAM	Odisha Municipal Accounting Manual
OMAR	Odisha Municipal Accounts Rules
OMCA	Odisha Municipal Corporation Act
OSR	Own Source Revenue
PFM	Public Finance Management
PFMS	Public Finance Management System
PPP	Public-Private Partnership
PWD	Public Works Department
R&P	Receipts and Payments
R.E	Revised Estimates
RDC	Revenue Divisional Commissioner areas
RMC	Rourkela Municipal Corporation
SFC	State Finance Commission
SHG	Self Help Group
SLB	Service Level Benchmark
SMS	Short Message Service
SOP	Standard Operating Procedure
SUJOG	Sustainable Urban Services in a Jiffy by Odisha Government
SWM	Solid Waste Management
TAF	Total available funds
UAV	Unit Area Value
UC	Utilization Certificate
UDD	Urban Development Department
ULG	Urban Local Government
URC	Unified Revenue Collection
VC	Valuation Committee
VO	Valuation Organisation
WATCO	Water Corporation of Odisha
WS	Works Section

Executive Summary



Context and Purpose

Odisha is at a critical juncture in its urban transition. With the state aspiring to increase its level of urbanisation to about 40% by 2036 and nearly 60% by 2047 from the current level of 16.88% (Census 2011), pressure on urban systems is likely to intensify. Odisha has championed several key urban initiatives in the past to respond to the complex urban demands and improve last-mile service delivery. However, an assessment of service delivery outcomes highlights gaps, even at current levels of urbanization.

Given the significant scope for improvement in the face of existing and emerging demands, decentralized urban governance will be a crucial lever for enabling effective, efficient and citizen-centric service delivery. In this context, the 74th Constitutional Amendment Act (CAA), 1992, provides the constitutional framework for decentralised urban self-government, envisaging Urban Local Governments (ULGs) as key institutions for urban governance and service delivery.

To realize the aim of decentralized urban governance, alignment in the functional responsibilities, functionaries, and financial resources at the city level is essential. Within this framework, municipal finance constitutes a core enabling pillar of urban governance—shaping the fiscal ability of ULGs to plan, prioritise, and deliver infrastructure and services in a predictable, efficient and accountable manner, while also reinforcing the two other pillars.

In Odisha, however, municipal finances remain structurally constrained. ULGs continue to rely predominantly on grants and assigned revenues from the Union and State Governments to fund service delivery requirements. While intergovernmental transfers are constitutionally essential, growing urban service demands combined with fiscal pressures at higher levels of government make such reliance increasingly unsustainable. Strengthening the financial governance of ULGs has, therefore, become a necessary condition for Odisha's urban transformation.

The State Finance Commission (SFC), mandated under Article 243-I of the Constitution, occupies a pivotal position in this context. Beyond recommending the vertical and horizontal sharing of state revenues with local governments, the SFC has a critical role in shaping the overall architecture of municipal finance—by influencing incentives, strengthening local fiscal autonomy, and enabling long-term financial governance at the city level. The recommendations of the 6th SFC thus present an opportunity to move beyond incremental adjustments and lay the groundwork for durable institutional reform in financial governance of ULGs.

This report has been prepared to support the 6th State Finance Commission in this endeavour. It presents an evidence-based assessment of municipal finances in Odisha, identifies key structural bottlenecks across revenue mobilisation, expenditure management, and accountability, and proposes a set of reform-oriented recommendations aligned with the SFC's constitutional mandate. While grounded in Odisha's specific context, the report adopts a systems perspective, recognising that sustainable improvements in urban service delivery require coordinated reforms across the different stages of public financial management cycle.

Structural Constraints in Municipal Finances

An assessment of municipal finances in Odisha reveals a set of persistent and interlinked structural challenges that constrain ULGs' ability to respond effectively to both existing and emerging urban service demands.

First, municipal finances in Odisha remain highly dependent on intergovernmental transfers. Grants and assigned revenues from the Union and State Governments constitute the dominant share of municipal revenues, while own source revenues—over which ULGs have relatively greater control—remain limited. Although own revenues have shown some improvement in recent years, their overall contribution continues to be modest, underscoring structural weaknesses in revenue mobilisation systems. Further, transfers linked to SFC recommendations have not demonstrated consistent buoyancy in line with the growth of the state's overall revenues, affecting the adequacy of municipal funding. Debt levels also remain significantly low in Odisha across all ULG categories.

Second, expenditure planning at the city level remains weak, limiting the strategic use of municipal finances. In many ULGs, there is an absence of a clear, long-term infrastructure and service delivery vision grounded in systematic needs assessment. Planning processes tend to be ad-hoc, reactive, and fragmented across sectors and funding sources. Even though the practice of annual action plans has been initiated by the Housing and Urban Development Department (HUDD), Odisha from FY 2025-26, annual budgets and action plans continue to be treated as largely procedural or compliance requirements rather than as instruments that guide prioritisation, sequencing of investments, and efficient allocation of resources in line with city-specific needs.

Third, expenditure efficiency in ULGs is further undermined by severely constrained execution capacity and weak financial control. Many cities, particularly the Notified Area Councils (NACs), have limited technical and managerial capacity required to design, procure, and execute projects in a timely and effective manner. At the same time, weak systemic coordination between Works and Accounts departments in ULGs results in fragmented and unreliable tracking of project progress and associated financial commitments. As a result, ULGs have limited visibility over their true liability position, leading to under-planning or over-commitments beyond the available fiscal space—ultimately weakening overall expenditure discipline.

Fourth, municipal finance performance varies significantly across ULG typologies, revealing interesting structural insights. Municipal finance continues to be driven by Municipal Corporations (MCs) with a larger share in total municipal revenues and expenditure. Notably, Municipalities have experienced lower growth in revenues and expenditures than NACs over the period analysed, despite being relatively more established. Meanwhile, NACs, which have substantial foundational infrastructure requirements, received per capita SFC transfers for key capital investment components that are at par with, or lower than, those of municipalities and municipal corporations. These findings suggest that uniform fiscal arrangements and transfer mechanisms are insufficient to address differentiated capacity levels and service delivery requirements across Odisha's cities.

Fifth, while accountability practices have improved post-15th Central Finance Commission (CFC), significant gaps remain limiting oversight and trust. The requirement under the 15th CFC to upload Audited Financial Statements (AFS) on the cityfinance.in portal has been an important step towards improving transparency and standardised disclosure across ULGs. However, understanding of financial position and

performance of ULGs in real-time continues to be constrained due to the reliance on manually prepared and physically maintained records, where financial information is often non-uniform, fragmented, and not readily available for timely review. Further, audits of municipal accounts are undertaken with significant delays in many cases—extending up to two years in some ULGs—limiting their effectiveness as instruments of financial control and corrective action. Beyond institutional oversight, mechanisms for citizen participation and proactive public disclosure of financial information remain limited, constraining broader accountability and public trust in municipal financial management.

Finally, the ULGs in Odisha face human resource and digital capacity constraints.

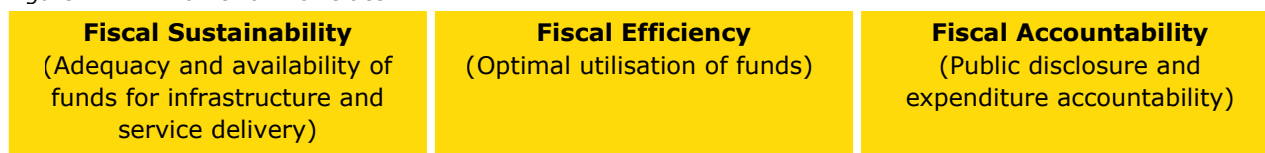
Though Odisha has established a legal framework for municipal staffing, representing a step ahead from many other states in India, but its implementation has been weak. On the digital front, the HUDD has undertaken a few initiatives such as Digital Door Numbering (DDN) for property mapping; urban e-governance platform, namely, Sustainable Urban Services in a Jiffy (SUJOG), aimed at digitization of service delivery and accounting function of ULGs; and Grants Management Dashboard for real-time visibility on fund flows for select schemes/grants. However, given their limited adoption, there is a long way to go to be able to realize their intended impact on municipal governance.

Taken together, these challenges indicate that constraints in municipal finance in Odisha stem not only from limited fiscal resources, but also from weak strategic planning, inadequate accountability mechanisms, and constrained institutional and digital capacities. Addressing them will require a system-wide reform approach that addresses these challenges holistically—across revenue mobilization, planning, execution, monitoring and oversight.

Analytical Framework: A PFM Lens for Cities

Addressing the structural constraints identified in Odisha’s municipal finances requires a systemic approach that integrates revenue, expenditure, and accountability considerations. Accordingly, this report has adopted a three-pillared ‘whole of systems framework’ for improving financial management in ULGs focusing on adequate fund availability (‘fiscal sustainability’), efficient and effective utilization of funds (‘fiscal efficiency’), and public disclosures and expenditure accountability (‘fiscal accountability’).

Figure 1: PFM Framework for Cities



Each pillar addresses the constraints highlighted in the preceding section: fiscal sustainability responds to lack of fiscal autonomy due to low own revenue base; expenditure efficiency addresses weak planning, predictability challenge, limited execution capacity, and poor financial discipline; and fiscal accountability strengthens transparency, oversight, and citizen participation. Together, these pillars form the foundation for building municipal financial systems that are capable, resilient, and aligned with Odisha’s broader urban development objectives.

Key Reform Recommendations

Building on the diagnosis and the PFM framework, this report identifies a set of strategic reform areas, with associated recommendations, across the three pillars to strengthen the financial management of ULGs in Odisha.

1) Redesigning SFC Transfer Architecture to Improve Funding and Enable Effective Fund Absorption

(Fiscal Sustainability & Efficiency)

Design Principle:

The design of SFC transfers is required to align with the needs, expenditure patterns, and spending priorities of ULGs, so that funds translate into effective service delivery rather than accumulation or under-utilisation.

Recommendations:

- Recommending a **higher proportion of the divisible pool** of the state to the ULGs as SFC transfers, reflecting the unique fiscal context of Odisha, characterized by a large share of non-tax revenue. A portion of these transfers should be structured as **performance grants** to incentivise improved service delivery, while an increased proportion should be allocated as **untied grants** to enhance fiscal flexibility.
- **Reducing fragmentation of funds** in SFC transfers for purposes that require larger investments. This may be addressed either by concentrating allocations among a limited number of ULGs in a given year or by increasing the overall allocation for such components. These measures should be complemented by capacity building of ULGs to strengthen expenditure planning and project execution.
- Adopting a **differentiated approach** for SFC transfers across ULG typologies that reflects variations in service demands, fiscal autonomy, and administrative capacity.
- Introducing an **SFC transfers management system** that enables automatic, rule-based fund releases to ULGs, thereby reducing delays in transfer.

2) Strengthening Own Source Revenues through a Lifecycle-based Revenue Governance Framework to Strengthen Fiscal Autonomy

(Fiscal Sustainability)

Design Principle:

Enhancing own source revenues requires a lifecycle-based approach that expands coverage by identifying all taxable properties, municipal assets, and service users; ensures revenue buoyancy through transparent and market-aligned valuation methods; and strengthens billing and collection efficiency to ensure that all dues are collected. Given the interlinkages across stages, governments must undertake a 'whole of systems transformation' across the revenue lifecycle by creating an enabling legal framework, augmenting institutional capacities and improving administrative processes.

► **Recommendations:**

Property tax augmentation requires coordinated reforms to expand coverage, improve tax buoyancy, and strengthen collections. This requires three catalytic interventions:

- Institutionalising **digital database sharing** between ULGs and key state agencies' records (including Electricity Discoms and Inspector General of Registration property records) to identify unassessed properties
- Adopting the **Capital Value method** to bring taxation closer to properties' market values and enhance buoyancy
- Ensuring **adequate staffing** across revenue functions and scaling up the Unified Revenue Collection (URC) model to address the staffing gap in field collection.

Optimising **municipal asset-based revenues**—which includes revenues from rental income from municipal properties and advertisement fees on municipal lands—would require notification of state-level Rules to support robust municipal asset management, and comprehensive digital inventories of municipal assets to enable systematic valuation, leasing, and enforcement. Municipal Corporations will need to prioritise structured leasing, periodic re-auctioning, and explore models for revenue generation through asset redevelopment projects.

3) Building Long-Term Needs-Based Expenditure Vision and Shelf of Projects for each ULG to Strengthen Expenditure Planning

(Fiscal Efficiency)

► **Design Principle:**

Expenditure planning should be grounded in a clear understanding of infrastructure gaps, service standards, and future growth needs, and serve a long-term vision. All planning instruments should be functional, integrated and guide expenditure decisions rather than procedural compliance documents.

► **Recommendations:**

- Introducing systematic **city-level needs assessments**, and development of multi-year expenditure vision through **City Investment Plans (CIPs)** for Municipal Corporations (MCs) and **City Action Plans (CAPs)** for Municipalities and Notified Area Councils (NACs). This will enable creation of a **shelf of projects**—all integrated with Annual Action Plans (AAP) and annual budgeting exercises.

4) Improving Predictability of Funds to Support Expenditure Planning

(Fiscal Efficiency)

► **Design Principle:**

Given the higher dependence on grants for expenditure planning, ULGs need to have predictable information on quantum and timing of funds to be received from state/ centre to be able to develop fiscally-informed expenditure plans.

► **Recommendations:**

- Sharing of credible information on scheme allocations by HUDD with ULGs before their planning process in a timely manner. The HUDD's budget may be supplemented by **ULG-**

wise allocations under state schemes, Centrally Sponsored Schemes (CSS), SFC and CFC funds.

5) Strengthening Institutional Support to ULGs for Works Execution to Enhance Funding and Efficiency

(Fiscal Sustainability & Efficiency)

► Design Principle:

Beyond improvements in intergovernmental transfers and own source revenue, ULGs should be able to access market financing. Further, ULGs require institutional support for technical project execution capacities across key stages of the works lifecycle, beginning with project identification.

► Recommendations:

- Revamping the **Odisha Urban Infrastructure Development Fund (OUIDF)** to provide infrastructure development support to the ULGs across different stages of the works cycle, such as project identification, conducting technical and financial appraisal of projects, preparation of project documents (such as Detailed Project Report).
- Further, it should also support ULGs in engaging with market to mobilize **market financing** for infrastructure development.

6) Digitalizing Works Cycle to Enable Real-Time, Transparent and Controlled Expenditure

(Fiscal Efficiency)

► Design Principle:

The works cycle should be fully digitized, embedded with system-level financial controls, and interoperable with existing digital platforms, to monitor commitments, utilization and deviations from approved budget, enabling effective oversight by multiple stakeholders.

► Recommendations:

- Designing a **lifecycle-based digital works management system** for ULGs on SUJOG, potentially integrated with payments platforms such as Integrated Financial Management System (IFMS), Just-in-Time Funding System (JIT-FS), and Public Finance Management System (PFMS). Further, it is recommended to develop a public-facing portal, such as the one in e-gram swaraj, for public disclosure of work-related and expenditure details.
- Developing **budget variance reports** and **commitment controls** in the digital system to ensure effective fund monitoring.

7) Strengthening Availability and Audit of Financial Information to Foster Transparency and Accountability

(Fiscal Accountability)

► Design Principle:

Fiscal accountability in ULGs should be anchored in a triad of sound accounting, effective

audit and oversight, and decentralised participatory governance. Timely, reliable, credible and comprehensive financial information of ULGs, parastatals and other state agencies should enable real-time oversight to both institutions and citizens to enable corrective action, rather than serving only ex-post compliance and audit requirements.

► **Recommendations:**

- Upgrading the **Finance & Accounts (F&A) module** in SUJOG through targeted enhancements in accounting features and addition of upstream (e.g. budgeting, works management) and downstream PFM functionalities (auditing).
- Undertaking a focused **digital infrastructure audit** of the F&A module to address concerns related to system performance and reliability.
- Extending **capacity-building** efforts to build digital capabilities beyond accountants to multiple key stakeholders within the urban governance ecosystem including Local Fund Audit (LFA) officers, Executive Officers and Municipal Commissioners, and relevant officials at district and state levels who approve and review financial transactions.
- Enhancing **audit architecture** through dedicated human resource and legal reforms to improve audit coverage, frequency, and effectiveness.

8) Institutionalizing Decentralized Participatory Governance to Enable Citizen Engagement and Bottom-up Accountability

(Fiscal Accountability)

► **Design Principle:**

Decentralised participatory governance should be institutionalised across ULGs through timely democratic representation, effective functional devolution, and structured platforms for community participation. Together, these elements would enable empowered local decision-making and accountability, and meaningful citizen engagement in urban governance.

► **Recommendations:**

- Ensuring timely conduct of **municipal elections** and empowering the **State Election Commission** with ward delimitation powers to secure stable, elected city leadership.
- Undertaking activity mapping and instituting Municipal Coordination Committees (MCCs), led by Mayors, to operationalise **functional devolution** and improve coordination between ULGs, parastatals, and civic agencies.
- Operationalising **Ward Committees, Area Sabhas, Neighbourhood Groups, and ward offices** as statutory platforms for structured citizen participation in planning, service monitoring, and grievance redressal. (Chapter 4, Recommendation 6; Chapter 5, Recommendation

9) Mandating Public Disclosure to Enable Radical Transparency and Bottom-up Accountability

(Fiscal Accountability)

► Design Principle:

Beyond administrative oversight, public disclosure should be institutionalised as a core element of urban financial governance, enabling citizens to access standardised information on projects, expenditures, and service delivery in real-time, and thereby strengthening bottom-up accountability.

► Recommendations:

- Enforcing **mandatory public disclosures** through municipal websites and a state-level digital participatory governance platform of projects and fund utilization at ULG-level.
- Expanding the scope of **social audits** through standardised SOPs for urban works and services.

Across all reform areas, sustained improvement will depend on addressing human resource and digital capacity constraints within ULGs. Strengthening municipal cadres, clarifying roles, embedding role-based training, and developing integrated digital PFM platforms are critical enablers for successful reform implementation.

Implementation: Institutional Architecture to Sustain PFM Reform in ULGs

Sustaining reforms in ULG finances in Odisha require a robust and layered institutional architecture that combines fiscal analysis, operational leadership, monitoring and inter-departmental coordination. Given the consistent emphasis by the Union Finance Commission on the need for more effective uptake of SFC's recommendations after its dissolution, it is proposed to establish an SFC Cell housed within the Finance Department. This Cell would support the monitoring of implementation of SFC's recommendations and enable continuity by maintaining institutional memory over time.

At sectoral level, a dedicated PFM unit within HUDD, chaired by the Financial Advisor (FA), can lead the development and operationalization of the reform agenda for ULGs. Complementing these, a structured inter-departmental review mechanism—bringing together Finance, HUDD, and other relevant departments—can facilitate coordination, resolve policy and implementation frictions, and ensure alignment between fiscal transfers, sectoral schemes, and municipal responsibilities.

In parallel, reform design and implementation must be informed by systematic bottom-up review and feedback from ULGs. Given the diversity of city sizes, capacities, and service delivery contexts in the cities of Odisha, reforms are most likely to succeed when designed and refined through iterative engagement with ULGs. Taking inspiration from practices in the rural sector, such as social audits, embedding such bottom-up learning within the institutional architecture ensures that fiscal reforms evolve in response to city-level realities.

Conclusion

Odisha's urban transition presents both an opportunity and a challenge. While it holds the promise of fostering economic growth, it would simultaneously exert pressure on urban systems to respond to the existing and emerging civic needs of the urban residents. As urban demands grow, effective responses increasingly depend on strong city-level planning and financing, making decentralised urban governance—and particularly municipal financial governance—critical for infrastructure and service delivery. The analysis in this report highlights that while some critical steps have been taken for improved financial governance of ULGs, such as in budget planning and grants monitoring, municipal finances in Odisha continue to be constrained by structural weaknesses in own revenue mobilisation, planning, expenditure discipline, and accountability.

Addressing these challenges requires adoption of a system-wide approach to PFM reforms in ULGs. The reform agenda outlined in this report provides a pathway to strengthen fiscal sustainability, improve the expenditure performance, and enhance accountability at the city level. Equally important is the creation of a robust institutional architecture—anchored in strong fiscal analysis, operational leadership, monitoring, inter-departmental coordination, and bottom-up feedback—to drive and sustain these reforms over time.

Strengthening municipal finances is not an end in itself, but a necessary condition for enabling cities to plan effectively, and deliver infrastructure and services reliably. As Odisha advances towards its long-term urban development vision, sustained attention to the fiscal foundations of decentralized urban governance will be critical to ensuring that urban growth is resilient, and fiscally sustainable.

1

Introduction



1.1 Urbanization Trends in Odisha

► **Urban growth represents a key opportunity for advancing Odisha’s economic agenda**

As highlighted by NITI Aayog (2022), each percentage point increase in a district’s urban population is associated with a 2.7% increase in district GDP¹, underscoring the pivotal role of urbanization in catalyzing economic growth. With one of the lowest urbanization rates in India—Odisha has a unique opportunity to undertake planned and sustainable urbanisation that drives the state’s economic agenda, and offers ease of living to its citizens. Analysis of Odisha’s spatial pattern of urbanisation shows that 68% of its urban population is within 60 kms of the ten most populated Urban Local Governments (ULGs) across ten districts. This points to a huge opportunity to leverage agglomeration economies for job creation and economic growth and adopt innovative mechanisms like municipal shared services to strengthen state capacities.

► **Urbanization is a defining trend of 21st century in the country, and Odisha is witnessing urban expansion too**

India is undergoing a profound demographic shift, with urbanization emerging as one of the most defining trends of the 21st century. The United Nations projects that by 2050, more than half of India’s population will live in cities. However, there are inter-state differences. As per the 2011 Census survey, only 16.88% of Odisha’s total of 42 million population were residing in urban areas, significantly lower than the national average of 31.16%. This placed Odisha among the least urbanised states in India—ranking 28th in terms of the level of urbanization among Indian states and union territories. However, the state has been witnessing a steady rise in urbanization, as reflected by the expansion of area under urban administration, including the creation of 24 new Notified Area Councils (NACs) across 14 districts and upgradation of 5 NACs into Municipalities.² Further, the state has also set policy-based, long-term strategic urbanization goals, aiming to achieve an urbanization rate of 40% by 2036 and 60% by 2047.³

The scale and pace of urban expansion envisaged for Odisha place increasing demands on urban infrastructure and service delivery systems.

► **To support the urban growth, Odisha has championed several urban initiatives, yet there is a need to improve urban performance in infrastructure and service delivery outcomes**

Odisha has made significant strides in urban development in the last decade and has championed innovative schemes with the larger objective of improving last-mile service delivery. During the COVID-19 pandemic, Odisha was one of the few states to initiate an urban wage employment guarantee scheme, Mukhya Mantri Karma Tatpar Abhiyan (MUKTA), to provide a social security net in urban areas for returning migrants. The State has maintained a steady focus on quality service delivery in the sectors of Solid Waste Management (SWM), water supply, and slum redevelopment. Initiatives such as the GARIMA

¹ Cities as Engines of Growth, NITI Aayog and Asian Development Bank, 2022

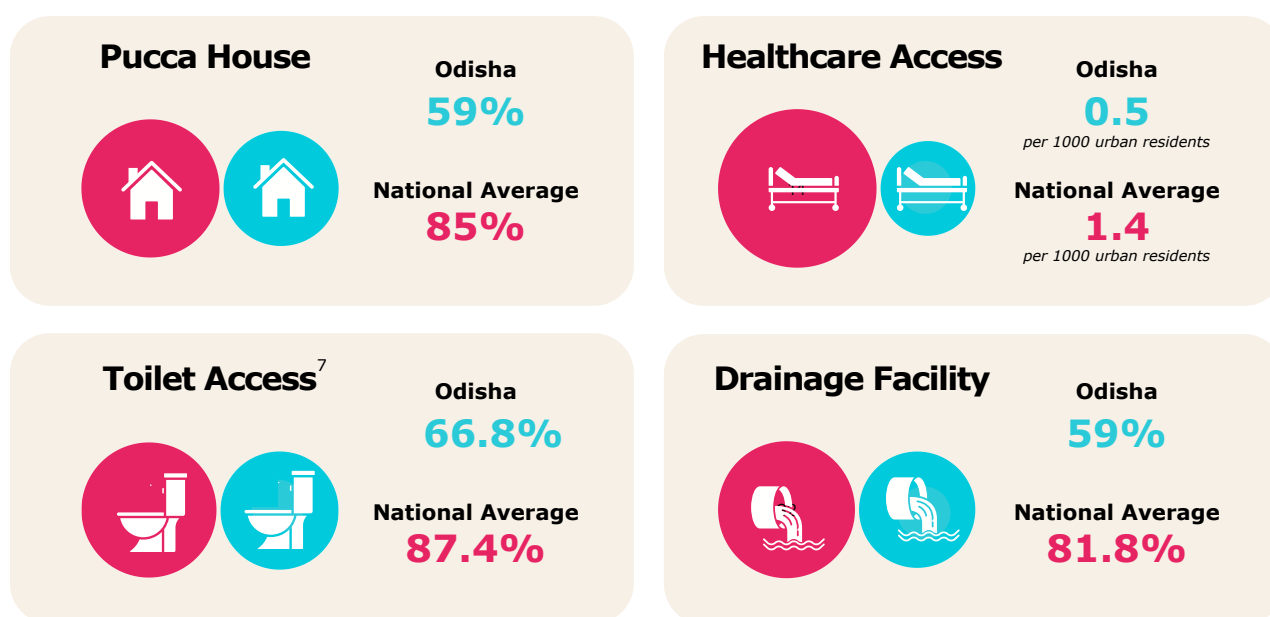
² As per notification issued by Housing & Urban Development Department (HUDD), Odisha dated 22.12.25

³ https://vision.odisha.gov.in/website/pdf/Odisha_Vision_Document_English.pdf

scheme⁴ and the JAGA Mission⁵ have also gained national and international recognition in the sanitation and slum redevelopment domains, respectively.

However, there remains a significant opportunity to further improve the state's delivery across different sectors. As of 2025, Odisha has made significant progress in expanding access to drinking water and piped water supply, but 24/7 access to drinking water remains limited to select urban areas. While 98% of the urban households have piped water connection, only 40% of urban households have access to 24/7 safe drinking water.⁶ Public transport coverage is notably low, serving merely 5-7% of daily urban commuters (e.g., as compared to 60% in Delhi). Figure 1.1 below further summarizes key service delivery gaps in urban Odisha against national averages.

Figure 1.1: Key service delivery gaps in urban Odisha against national averages



Source: 1. Odisha Vision 2036 & 2047 for Housing and Healthcare data; 2. Census of India 2011 (via Swachhta Status Report 2016) for Sanitation data

► Decentralized urban governance, a crucial lever to improve infrastructure and service delivery in cities, needs a forward-looking reform agenda with a particular focus on strengthening urban local financial governance

The underperformance of urban Odisha reflects structural challenges in city governance, particularly in financial management. Recent findings from the Comptroller and Auditor General's Performance Audit on the Implementation of the 74th Constitutional Amendment in Odisha highlight significant challenges in the financial management of the cities in the state. For instance, ULGs in Odisha generated only 10.27% to 13.60% of their total funds as own revenue between 2015 and 2020 and utilized just 34 percent of available funds—highlighting limited fiscal autonomy and gaps in fiscal planning, execution and monitoring. The fiscal stress is further compounded by acute human resource shortages, with a reported 38% of sanctioned staff positions left vacant in ULGs during the same period.

⁴ In 2021, National Human Rights Commission (NHRC) recognized Garima scheme as one of the best practices for protection of human rights of people engaged in manual scavenging or hazardous cleaning and, in 2023, it was conferred the Special Recognition Award in 'Best Skilling Initiative in Sanitation' category by the India Sanitation Coalition (ISC)-FICCI.

⁵ Jaga Mission has won the UN World Habitat Awards twice for providing land tenure security and slum upgradation

⁶ https://vision.odisha.gov.in/website/pdf/Odisha_Vision_Document_English.pdf

⁷ Odisha ranks second lowest among Indian states in household access to toilet facility, after Chhattisgarh (65.6%)

This collectively indicates that there is immense scope for strengthening financial management in Odisha's ULGs, alongside modernization of human resources and the development of professional capabilities. Cities with 'good' financial management systems are characterized by adequate and predictable fiscal inflows, efficient expenditure, and strong mechanism for accountability. The following section outlines the analytical framework adopted in this report to examine Public Financial Management (PFM) practices of ULGs in Odisha and to present the corresponding recommendations.

1.2 PFM Framework for Cities

The aims of PFM at a national level are linked with the goals of the fiscal policy of a country, a key factor influencing the economy of a country. To that end, as put forth by International Monetary Fund (IMF) and other leading international organizations, the primary functions of an effective PFM system include achieving macroeconomic stabilization coupled with the twin goals of efficient budget allocation towards policy priorities and inclusive development.

Andrews (2014) notes that while the aforementioned goals are central to a PFM system, they are influenced by factors other than the PFM system of a country alone. Hence, the more accessible goals of PFM can be thought of as such outputs which are directly impacted by the PFM system and can be summed up as prudent fiscal decision-making, credible budgeting, efficient flow of funds and institutionalized accountability.

However, it is reasonable to argue that, in the context of ULGs, the third tier of governance for cities, the aims of PFM will vary depending upon their corresponding sphere of control and influence. Furthermore, the status quo and challenges of public finance—both existing and emerging—in cities differ from the national or state owing to their varied capacities and PFM journeys. The report follows a three-pillared whole systems approach for improving financial management in the cities—defining what a 'good' PFM system could look like in cities. Figure 1.2 captures the three goals of PFM for cities.

Figure 1.2: Goals of PFM for cities

Fiscal Sustainability (Adequacy and availability of funds for infrastructure and service delivery)	Fiscal Efficiency (Optimal utilisation of funds)	Fiscal Accountability (Public disclosure and expenditure accountability)
<ul style="list-style-type: none"> • There are adequate funds (transfers, revenues, borrowings) with ULGs. • Transfers are formula based, predictable and timely. 	<ul style="list-style-type: none"> • Budgets are comprehensive and formulated with a focus on service delivery, establishing government priorities. • Salaries are paid in a timely fashion, goods and services are procured when planned, at appropriate quality and price, and payments are done on time. • Actual spending reflects budgeted priorities. • Fund flows, expenditure, and outputs can be tracked in real time. • Fund flows, expenditure, and outputs can be tracked in real time. 	<ul style="list-style-type: none"> • Outlays are linked to citizen outcomes. • Financial reports are comprehensive, timely, allow for comparison between actual spending and budget decisions, and are publicly-available in a citizen-friendly format. • There is an independent assurance (for instance, through audit) that funds are collected, managed and spent for intended purposes, in compliance with laws and regulations and with regard for value for money, and these reports discussed by ER and action is taken.

The goals of the PFM framework are tied with the phases of the PFM cycle. The first pillar of the PFM framework for cities on 'Fiscal Sustainability' revolves around ensuring adequacy and availability of funds across all sources for funding required for infrastructure and robust service delivery. In the Indian context, municipal funds comprise grants, assigned revenues, own sources and borrowings, and there is considerable scope to augment each of these funding sources through systemic governance reforms. The second pillar on 'Fiscal Efficiency' relates to ensuring that available funds are optimally utilised through effective budgeting, transparent fund flows and better expenditure management practices in ULGs.

Due to the nature of civic amenities provided by ULGs, they are often the first point of contact for citizens. Therefore, it is imperative to build trust between citizens and city governments by improving fiscal accountability—the third pillar of the PFM framework—which could also help improve expenditure outcomes and potentially result in higher own revenue generation. The PFM functions of accounting, auditing, decentralized participatory participation, public disclosure, the last set of phases in PFM cycle, aim to achieve the goal of Fiscal Accountability.

1.3 Guiding Principles of the Report

- 1) **Differentiated approach** for ULGs by their types such as Municipal Corporations, Municipalities and Notified Area Councils should be adopted regarding SFC fund design and institutional mechanisms
- 2) **SFC Grant structure** should be clear and concise with a simple architecture that is easily understood by all (state government stakeholders, ULGs and citizens)
- 3) Focus should include **service delivery concerns** in addition to ensuring transparent, and predictable transfers to ULGs
- 4) Improving the **governance of ULGs** by bringing in absolute transparency, improving citizens' participation and instituting more regular and detailed review mechanisms, both at the state level and at the ULG level
- 5) **Digital reforms** underpinning PFM processes should reduce administrative burden, make processes more transparent, and ensure data is reliable and available in real-time

1.4 Structure of the Report

The objective of this report is to examine and make recommendations on key questions related to ULGs, particularly around the PFM framework for cities, as discussed above, i.e. availability of funds, fiscal utilization, and fiscal accountability.

- **Chapter 1** sets the context by outlining the urbanization trends, urban service delivery achievements and gaps in Odisha, and introducing the PFM framework for cities.
- **Chapter 2** provides a descriptive analysis of the temporal performance of ULGs in Odisha by ULG typology. It further provides an inter-state comparison of ULGs in Odisha, in per capita terms, against other states on certain financial indicators, with a specific focus on peer states that share similar GDP per capita and population profiles. The trends identified in this chapter are explained and analysed further in subsequent chapters, where recommendations are also presented.

- **Chapter 3** focuses on the first pillar of PFM framework, i.e. Fiscal Sustainability. It provides a brief commentary on improving State Finance Commission (SFC) transfers to ULGs. However, specifically in Odisha's context, considering ULGs burgeoning investment needs and central and state governments' fiscal constraints, augmenting ULGs own source revenues is more critical than ever before. Therefore, Chapter 3's primary focus is to identify recommendations for augmenting own source revenues in ULGs.
- **Chapter 4** explores the second pillar of PFM framework, i.e. Fiscal Efficiency, issue of fund utilization by ULGs in Odisha, presenting a phase-wise diagnosis of challenges along with actionable recommendations.
- **Chapter 5** focuses on the third pillar of PFM framework, i.e. Fiscal Accountability, covering themes such as accounting, audit, decentralized participatory governance, and public disclosure, and includes specific recommendations.
- **Chapter 6** proposes institutional mechanisms to facilitate the implementation and monitoring of recommendations made in Chapters 3, 4, and 5.

Further, a summary of catalytic recommendations is represented at the end of Chapter 3, 4 and 5. Best practices from other states have been identified and included for all the three pillars of PFM framework. Good practices within Odisha such as preparation of Annual Action Plan by ULGs for infrastructure projects, Grants Monitoring Dashboard, JIT-FS etc. have also been highlighted within the relevant chapters.

2

Analysis of Financial Performance of Odisha's ULGs



2.1 Introduction

Urban Local Governments (ULGs) play an important role in delivering public services and driving the economic and social development of urban areas in Odisha. As the state undergoes rapid urbanisation, the 6th State Finance Commission (SFC) of Odisha has a task in hand to ensure a balanced fiscal approach, that supports adequate devolution to ULGs to sustain urban growth, while also maintaining the overall fiscal sustainability of the state government. A comprehensive, data-driven assessment of the financial performance of ULGs will be instrumental for the Commission, as that will not only offer insights into the existing fiscal health and capacity of ULGs but will also inform the formulation of equitable devolution strategies and the identification of necessary institutional and fiscal reforms.

The analysis focuses on key financial indicators including overall revenues, own revenues, expenditure patterns, and debts. The chapter provides a temporal overview of Odisha's performance over a period of four years (from FY 2019-20 to FY 2022-23) by ULG types. It further includes a comparison of the ULGs in Odisha with other ULGs (state-wise and average of ULGs across India) on six financial parameters with a special focus on comparison of Odisha's ULGs with four comparable states to add perspective on the state's relative positioning.

2.2 Approach and Methodology

This chapter adopts a structured analytical approach to assess the financial performance of ULGs in Odisha, combining within-state temporal analysis and cross-state comparative analysis, based on data from Audited Financial Statements (AFS) of ULGs. Data has been sourced primarily from the Cityfinance portal⁸ (www.cityfinance.in), a digitised portal where ULGs submit their audited financial statements for claiming XV FC grants, wherein only complete and audited datasets have been considered to ensure reliability. These datasets have been standardized based on the National Municipal Accounting Manual (NMAM) classification system. The methodology adopted ensures data accuracy, standardization, and comparability both within the state and with other peer states.

1) Analytical Design and Data Coverage:

- i) Temporal analysis within Odisha (Section 2.3):** The analysis highlights trends in revenue and expenditures of ULGs by municipal categories/ ULG typologies over a period of four years from FY 2019-20 to FY 2022-23.

Data Coverage: The temporal analysis is based on AFS of 82 ULGs (71% of total ULGs) out of 115 ULGs. Table 2.1 shows availability of data in Odisha for the given period by ULG types. Please refer to Annexure 2.3 for ULG-wise data availability.

⁸ Cityfinance.in, conceptualized by Janaagraha, serves as a national framework of standardized, timely and credible financial information on India's cities (urban local bodies). It facilitates benchmarking, comparison and peer learning between ULGs on a range of financial indicators. In May 2020, Ministry of Housing and Urban Affairs, Govt of India (MoHUA) officially adopted and launched www.Cityfinance.in

Table 2.1: Data Availability of Odisha's ULGs

ULG Type	Odisha	
	No. of ULGs	ULGs with 4 years of Data
Municipal Corporations	5	4
Municipalities	47	31
Notified Area Councils	63	47
Total ULGs	115	82

ii) Inter-State Comparative Analysis (Section 2.4): To place Odisha's performance in context, a cross-state comparative analysis has been undertaken for a single year, i.e., FY 2021-22 using AFS data of states available on the Cityfinance portal. The analysis compares Odisha's ULG performance at two distinct levels:

a) Overall comparison of ULG finances, expressed in per capita terms, to situate Odisha's performance against all other states and nationally, without disaggregation by municipal or population categories

b) Comparison of ULG finances across population-based categories, expressed in per capita terms, with the national level and selected peer states. Two things need to be noted here. First, the states selected for peer comparison for FY 2021-22 are Chhattisgarh, Jharkhand, Madhya Pradesh, and Rajasthan. These states have comparable urbanization rate, per capita GSDP and some similarities in certain economic parameters (refer to Table 2.2). Second, comparison of ULGs by population categories was undertaken to ensure comparability, given the differing municipal classification systems. The population categories primarily serve as a proxy for differentiated urbanization rates, demand for services, revenue potential and governance structures, thus enabling interstate comparisons in the absence of uniform criteria for defining municipal categories in ULGs across states (refer to Table 2.3).

Data Coverage: FY 2021-22 has been used for the analysis since data for 79% of ULGs is available for that year. Please refer to Annexure 2.1 to see the % availability of data for different states.

Table 2.2: States with similar economic and urbanisation characteristics

State Name	Urbanisation %	Per Capita GSDP in INR FY 2022-23
Odisha	16%	180,959
Chhattisgarh	23%	181,795
Jharkhand	24%	126,519
Madhya Pradesh	27%	171,627
Rajasthan	24%	198,086

Table 2.3: Classification of Odisha's ULGs

Population Category	Number of ULGs in Odisha
4 Mn+	0
1 Mn to 4 Mn	0
500K to 1 Mn	2
100K to 500K	7
Less than 100K	106
Total ULGs	115

2) Standardization of financial data:

To meaningfully understand key trends and bring uniformity in analysis, data on ULG finances has been clubbed under the following key heads:

Table 2.4: Classification of Financial Metrics of 82 ULGs under Standardized Accounting Heads

Head	Definition	Items Included
Own Source Revenues	Tax and non-tax sources of revenue levied and collected by ULGs independently	<ul style="list-style-type: none"> • Property Tax • User Charges • Development Charges • Rent • Tehbazari Malba Fees • Advertisement Fees • Fire Tax • Sanitation Tax • Trade License • Motor Tax • Show Tax • Tower fees • D.O.T license • Lease fees • Other fee/ cesses/ charges levied by ULGs
Assigned Revenues	Revenues collected by the State government and devolved to ULGs	<ul style="list-style-type: none"> • Stamp Duty • Electricity Duty • Excise Duty • Goods and Service Tax
Grants-in-Aid	Central/ State Finance Commission Grants and other scheme-related grants received by ULGs	<ul style="list-style-type: none"> • All Grant-related items
Other Income	All other revenue sources not included in the above revenue heads	<ul style="list-style-type: none"> • All remaining revenue items
Establishment Expenditure	Salary and other benefits paid to employees	<ul style="list-style-type: none"> • Salaries • Other payments to employees

Head	Definition	Items Included
Revenue Expenditure	Expenditure incurred by ULGs to carry out day-to-day operations	<ul style="list-style-type: none"> • Establishment costs • Operation and Maintenance costs • Other operational expenditures
Capital Expenditure	Expenditure incurred by ULGs to acquire fixed assets or undertaking large-scale projects	<ul style="list-style-type: none"> • Development Works • Other Capital Expenses

Source: National Municipal Accounting Manual (NMAM)

Note: These accounting heads are applicable across nationwide ULBs. However, states may have their own list of items included under different heads.

2.3 Analysis of Financial Performance of Odisha's ULGs: Temporal Analysis

1) For FY 2022-23, the largest source of revenue for ULGs has been revenue grants received from the State and Union government, and the largest expenditure was towards Operations and Maintenance.

The largest revenue sources for ULGs from FY 2019-20 to FY 2022-23 have been Assigned Revenues and Revenue Grants—highlighting higher fiscal dependence on state and the union government. In terms of revenue expenditure, Establishment expenditure has been the leading component followed by Operations & Maintenance until FY 2022-23 when O&M expenses surpassed establishment expenditure. Establishment expenditure accounted for 44% on average over the four years and have remained almost constant over the years.

Assigned revenues are showing a declining trend, potentially limiting ULGs' share in state's buoyant revenues. This needs a relook.

2) In ULGs, total revenue grew by 10.39% (led by fees and user charges) and revenue expenditure grew by 8.51% (led by programme expenses) from FY 2019-20 to FY 2022-23.

Total revenue income of the selected ULGs (82 ULGs) grew by a healthy CAGR of 10.39% from FY 2019-20 to FY 2022-23 due to strong growth in fees and user charges, and grants.⁹ Meanwhile revenue expenditure over this period grew by a CAGR of 8.51%, mainly driven by programme expenses. A matter of concern is the declining trend in one of the major heads of revenue i.e. assigned revenues, which fell by a CAGR of 5.63 % from INR 465.9 crore in FY 2019-20 to INR 391.6 crore in FY 2022-23.

Table 2.5: Revenue Envelope and Revenue Expenditure of Odisha's ULGs

(INR Crore)					
Components	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Revenue Income					
Tax Revenue	164.21	166.57	230.34	255.39	15.86%
Assigned Revenues and Compensation	465.89	408.65	509.06	391.60	-5.63%

⁹ Within grants, the increase has been led by CSS/ state schemes as SFC/ CFC transfers have remained largely stable. The next chapter provides a commentary on this trend.

(INR Crore)

Components	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Revenue Income					
Rental Income from Municipal Properties	24.64	20.73	25.91	31.46	8.49%
Fees and User Charges	78.93	88.87	137.66	170.18	29.19%
Sales and Hire Charges	10.13	12.78	18.24	13.78	10.82%
Revenue Grants, Contributions and Subsidies	311.57	406.74	464.71	572.43	22.48%
Income from Investment	17.60	17.11	8.42	7.93	-23.35%
Interest Earned	48.85	65.97	60.90	76.39	16.07%
Other Income	10.95	19.58	8.26	4.44	-25.99%
Others	0.00	14.27	0.00	0.00	0.00%
Total Revenue Income	1,132.77	1,221.28	1,463.50	1,523.61	10.39%
Revenue Expenditure					
Establishment Expenses	555.78	517.99	574.50	559.35	0.21%
Administrative Expenses	40.68	52.93	89.95	74.59	22.40%
Operation & Maintenance	348.40	397.34	528.63	598.77	19.78%
Interest & Finance Charges	10.67	8.48	13.20	7.32	-11.80%
Programme Expenses	10.84	12.60	24.84	61.66	78.50%
Revenue Grants, Contributions & Subsidies (Exp)	24.71	14.85	14.03	6.92	-34.58%
Miscellaneous Expenses	77.93	210.24	175.90	57.16	-9.82%
Total Revenue Expenditure	1,069.01	1,214.43	1,421.04	1,365.77	8.51%
Revenue surplus/ (deficit)	63.76	6.85	42.45	157.83	

3) Municipal finance continues to be driven by MCs which have higher per capita own revenue due to larger economic base. Despite higher per capita own revenue, MCs get higher per capita revenue grants as compared to Municipalities and NACs.

ULGs in Odisha, as in other parts of India, differ by size, inherent economic base and capacities. To understand more, we must look at the performance of ULGs over different typologies: Municipal Corporation, Municipalities and Notified Area Councils.

Table 2.6: Distribution of ULGs' finances in Odisha by ULG type based on extrapolation of data from 82 ULGs for FY 2022-23

Indicator	Municipal Corporation	Municipalities	Notified Area Council
No. of ULGs	5	25	63
Share in Urban Population(Census 2011)	38.56%	43.88%	17.56%
Share in Total revenue	49.36%	34.53%	12.57%
Share in Own revenue	63.70%	20.61%	7.24%
Share in Assigned revenue	32.58%	51.06%	18.59%
Share in Revenue grants	48.38%	35.40%	13.00%

Municipal corporations play an important role in overall municipal finances. While they understandably generate own revenues at a share (63.7%) much higher than their corresponding population share (38.5%) in state's urban population, their share in revenue grants also remain higher as compared to their population share. This means that per capita allocations to MCs in the form of grants are higher than Municipalities and NACs, despite lower per capita own revenue generation by smaller ULGs (refer to Table 2.6 and Table 2.7).

Table 2.7: Per Capita Revenue performance for different types of ULGs in Odisha for FY 2022-23

(INR)

ULG typologies	All ULGs	Municipal Corporation	Municipalities	Notified Area Council
Total revenue income per capita	3,342	4,278	2,630	2,392
Own revenue per capita	1,043	1,722	490	430
Assigned revenue per capita	859	726	1,000	910
Revenue grants capita	1,256	1,576	1,013	930

4) Municipalities display a relatively lagging performance when compared to NACs

Prominence of Municipal Corporation in per capita own revenue performance is explainable due to robust economic base. However, similar own revenue performance of Municipalities and NACs (as shown in Table 2.7) indicates that municipalities need to improve their revenue performance.

Relatively lagging performance of Municipalities is more evident from the table below with details on relative performance of CAGR by ULGs categories across major components of revenues and expenditures. It can be noted that the CAGR of total revenue has been the lowest in Municipalities (6.6%), and the highest in NACs (16.43%). The same trend is also reflected when we look at the key components of total revenue, such as tax revenue and revenue grants. In terms of revenue expenditure as well, NACs have shown the highest CAGR at 11.3%, while Municipalities have recorded the lowest at 7.16%.

Table 2.8: Revenue Envelope and Revenue Expenditure CAGR by ULG Type (FY 2019-21 to FY 2022-23)

Components	Municipal Corporations	Municipalities	Notified Area Council
Total Tax Revenue	17.35%	7.35%	21.92%
Assigned Revenues and Compensation	-14.56%	0.29%	8.50%
Rental Income from Municipal Properties	12.52%	6.14%	5.15%
Fees and User Charges	34.97%	10.34%	31.60%
Sales and Hire Charges	41.21%	2.64%	-2.14%
Revenue Grants, Contributions and Subsidies	24.16%	17.41%	28.64%
Income from Investment	-22.04%	-28.06%	-100.00%
Interest Earned	24.44%	4.91%	10.57%
Other Income	-1.06%	-45.48%	-1.49%
Others	0.00%	0.00%	0.00%
Total Revenue	11.28%	6.60%	16.43%
Establishment Expenses	-4.05%	3.25%	6.50%
Administrative Expenses	35.87%	2.47%	9.04%
Operation & Maintenance	19.28%	16.68%	31.08%
Interest & Finance Charges	-12.86%	9.98%	-17.68%
Programme Expenses	136.38%	42.38%	30.14%
Revenue Grants, Contributions & Subsidies (Exp)	0.00%	-30.34%	-39.84%
Miscellaneous Expenses	-9.22%	-22.86%	14.88%
Total Revenue Expenditure	8.53%	7.16%	11.31%

Summary of Trends and Key Insights

These findings underscore the need for differentiated policy approaches as per ULG typologies. Revenue grant architecture needs to be designed as per ULG typologies based on differentiated fund requirements, as elaborated in Chapter 4 on Fiscal Efficiency. Moreover, municipalities need targeted interventions to improve their own sources of revenues such as tax revenue, fees and user charges (advertisement and solid waste management charges), and rental income, as elaborated in Chapter 3 on Fiscal Sustainability. These patterns provide an important context for the subsequent chapters where they are examined in greater detail and presented with corresponding recommendations.

While we have seen trend amongst ULGs typologies in Odisha, the next section complements the existing insights by presenting an inter-state comparison of ULGs' finances. The inter-state analysis benchmarks the financial performance of ULGs in Odisha against state-level aggregate performance across India, as well as against ULGs in selected peer states by population categories, to situate Odisha's performance in a broader national and peer context.

2.4 Analysis of Financial Performance of Odisha's ULGs: Inter-State Comparative Analysis

Inter-state comparison for the financial performance has been done for the financials of FY 2021-22 as it is the last year for which digitized and standardized data is available for a sizeable number of ULGs. Moreover, to ensure comparability across similar types of ULGs, population categories have been used as typologies instead of municipal classifications. This is because states apply different criteria for municipal categorisation, which can render comparisons unfair and misleading—for instance, both Rourkela and Mumbai are governed by municipal corporations despite vast differences in population size and financial capacity.

Analysis has been undertaken for the following key indicators representing the core of ULG finances:

- 1) Total Revenue per Capita
- 2) Own Revenue per Capita
- 3) Revenue Grant per Capita
- 4) Own revenue as % of total revenue
- 5) Revenue Expenditure per Capita
- 6) Debt per Capita

The analysis for each indicator follows a similar pattern to provide a comprehensive and standard understanding. For each indicator, analysis is arranged in following manner:

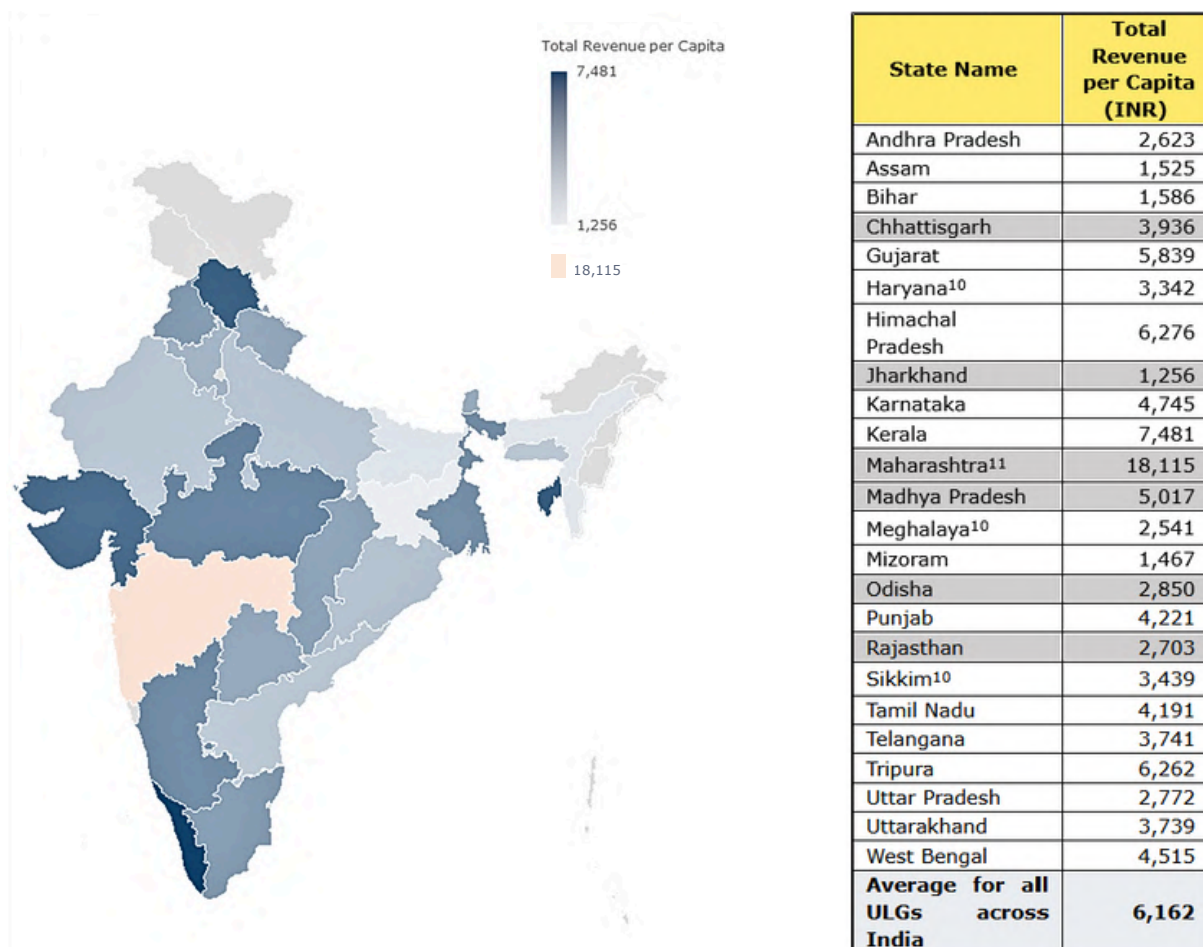
- 1) Per capita comparison based on state-level averages, with all states and nationally, without disaggregation by municipal or population categories

- 2) Per capita comparison across population-based categories for ULGs in selected peer states and nationally
- 3) Per capita comparison across municipal categories within Odisha (for indicator 4 and 6 only)

2.4.1 Total Revenues of ULGs

Inter-State Comparison of Total Revenue Per Capita of ULGs for FY 2021-22

Map 2.1: Representing Total Revenue Per Capita of all the States for FY 2021-22 (INR):



The analysis of per capita revenue across states shows that ULGs in Odisha reported an average of INR 2,850 in the financial year 2021-22 while average for all ULGs across India is INR 6,162. Map 2.1 compares own revenue per capita for ULGs in Odisha with that of other states.

¹⁰ Haryana, Meghalaya, and Sikkim have less than 30% data availability, resulting in inflated state-level per capita averages.

¹¹ In Maharashtra, 6 ULGs, including the Brihanmumbai Municipal Corporation (BMC), Navi Mumbai Municipal Corporation, Panvel Municipal Corporation, Pimpri-Chinchwad Municipal Corporation, Pune Municipal Corporation, and Thane Municipal Corporation, report total revenues exceeding INR 15,000 per capita which is significantly above the national average of 6,162, driving the state average of Maharashtra upto INR 18,115. If we exclude these 6 ULGs, the state average comes at INR 3,594.

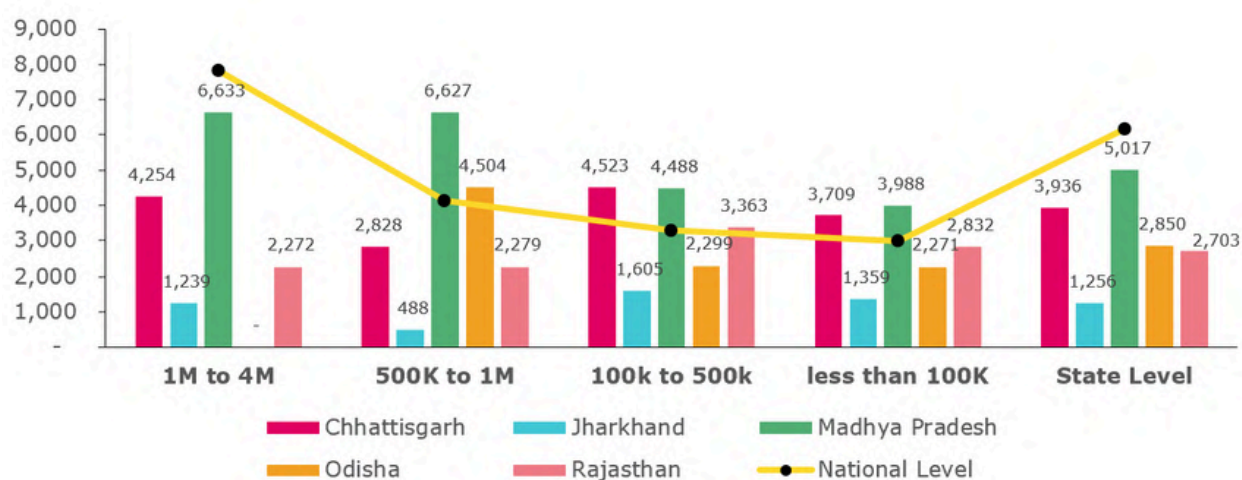
Mahabaleshwar Municipal Council is another ULG in Maharashtra which has a high per capita value of INR 18,277 but primarily due to its low population.

Odisha is doing only better than a few of peer states and has much scope for improvement. In medium term, Odisha should at least try to reach at the level of the average for all ULGs across India. For achieving it, all levers of revenues might need attention. Exploring per capita revenues across ULG typologies might give some insights for targeted intervention.

When analysed by population category against the peer states, the performance of Odisha's ULGs presents a mixed picture. Cities with a population between 500,000 and 1M (41 cities) recorded a per capita revenue of INR 4,504, higher than INR 4,117, which is the average for all ULGs across India for this category, and exceeds the values reported by Chhattisgarh, Rajasthan, and Jharkhand. However, considering the cities' economic potential, Bhubaneswar and Cuttack (2 cities with population between 500,000 to 1M) should target higher to reach INR 7,817, which is the average for 1M to 4M ULGs across India instead of being compared against the 500k to 1M ULGs.

Across the categories of ULGs with populations less than 500,000, Odisha reported a lower per capita revenue than the average for all ULGs across India and the values recorded in most peer states at these population levels.

Figure 2.1: Inter-State Comparison of Revenue per Capita (INR) for FY 2021-22

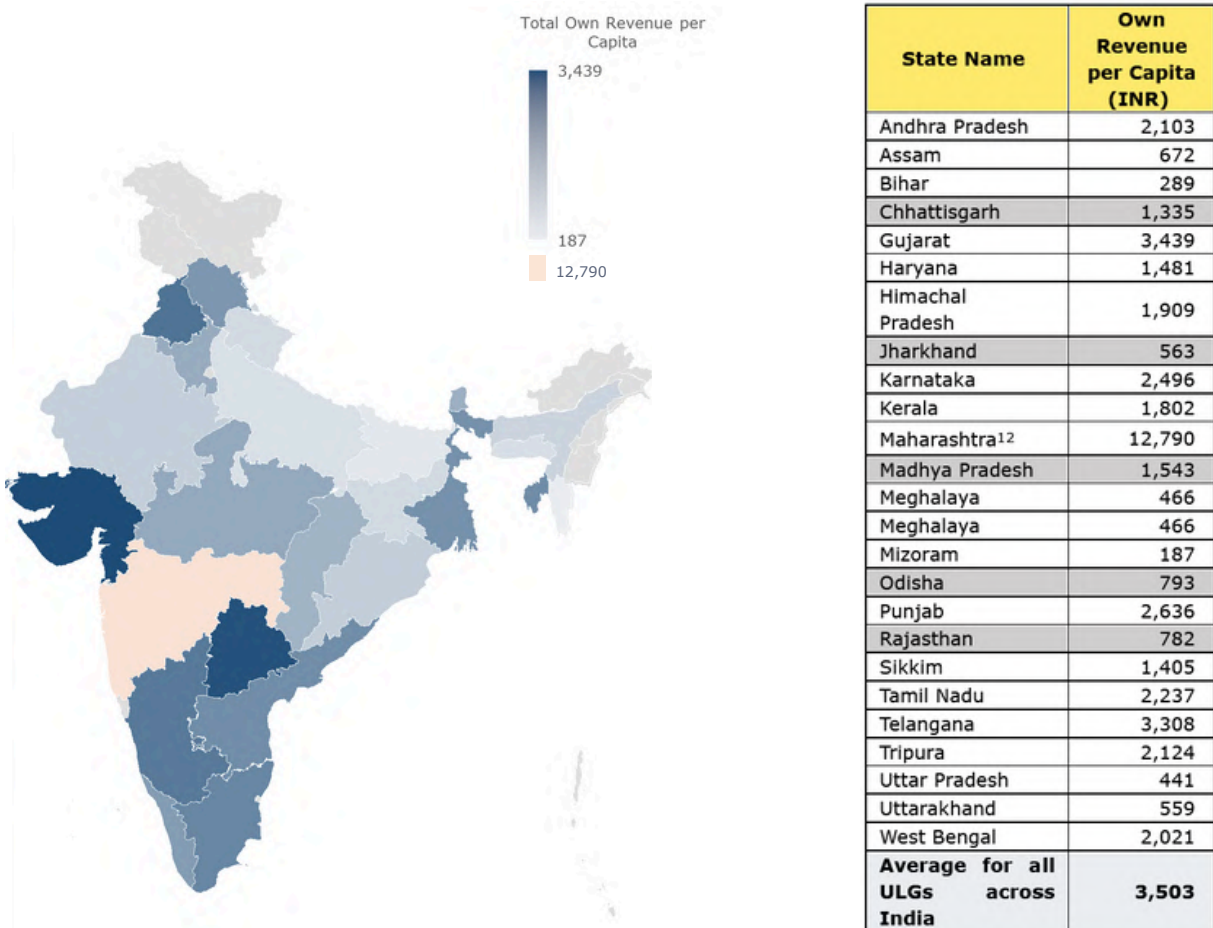


The analysis highlights an overall need to strengthen municipal revenues of ULGs. Chapter 3 presents a brief commentary on improving SFC grants for ULGs and a detailed analysis and recommendations on augmenting own source revenues for Odisha's ULGs to boost municipal revenues.

2.4.2 Own Revenue of ULGs

Inter-State Comparison of Own Revenues Per Capita of ULGs for FY 2021-22

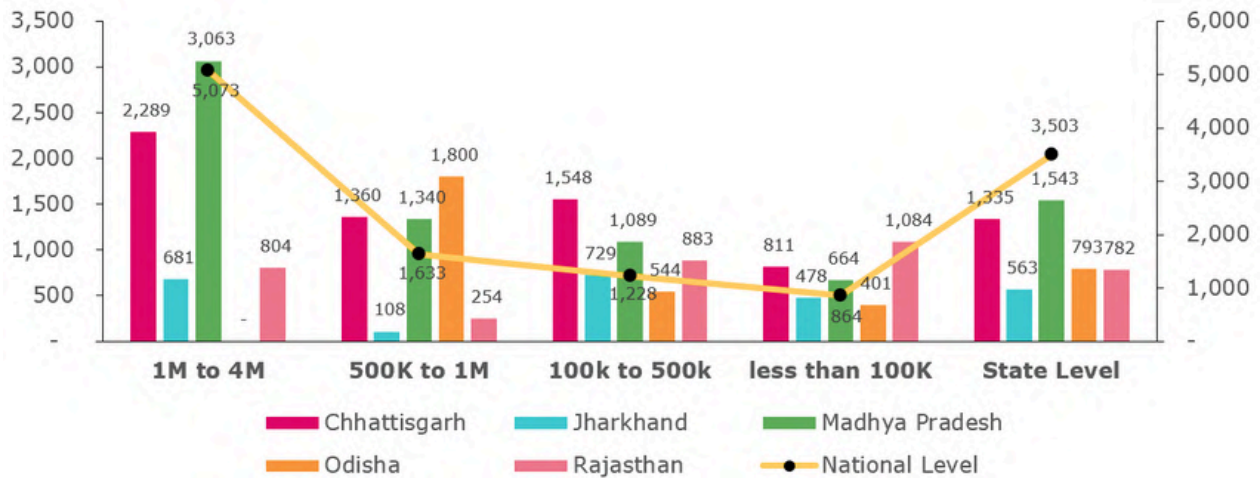
Map 2.2: Representing Total Own Revenue Per Capita of all the States for FY 2021-22 (INR):



The own revenue per capita is a key indicator of fiscal autonomy and financial sustainability of ULGs. In FY 2021-22, ULGs in Odisha recorded an average own revenue per capita of INR 793, significantly lower than the average for all ULGs across India of INR 3,503. In comparison with peer states, Odisha performed better than Jharkhand and Rajasthan but remains below Chhattisgarh and Madhya Pradesh.

¹² In Maharashtra, 6 ULGs including Brihanmumbai, Navi Mumbai, Panvel, Pimpri-Chinchwad, Pune, and Thane Municipal Corporations report per capita own revenue significantly above the national average of INR 3,503, thereby raising the state average to INR 12,790. Excluding these ULGs, the state average stands at INR 1,668. This is primarily due to the high share of own revenue in total revenue for these ULGs, exceeding 75 percent, except in the case of Thane, where it is around 50 percent.

Figure 2.2: Inter-State Comparison of Own Revenue per Capita (INR) for FY 2021-22



An analysis by population category reveals that ULGs in Odisha within the 500,000 to 1M population group, namely Bhubaneswar and Cuttack, performed the best, with own-source revenue per capita of INR 1,800, which is higher than the all-India ULG average of INR 1,633. However, the performance of ULGs in the 1M to 4M category is significantly poor, with average for all ULGs across India for these cities being 5,073. There lies a wide scope for improvement here.

In the 100,000 to 500,000 population group, Odisha reported own revenue per capita of INR 544, which is below the average for all ULGs across India of INR 1,228 and lower than all peer states. Similarly, for ULGs with populations less than 100,000, Odisha reported own revenue per capita of INR 401, well below the average for all ULGs across India of INR 864 and of ULGs in peer states.

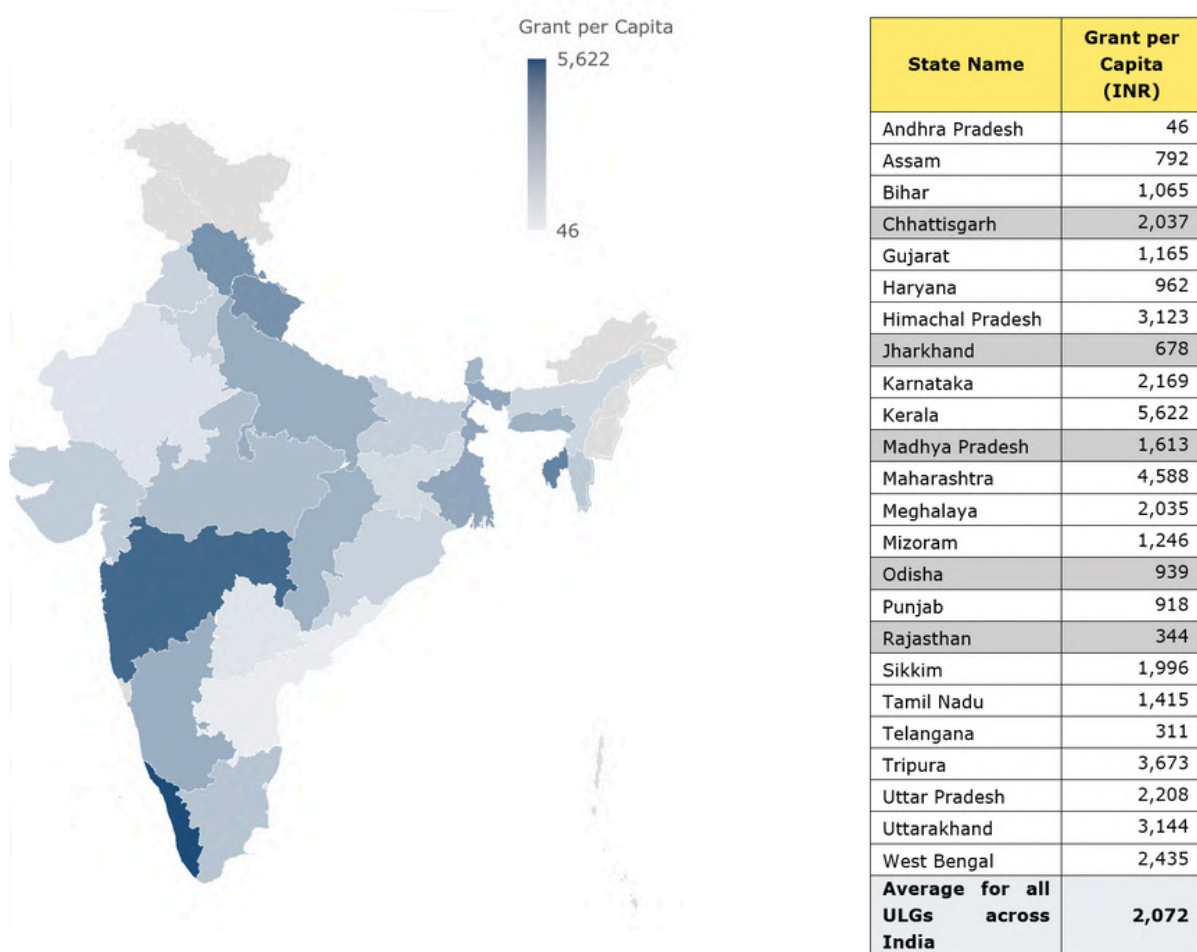
The analysis indicates that there is a need to significantly improve own revenue collection of ULGs in Odisha, as compared to other states, with a particular focus on ULGs in smaller population categories.

2.4.3 Revenue Grants Per Capita

Inter-State Comparison of Grant Per Capita of ULGs

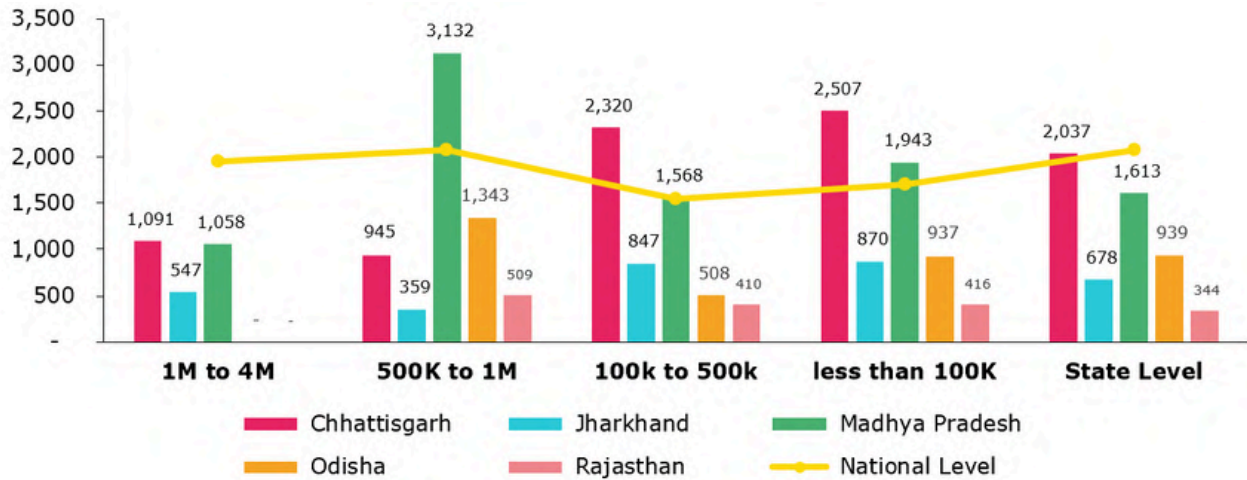
As evident from section above, ULGs in Odisha across typologies, have weak own revenue performance and are more dependent on grants for meeting even revenue expenditure. Given importance of revenue grants, it is important to compare revenue grants across states to see relative position of ULGs in Odisha with respect to other states.

Map 2.3: Representing Grants Per Capita of ULGs of all the States for FY 2021-22 (INR):



Odisha's revenue grants per capita stands at INR 939, which is significantly lower than the average for all ULGs across India of INR 2,072 however better than that for Rajasthan & Jharkhand but less than that for Madhya Pradesh and Chhattisgarh.

Figure 2.3: Inter-State Comparison of Grants Per Capita of ULGs (INR) for FY 2021-22



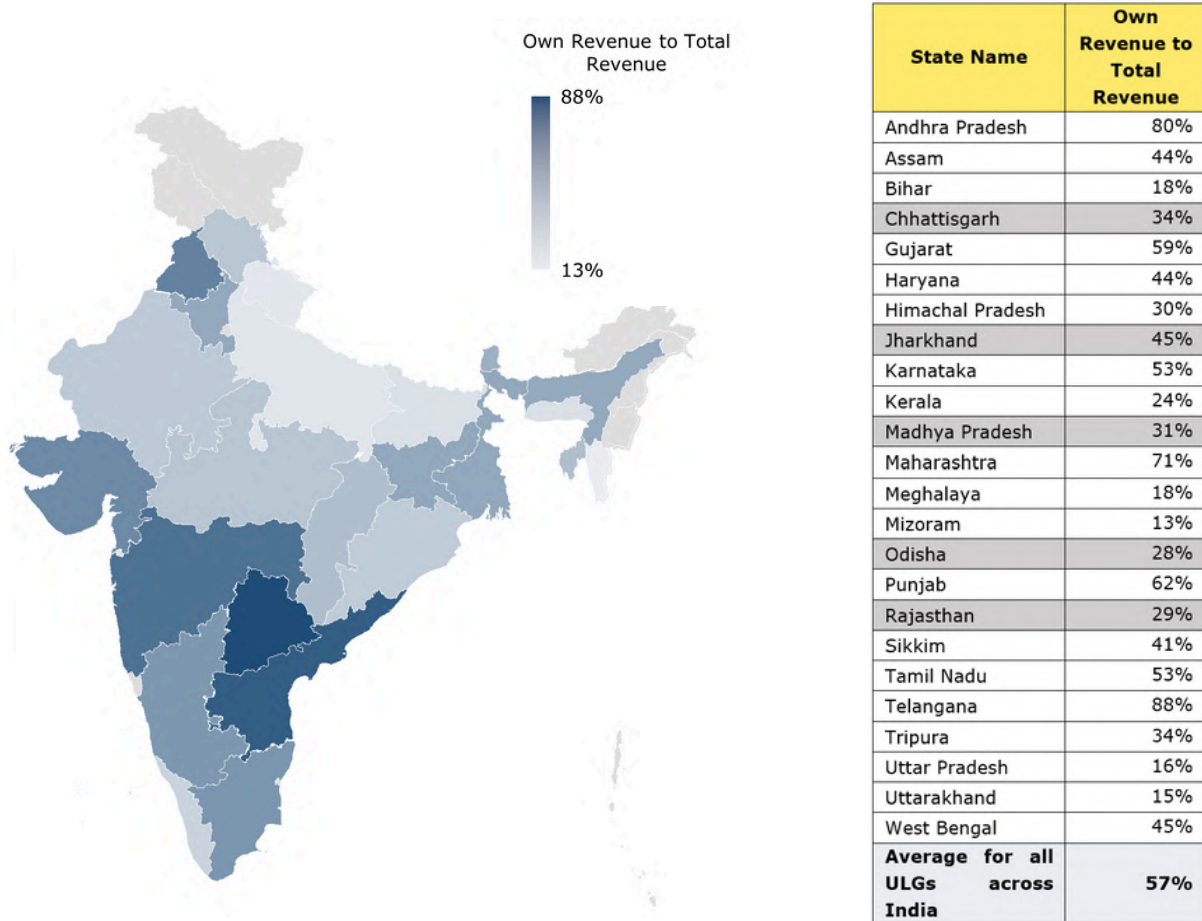
Odisha's ULGs in 500k to 1 M population category received INR 1,343 per capita, which is below the average for all ULGs across India (INR 2,078) but higher than peers except Madhya Pradesh. However, per capita grant revenue is greater for ULGs in high population categories despite them having higher own revenues, which calls for a relook at the revenue grant architecture.

The analysis indicates that there is a need to gradually increase the quantum of revenue grants over a period of years particularly taking into consideration the differentiated fund requirements across different types of ULGs. Chapter 4 delves into this aspect further.

2.4.4 Share of Own Revenue in Total Revenue

Inter-State Comparison of Share of Own Revenue in Total Revenue of ULGs

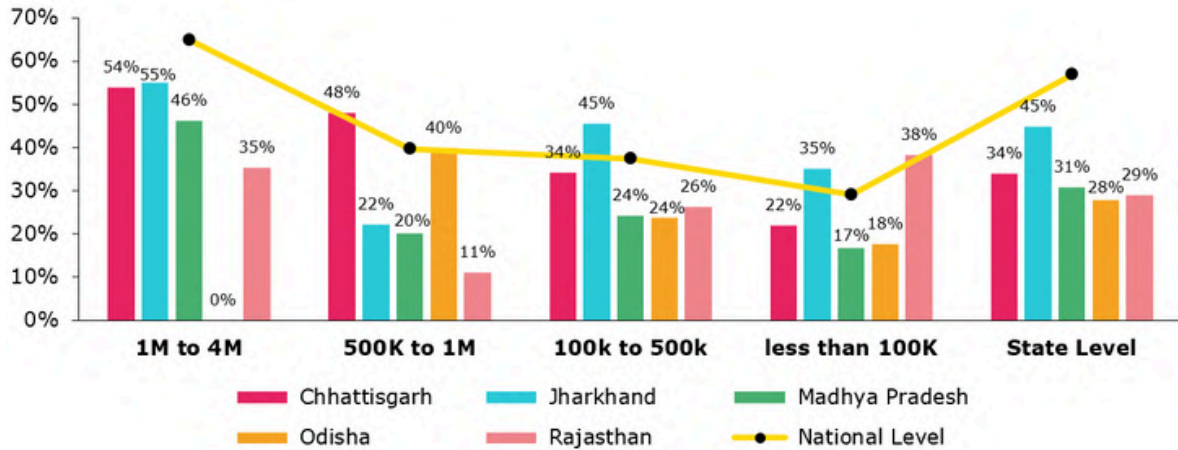
Map 2.4: Representing Own Revenue as % of Total Revenue of all the States for FY 2021-22 (INR):



In contrast to the absolute analysis of own-source revenues, this indicator assesses the share of own-source revenues in total revenues, providing insights into the degree of fiscal autonomy and revenue dependence of ULGs.

Odisha reports an own revenue to total revenue ratio of 28%, which is significantly below the average for all ULGs across India of 57%. Even compared to peer states, ULGs in Odisha are amongst lower ones. This indicates a need to improving revenues from own sources such as property tax, fees, and user charges.

Figure 2.4: Inter-State Comparison of Own Revenue as a Share of Total Revenue (%) for FY 2021-22

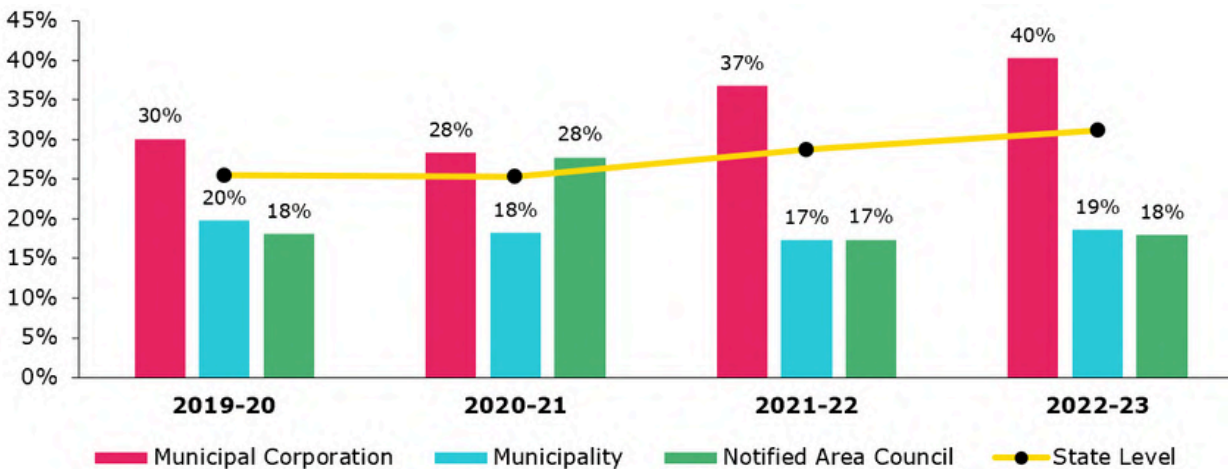


Above chart shows that across all categories, better own revenue performance is required.

Share of Own Revenue in Total Revenue by ULG Type in Odisha (FY 2019-20 to 2022-23)

The own revenue % of MCs is better than Municipalities and NACs and grown from 30% to 40%, there is a need for further improvement. Moreover, NACs and Municipalities have a lot of catch up to do.

Figure 2.5: Own Revenue as a Share of Total Revenue (%) of Odisha’s ULGs



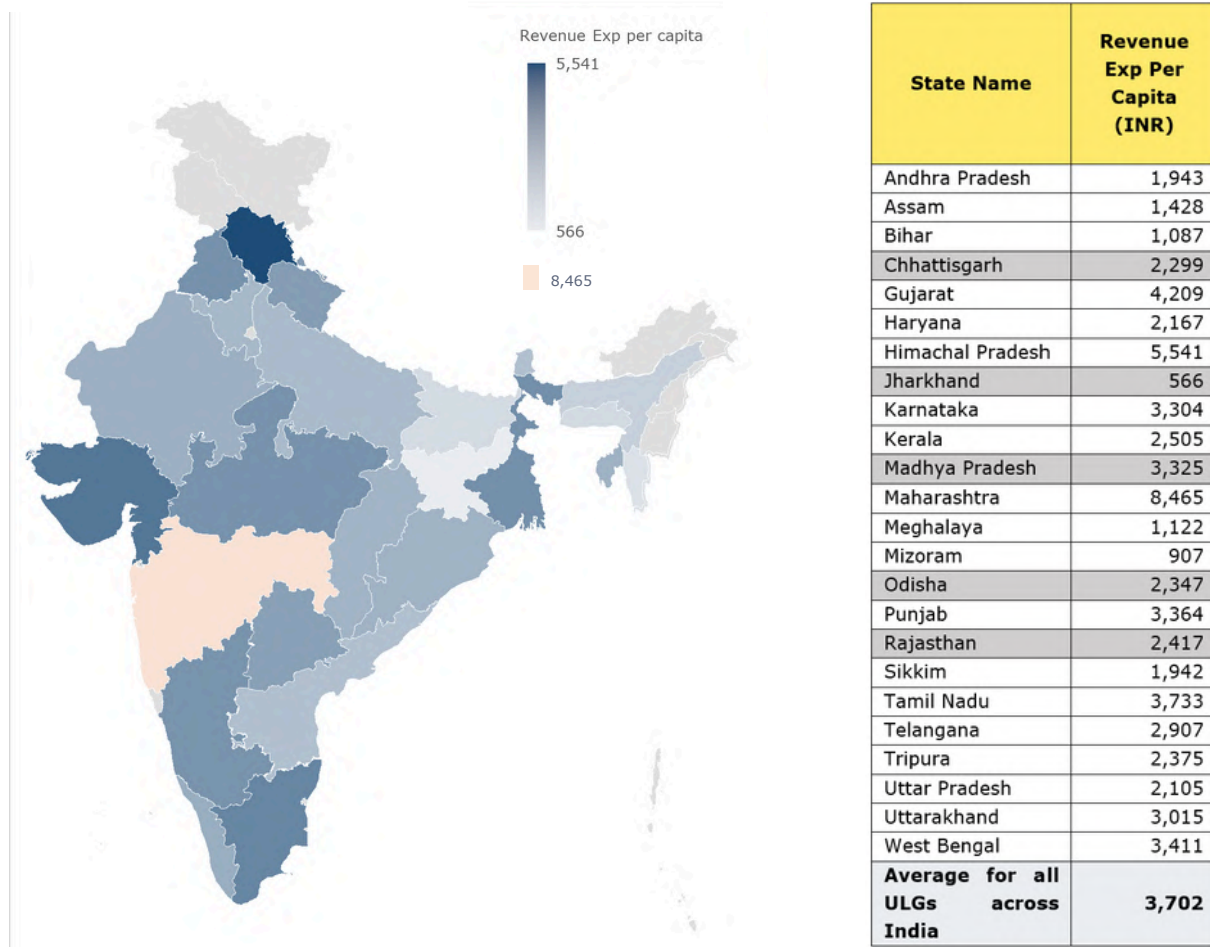
The analysis indicates that there is a need to significantly improve own revenue collection of ULGs in Odisha, as compared to other states, with a particular focus on ULGs in smaller population categories. Further, similar own revenue performance of Municipalities and NACs is indicating that municipalities need to improve their own revenue performance.

2.4.5 Revenue Expenditure Per Capita

Inter-State Comparison of Per Capita Revenue Expenditure for FY 2021-22

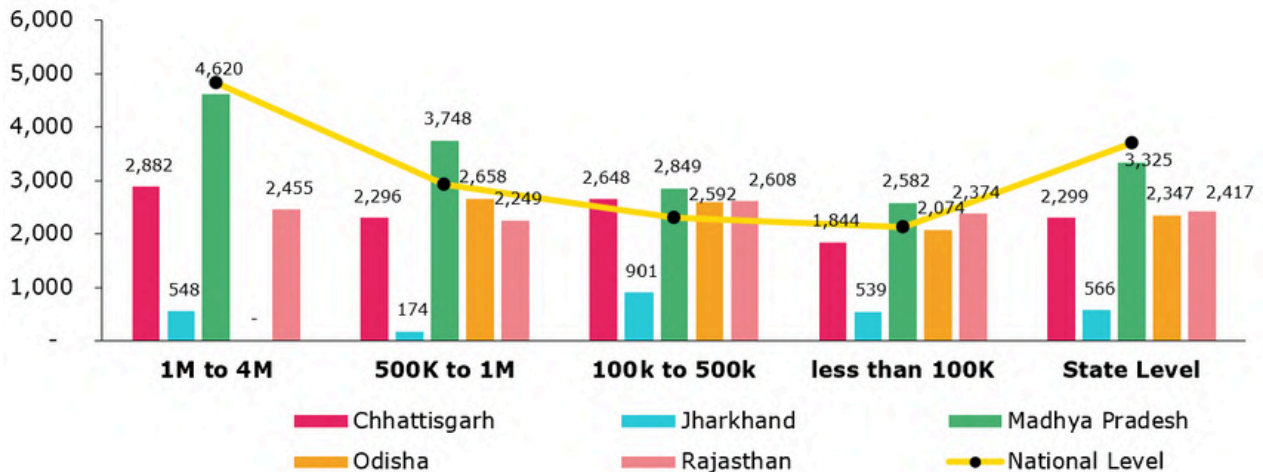
Per capita revenue expenditure reflects the scale and intensity of recurring spending by ULGs on municipal services, administration, and operations.

Map 2.5: Representing Total Revenue Expenditure Per Capita of all the States for FY 2021-22 (INR):



In FY 2021-22, ULGs in Odisha recorded an average revenue expenditure of INR 2,347 per capita at the state level, lower than the average for all ULGs across India of INR 3,702. While revenue expenditure in Odisha's ULGs is more than some peers, there is scope to expand investment towards urban infrastructure and services to match national trends.

Figure 2.6: Inter-State Comparison of Revenue Expenditure Per Capita (INR) for FY 2021-22



Revenue expenditure across all categories is broadly comparable with that of peer states and average for all ULGs across India to a certain extent.

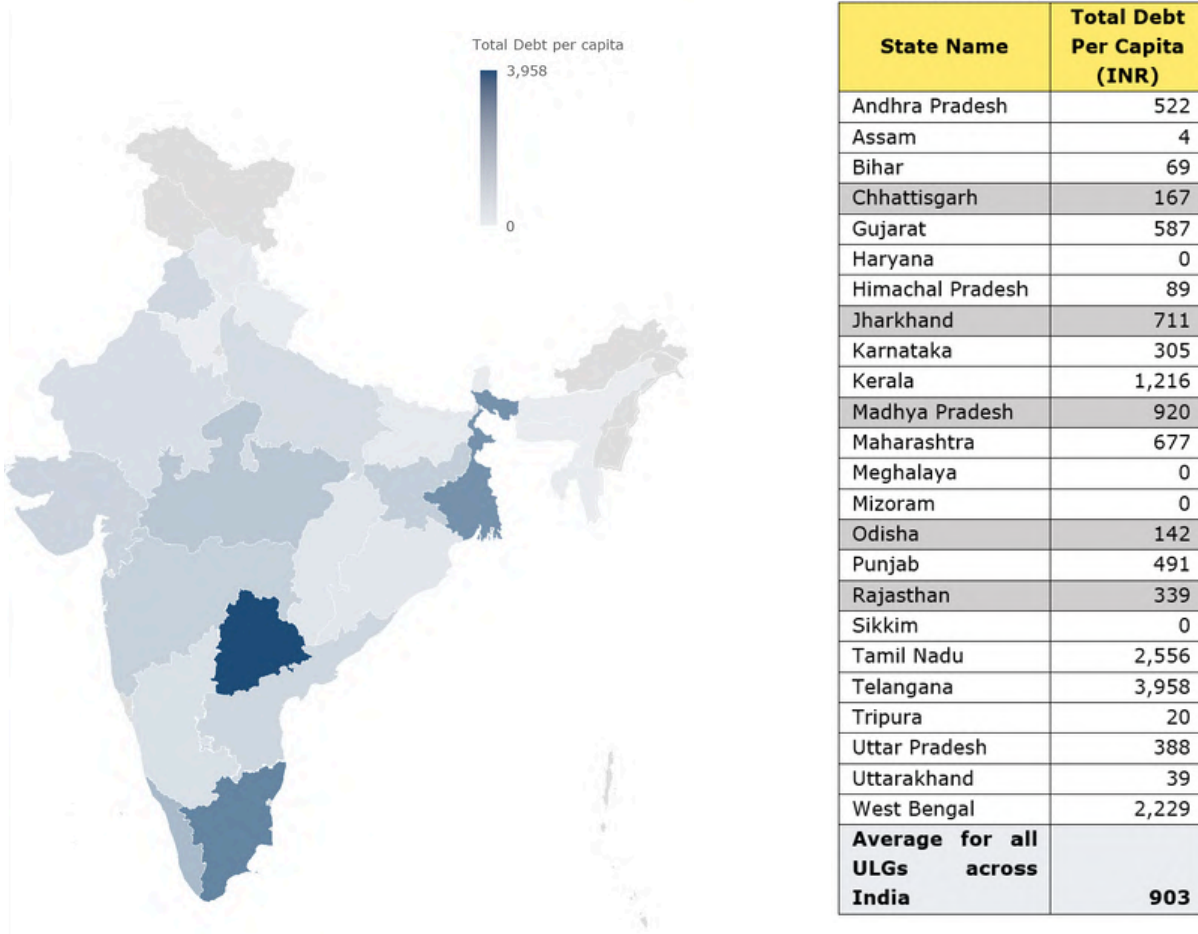
The analysis indicates that revenue expenditure levels of the ULGs in Odisha are relatively lower as compared with other peer states and with the national level indicating that the expenditure capacities need to be further developed. Chapter 4 provides a detailed diagnosis of bottlenecks and recommendations for this aspect.

2.4.6 Total Debt in ULGs

Inter-State Comparison of Per Capita Total Debt for FY 2021-22

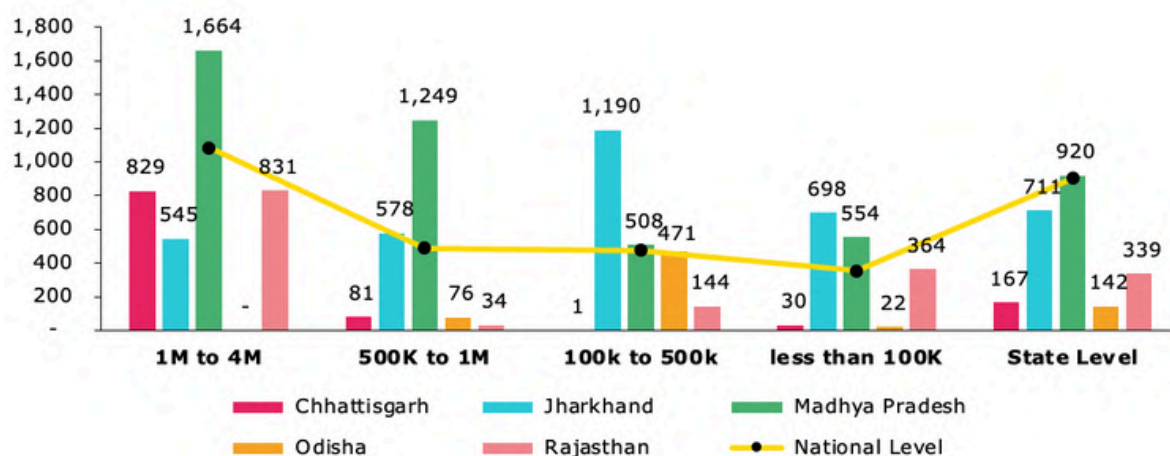
Per capita debt reflects the level of leveraging done by ULGs by arranging money from market. In FY 2021-22, ULGs in Odisha reported an average state-level per capita debt of INR 142, which is lower than all comparator states and significantly below the average for all ULGs across India of INR 903.

Map 2.6: Representing Total Debt Per Capita of all the State for FY 2021-22 (INR):



Following chart indicates that Odisha's ULGs currently maintain a low debt burden. This may suggest prudent fiscal management and lower financial risk. However, it may also indicate under utilisation of debt instruments to fund long-term infrastructure projects. Odisha's low debt levels could reflect limited dependence on external financing and limited capacity to absorb additional fundings.

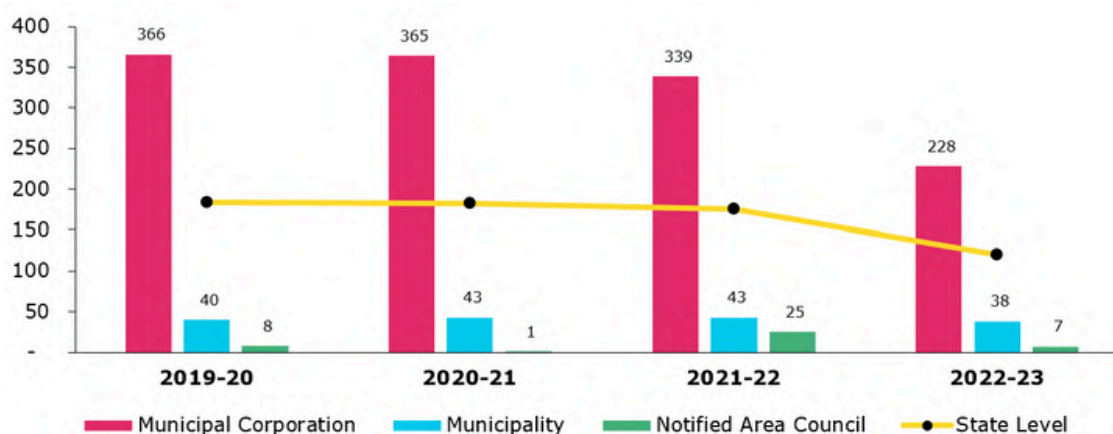
Figure 2.7: Inter-State Comparison of Debt Per Capita (INR) for FY 2021-22



Moving forward, ULGs in Odisha could consider exploring structured borrowing options such as pooled finance, municipal bonds, or development loans particularly for high-priority infrastructure investments. Any increase in debt, however, should be aligned with robust project appraisal mechanisms and supported by clear repayment plans to maintain fiscal sustainability.

Trend in Per Capita Debt by ULG Type in Odisha

Figure 2.8: Debt per Capita (INR) of Odisha's ULGs



At the state level, per capita debt has declined from INR 183 in FY 2019-20 and FY 2020-21 to INR 175 in FY 2021-22 and further down to INR 120 in FY 2022-23.

Among ULG types, Municipal Corporations accounted for the largest share of per capita debt across the period. However, their debt levels fell significantly from INR 366 in FY 2019-20 to INR 228 in FY 2022-23. This downward trend could reflect a combination of increased revenue generation, reduced borrowing, or repayment of existing liabilities. Debt in Municipalities and NACs is almost negligible.

The analysis shows that there is a huge opportunity to leverage debt for fuelling capital expenditure as debt level remains significantly low across all ULG types. However, there is a need to increase the overall capacities of ULGs for capital spending, allowing them to utilize the available funds for them to start looking at raising commercial borrowing. A targeted approach to improve the capacity for project preparation, execution, and overall better expenditure management to be able to interact with markets would be critical in this regard.

2.5 Summary of Insights from Analysis of Financial Performance of Odisha's ULGs

Financial performance of ULGs in Odisha has improved over years, however, there is a lot of scope of improvement through targeted interventions. SFC can play an important role in nudging performance in ULGs. Following are key insights from the above temporal analysis of ULG finances of Odisha and inter-state comparative analysis of ULG finances:

1) Odisha lags behind the average of all ULGs in India in most of the key indicators of municipal finance, namely, Total revenues, Own revenues, Revenue grants, Revenue expenditure per capita.

This calls for a detailed analysis of underlying challenges and corresponding recommendations. (Discussed in Chapters 3-5)

2) Assigned Revenues and Revenue Grants are the largest revenue sources for ULGs from FY 2019-20 to FY 2022-23.

This highlights higher fiscal dependence on state and the union government and opens the discussion for enhancing OSR. (Discussed in Chapter 3)

3) In terms of revenue expenditure, Establishment expenditure and Operations & Maintenance expenditure are the two highest categories constituting about 80% of the total revenue expenditure from FY 2019-20 to FY 2022-23.

4) Municipal finance continues to be driven by MCs with higher per capita own revenue due to large economic base. Despite higher per capita own revenue, MCs attracted higher per capita grant revenue as compared to Municipalities and NACs.

The trend calls for detailed analysis along with corresponding recommendations. (Discussed in Chapter 4)

5) Municipalities display a relatively lagging performance when compared to NACs

Although the total revenues, own revenue and grant revenues of MCs, Municipalities and NACs have grown over the years, rate of growth of municipalities has been the lowest, with per-capita revenues nearly equal to NACs despite a larger economic base. This highlights the need for special policy attention for Municipalities in Odisha. (Discussed in Chapter 3)

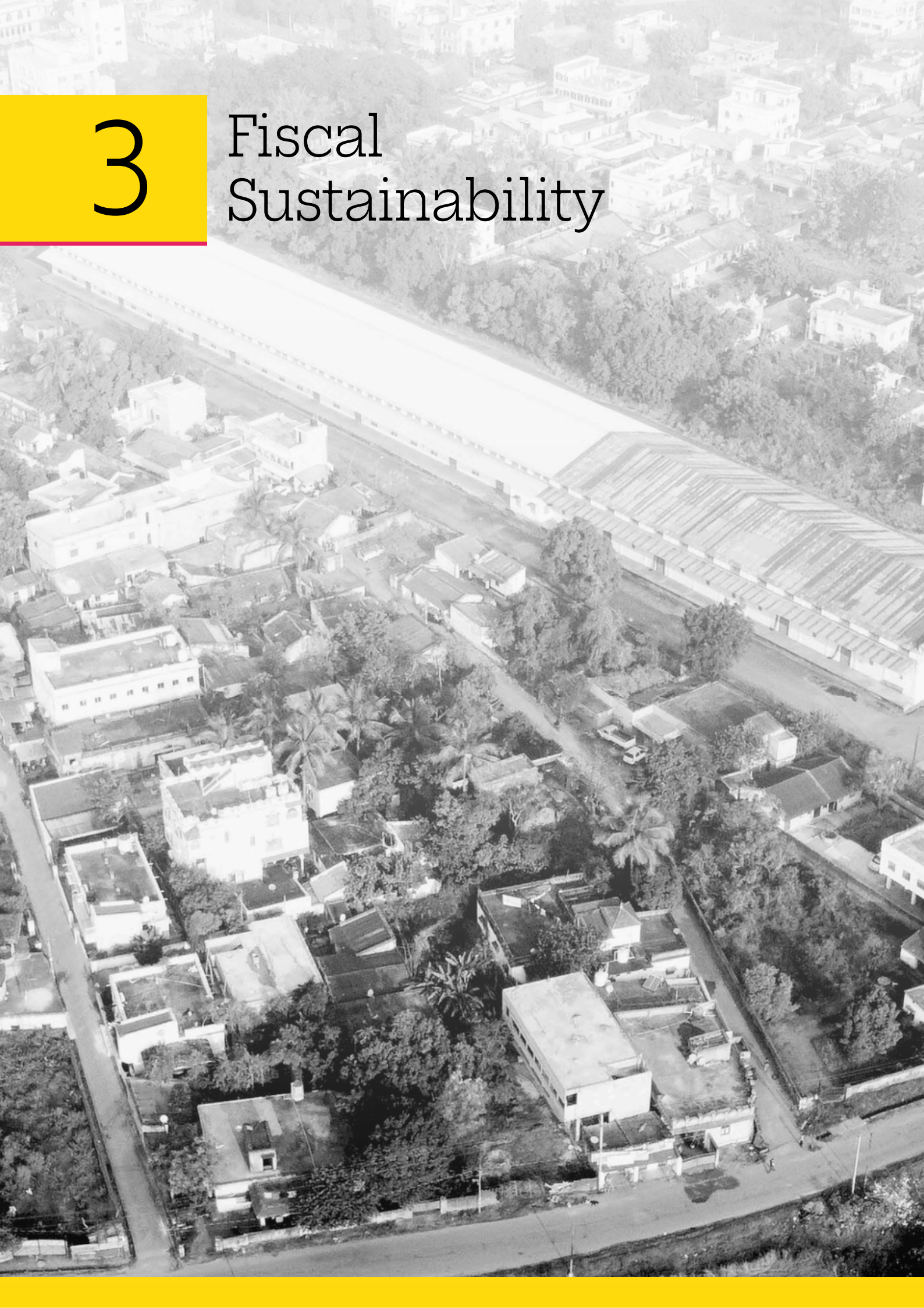
6) Assigned revenues are showing a declining trend, potentially limiting ULGs' share in state's buoyant revenues. This needs a relook.

7) There is a significant scope to leverage debt for fuelling capital expenditure

Debt levels remain low across all ULG categories, indicating substantial potential to use borrowing to fund capital expenditure. However, strengthening ULG capacities in project preparation, execution, and overall expenditure management is essential before they can effectively access commercial finance. (Discussed in Chapter 4)

3

Fiscal Sustainability



3.1 Introduction

Odisha has been witnessing a steady rise in urbanisation with its urban population estimated to increase from 16.7% in 2011 to 21.5% in 2036 and a corresponding increase in its urban population by 38% from 70 lakh to 96.8 lakh people over the period.¹³ Due to the inherent economies of scale, availability of specialized labour and concentration of economic resources, and infrastructure associated with urban agglomerations, cities and towns have long been recognised as 'engines of economic growth'.

For cities and towns to be sustainable centres of economic growth, Urban Local Governments (ULGs) need to invest substantial resources to create requisite urban infrastructure and ensure a conducive economic environment. Odisha's ULGs predominantly rely on grants and assigned revenues from centre and state governments to fund urban infrastructure investments—with grants and assigned revenues contributing 66.6% of total municipal revenues in FY 2021-22 (based on Audited Financial Statements of 86 ULGs from www.cityfinance.in). However, considering central and state governments' constrained financial resources, competing budgetary priorities, and ULGs growing investment needs, grants and assigned revenues alone will be insufficient. Therefore, ULGs need to augment their own source revenues (or 'OSR').

This chapter lays out recommendations for augmenting OSR in Odisha's ULGs basis an assessment of on-ground practices and challenges regarding revenue administration, legal landscape, and data management. Section 3.2 outlines the approach and methodology including the analytical framework, data sources used and limitations of the analysis. Section 3.3 provides the state and ULG class-wise analysis of the overall fiscal position, composition of municipal revenues, and OSR trends over FY 2019–20 to FY 2021–22. Sections 3.4 examines the adequacy of fiscal devolution from the SFC to ULGs in Odisha. Sections 3.5 to 3.8 examine the current landscape, key governance gaps, and reform recommendations for key own revenue streams: property tax, advertisement fees, rental income from municipal properties, and solid waste management charges. Section 3.6 presents a summary of catalytic reform recommendations to strengthen fiscal sustainability in Odisha's ULGs, specifically through own revenue augmentation.

3.2 Approach and Methodology

This section outlines the life cycle approach for augmenting own revenue performance, and data sources and methods adopted to examine the current status, performance, and challenges related to revenue performance of ULGs in Odisha. Section 3.2.3 outlines the limitations of the analysis.

3.2.1 Analytical Framework for Own Revenue Augmentation

To identify governance gaps and potential reform areas across the own revenue streams through an analysis of revenue trends, legal and administrative processes, the chapter adopts a lifecycle approach for key revenue streams covering three key stages. Addressing barriers across the following three stages is critical for augmenting own revenues:

¹³ National Commission on Population, Ministry of Health and Family Welfare (2019): Population Projections for India and States 2011-2036, Report of the Technical Group on Population Projections https://nhm.gov.in/New_Updates_2018/Report_Population_Projection_2019.pdf

- **Enumeration (Creation and maintenance of records):** Enumeration refers to the count of properties, assets, or users in the ULGs net. This stage refers to the process of creation and maintenance of records of taxpayers or users. The objective for the state and ULGs should be to ensure that no revenue leakages occur on account of unassessed properties, users, or assets.
- **Valuation:** Valuation refers to the methodology adopted for computing tax or non-tax revenues due from different properties, assets, or users. The objective at this stage is to ensure that the revenue base is buoyant and equitable.
- **Billing and collection:** The objective at this stage is to ensure that all taxable properties, chargeable users, and assets in the ULGs' records are billed, and dues are collected fully and on time.

3.2.2 Data Sources and Methods

To lay out recommendations for own revenue augmentation, it is imperative to understand the current landscape and challenges in levying and collecting different OSR streams. To this end, we adopt a five-pronged approach:

- 1) Data analysis:** Data analysis of the following sources to assess state-level and ULG class-wise position and performance of municipal revenues and own source revenues:
 - i) Audited financial statements (AFS) of 86¹⁴ of 115 ULGs (75% representation) over a 3-year period from FY 2019-20 to FY 2021-22 to analyse state-level and ULG class-wise financial position, identify key own source revenues and map ULG class-wise trends. (Source: Ministry of Housing and Urban Affairs portal cityfinance.in). Basis ULG class bifurcation, the dataset covers 4 of 5 Municipal Corporations (80%), 33 of 47 Municipalities (70%), and 49 of 63 Notified Area Councils (78%), ensuring representative coverage across ULG classes.
 - ii) Audited financial statements of 2,340 ULGs across 23 states to assess Odisha's ULGs performance vis-a-vis other comparable ULGs across India over a period of three years from FY 2019-20 to FY 2021-22. (Source: cityfinance.in)
 - iii) Self-reported property tax demand and collection data for 96 of 115 ULGs in Odisha (sourced from cityfinance.in) to study trends in collection efficiency, over a period of five years from FY 2018-19 to FY 2022-23.
 - iv) ULG level self-reported service level benchmark data for solid waste management services submitted on cityfinance.in to analyse service delivery, cost recovery, and revenue collection efficiency of 95¹⁵ out of 115 ULGs in Odisha for FY 2021-22.
- 2) Fieldwork:** Conducted field visits to 5 ULGs (Bhubaneshwar and Berhampur Corporations, Gopalpur Notified Area Council, Hinjlicut and Jatni Municipalities) to map existing administrative and IT systems, processes, and on-ground challenges in levy and collection of identified own source revenues. **Annexure 3.1** provides list of officials interviewed.

¹⁴ In terms of population size, this analysis includes all 2 ULGs in the 500k–1M category, 6 of 7 in the 100k–500k category, and 78 of 106 in the <100k category.

¹⁵ Covering 3 of 5 Corporations, 43 of 47 Municipalities and 45 of 63 NACs

- 3) Policy review:** Evaluated the legal mandate for ULGs to levy and collect identified OSR basis a review of relevant Acts, Rules, Bye-laws, and notifications available in the public domain. **Annexure 3.2** provides list of legal documents reviewed.
- 4) Review of previous SFC reports:** Reviewed State Finance Commission (SFC) reports of Odisha, 9 states and 1 UT (Tamil Nadu, Karnataka, Kerala, Maharashtra, Bihar, Chhattisgarh, Madhya Pradesh, Rajasthan, West Bengal, and Delhi) to evaluate common challenges w.r.t. OSR across states and to study SFCs recommendations for OSR augmentation. **Annexure 3.3** outlines the details.
- 5) Study of best practices:** Reviewed policies, Rules/Bye-laws, administrative, and IT systems from other states to identify best practices for augmenting OSR streams. **Annexure 3.4** provides the list of references covered.

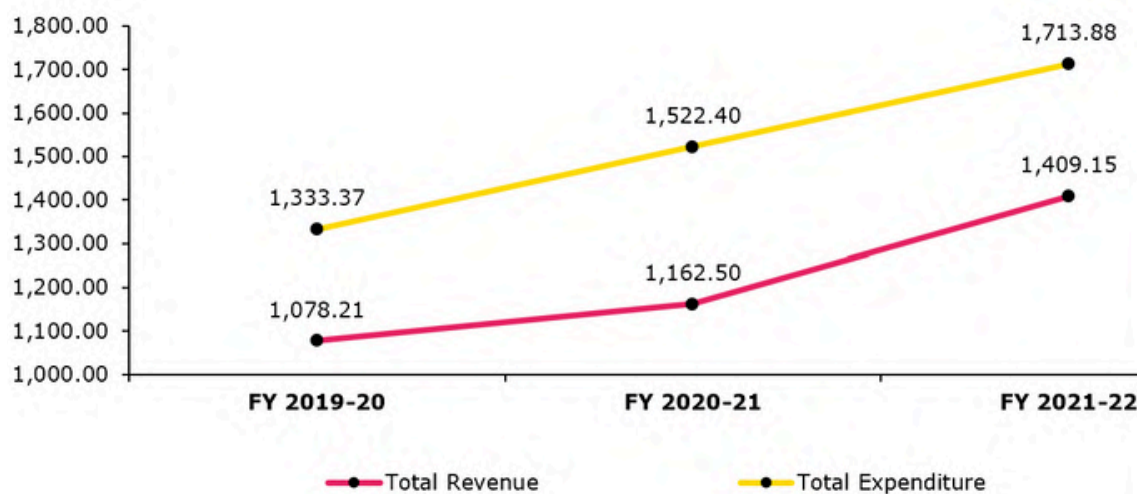
3.2.3 Limitations

- 1) As the data analysis is based on publicly available audited financial statements sourced from www.cityfinance.in, the sample covers 75% of Odisha's ULGs (86 of 115 ULGs) for which statements were available for the three-year period (FY 2019-20 to FY 2021-22). As a result, the findings reflect the fiscal position of the sample ULGs and not the consolidated state-level fiscal position.
- 2) Due to the short duration of the project, the survey team was able to conduct field visits to ULGs from two of the three Revenue Divisional Commissioner (RDC) areas and could not cover any ULGs from the Northern RDC. This may have potentially limited the inclusion of any region-specific perspectives or challenges with respect to levy and collection of OSR. However, as the study's objective is to recommend policy and administrative reforms for augmenting OSR, the recommendations are region-agnostic and should hold true for all of Odisha's ULGs.

3.3 Analysis of Revenue Trends in Odisha's ULGs

At the aggregate state level, Odisha's ULGs recorded fiscal deficits over all three years. Between FY 2019-20 and FY 2021-22, the revenue–expenditure gap widened from INR 255 crore to INR 304 crore for the sample of 86 ULGs studied (Figure 3.1). During this period, aggregate municipal revenues grew by INR 331 crore at a CAGR of 14.3%. However, despite this growth, ULGs continued to operate in deficit, with the revenue-to-expenditure ratio remaining around 80% on average—indicating that ULGs, at an aggregate level, are still unable to meet their expenditure obligations through their revenues.

Figure 3.1: State-level trend in total revenue and total expenditure over FY 2019-20 to FY 2021-22 (INR crore)



Source: Janaagraha's analysis based on audited financial statements of 86 of 115 ULGs from cityfinance.in

3.3.1 Trends in revenue composition

Grants and assigned revenues together contributed 66.6% of municipal revenues and OSR contributed only 29% of municipal revenues in FY 2021-22 (Figure 3.2 & Table 3.1). At the ULG class-level, Municipal Corporations demonstrated relatively better performance, with OSR's share increasing from 30.1% in FY 2019-20 to 37.1% in FY 2021-22. In contrast, Municipalities and Notified Area Councils continued to show weak OSR mobilisation, with OSR's share in municipal revenues declining to 17.3% and 17.4% respectively in FY 2021-22 (Table 3.2). The trend is particularly revealing of Municipalities' poor performance with the lowest CAGR of 2.2% for OSR, compared to 17.4% for NACs—a trend also highlighted in the temporal analysis included in Chapter 2.

Smaller ULGs predominantly rely on grants with grants contributing 37.3% and 42% of municipal revenues in Municipalities and Town Panchayats respectively in FY 2021-22. At the state level, grants registered a strong CAGR of 22.2%, resulting in their share in municipal revenues rising from 29% in FY 2019-20 to 33% in FY 2021-22. Grants contributed only 28.4% of total revenues in case of Municipal Corporations in FY21-22, however, Municipalities and Town Panchayats both recorded a substantial increase in grants both in absolute and relative terms. For Municipalities, the share of grants increased from 28.8% in FY 2019-20 to 37.3% in FY 2021-22. Notified Area Councils also witnessed an increase in share of grants in municipal revenues from 28.8% in FY19-20 to 42% in FY21-22 (Table 3.2).

Table 3.1: Aggregate fiscal position and composition of municipal revenues for Odisha's ULGs from FY 2019-20 to FY 2021-22

(INR crore)				
Parameter	FY 2019-20	FY 2020-21	FY 2021-22	CAGR (FY 2021-22 over FY 2019-20)
Own Source Revenue (OSR)	272 (25.3%)	293 (25.2%)	402 (28.6%)	21.5%
Assigned Revenues & Compensation	431 (39.9%)	377 (33.6%)	476 (33.8%)	5.2%
Grants & Contributions	309 (28.7%)	406 (34.9%)	462 (32.8%)	22.2%

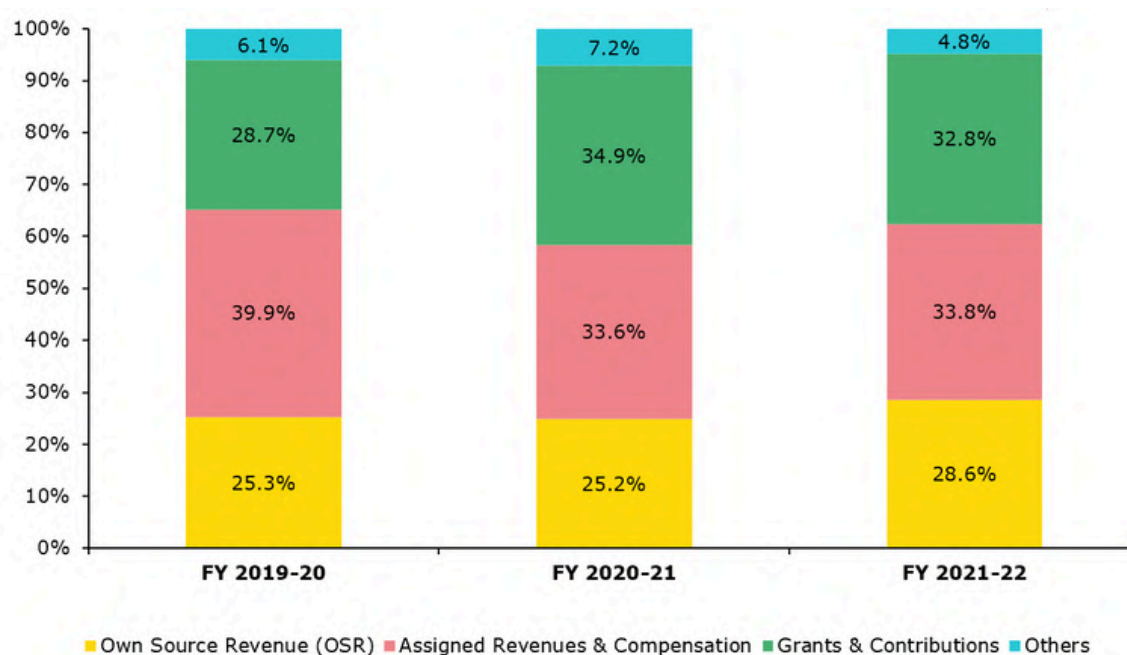
(INR crore)

Parameter	FY 2019-20	FY 2020-21	FY 2021-22	CAGR (FY 2021-22 over FY 2019-20)
Others	66 (6.1%)	84 (7.2%)	68 (4.8%)	1.5%
Total Revenue	1,078	1,163	1,409	14.3%
Total Expenditure	1,333	1,522	1,714	13.4%
Revenue to expenditure ratio	81%	76%	82%	-

Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

Note: Figures in parentheses represent % share to total revenue

Figure 3.2: Percentage share of total revenue components from FY 2019-20 to FY 2021-22



Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

At the state level, assigned revenues and compensation grew at a CAGR of 5.2%, but its share in municipal revenues declined from 40% in FY 2019-20 to 34% by FY 2021-22 (refer Table 3.1). This decline is largely due to the marginal increase in compensation provided in lieu of abolished taxes/duties assigned to ULGs, such as entry tax and motor vehicle tax vis-a-vis a substantial increase in grants at the state level. At the ULG class-level, share of assigned revenues and compensation in municipal revenues fell in FY 2021-22 over FY 2019-20 across Municipal Corporations, Municipalities, and NACs and stood at 29.6%, 40.8%, and 35.5% respectively in FY 2021-22 (refer Table 3.2). Surprisingly, assigned revenues and compensation fell in absolute terms in FY 2020-21 across each of the ULG classes. The reasons behind this decline are unclear but field insights reveal that ULGs are expected to meet certain conditionalities to be eligible for assigned revenues and delays in processing of these compliances may be responsible for the decline in revenues in some years.

Table 3.2: ULG class-wise composition of municipal revenues over FY 2019-20 to FY 2021-22

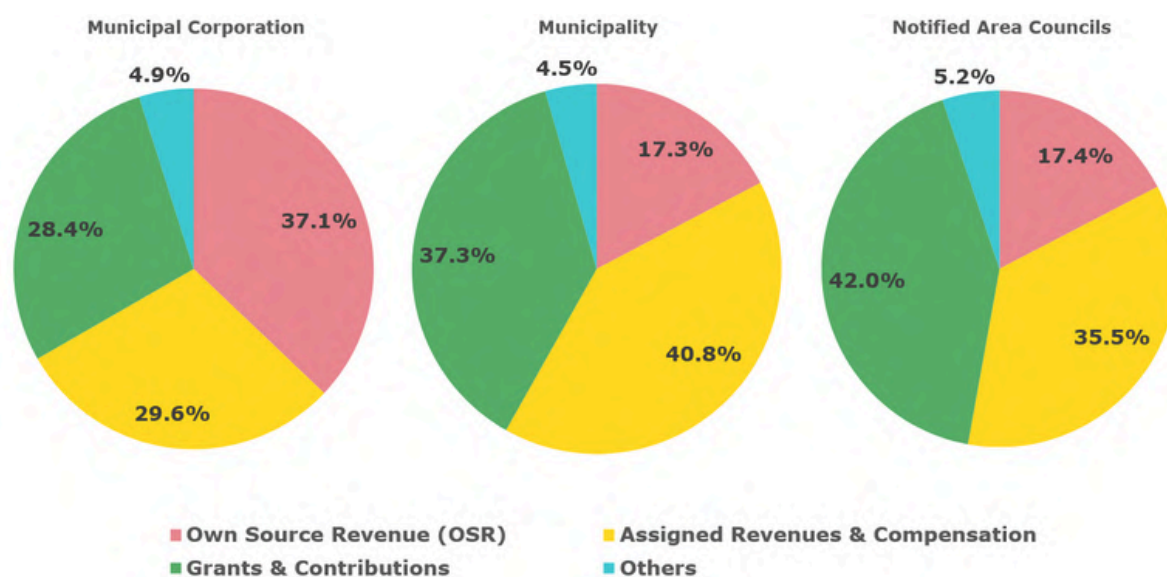
(INR crore)

Parameters	FY 2019-20	FY 2020-21	FY 2021-22	CAGR (FY 2021-22 over FY 2019-20)
Municipal Corporations				
Own Source Revenue (OSR)	178 (30.1%)	195 (28.5%)	297 (37.1%)	29.0%
Assigned Revenues & Compensation	207 (35.0%)	178 (26.0%)	237 (29.6%)	6.9%
Grants & Contributions	169 (28.6%)	265 (38.8%)	227 (28.4%)	15.8%
Others	37 (6.3%)	46 (6.7%)	40 (4.9%)	2.8%
Total Revenue	592	683	800	16.3%
Municipalities				
Own Source Revenue (OSR)	73 (19.8%)	66 (18.2%)	76 (17.3%)	2.2%
Assigned Revenues & Compensation	168 (45.6%)	157 (43.3%)	179 (40.8%)	3.4%
Grants & Contributions	106 (28.8%)	108 (29.7%)	164 (37.3%)	24.4%
Others	21 (5.7%)	32 (8.8%)	20 (4.5%)	-3.2%
Total Revenue	367	363	439	9.3%
Notified Area Councils				
Own Source Revenue (OSR)	21 (18.1%)	32 (27.8%)	30 (17.4%)	17.4%
Assigned Revenues & Compensation	56 (47.0%)	44 (37.9%)	60 (35.5%)	4.0%
Grants & Contributions	34 (28.8%)	33 (28.4%)	71 (42.0%)	44.4%
Others	7 (6.1%)	7 (5.9%)	9 (5.2%)	9.9%
Total Revenue	119	117	170	19.7%

Source: Janaagraha's analysis based on audited financial statements of 86 of 115 ULGs from cityfinance.in

Note: Figures in parentheses represent % share to total revenue

Figure 3.3: ULG class-wise revenue composition, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements of 86 of 115 ULGs from cityfinance.in

To assess the performance of Odisha's ULGs vis-a-vis ULGs across India, we adopt two parameters to create comparable cohorts: (i) ULGs' population size and (ii) state's population size and urbanisation share. In terms of ULGs' population size, ULGs in India can be divided into three population categories: million plus cities, emerging cities (100k to 500k or 500k to 1 million) and small cities (less than 100k) basis differential economic characteristics, nature of urbanization, infrastructure, and service delivery levels. In terms of the state's population size and urbanisation share, Odisha falls into the less urbanised large states category (population greater than 35 million and less than 30% urbanisation share) along with Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan.

Table 3.3: ULG population category wise own source revenue per capita and total revenue per capita of Odisha with national and other state average over FY 2019-20 to FY 2021-22.

(INR crore)

Parameter	FY 2019-20		FY 2020-21		FY 2021-22	
Category 1: Less than 100K						
	OSR per capita	Revenue per capita	OSR per capita	Revenue per capita	OSR per capita	Revenue per capita
Own Source Revenue (OSR)	336	1,712	366	1,714	378	2,207
Assigned Revenues & Compensation	856	3,031	886	3,079	982	3,257
Average of ULGs from less urbanised large states	368	3,007	370	2,850	404	2,937

(INR crore)

Parameter	FY 2019-20		FY 2020-21		FY 2021-22	
Category 2: 100K to 500K						
	OSR per capita	Revenue per capita	OSR per capita	Revenue per capita	OSR per capita	Revenue per capita
Odisha	407	2,191	459	2,096	558	2,577
National	998	2,834	1,012	2,993	1,218	3,353
Average of ULGs from less urbanised large states	509	2,394	540	2,614	568	2,895
Category 3: 500K to 1M						
Odisha	1,078	3,216	1,136	3,902	1,800	4,504
National	1,346	3,647	1,377	3,796	1,777	4,363
Average of ULGs from less urbanised large states	478	2,669	488	2,831	563	2,934

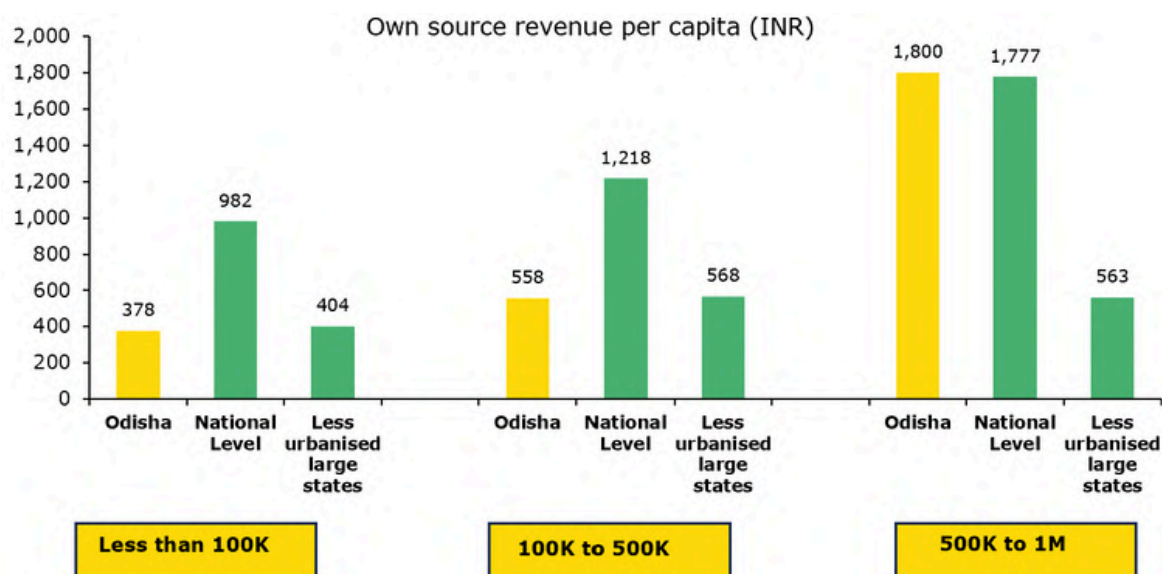
Source: Janaagraha's analysis based on audited financial statements of 2,340 ULGs from cityfinance.in

In terms of ULG population-based categories, revenue per capita and OSR per capita of Odisha's less than 100k and 100k to 500k cities remained consistently below the national average and the average across ULGs of other large less urbanised states from FY 2019-20 to FY 2021-22. This trend highlights the relatively lower revenue and own revenue generation in smaller ULGs.

In contrast, in the 500k to 1mn category, Odisha's ULGs (Bhubaneswar and Cuttack) reported an OSR per capita of INR 1,800 per capita in FY 2021-22, outperforming the average OSR per capita of ULGs from other large less urbanised states (INR 563 per capita) and performing at par with the national average (INR 1,777 per capita). In terms of revenue per capita, Odisha's 500k to 1mn cities outperformed both the national and less urbanised large states' averages in FY 2021-22. (Table 3.3).

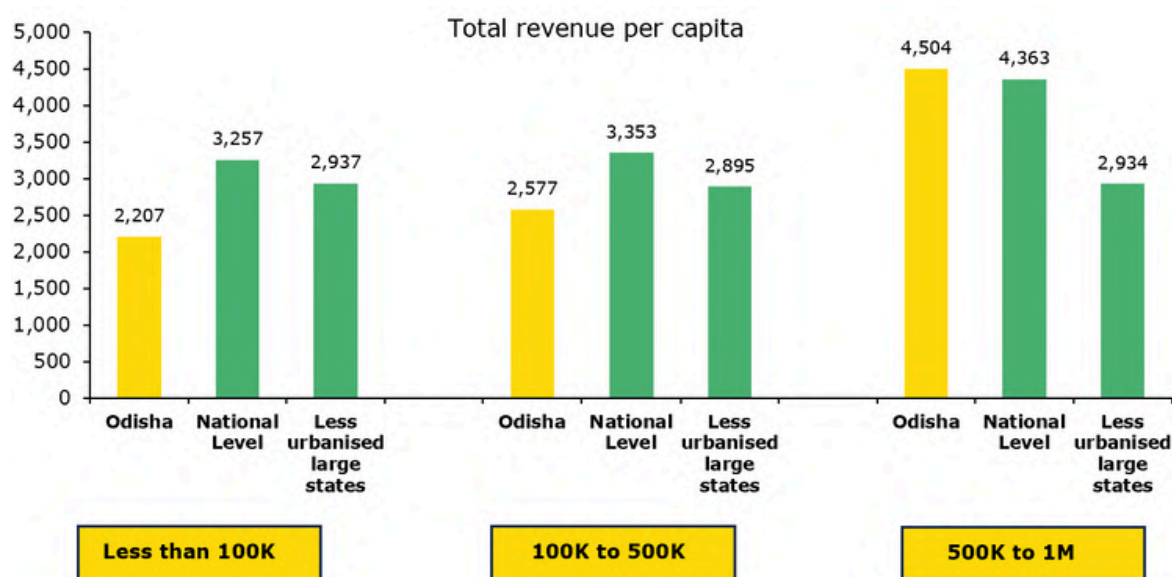
The combination of OSR's limited contribution and growing dependence on intergovernmental transfers across cities reinforces the need for Odisha to focus on structural reforms to strengthen own source revenue generation.

Figure 3.4: ULG population category wise own source revenue per capita (INR) of Odisha with national and less urbanised large states average, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements of 2,340 ULGs from cityfinance.in

Figure 3.5: ULG population category wise total revenue per capita (INR) of Odisha with national and less urbanised large states average, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements of 2,340 ULGs from cityfinance.in

3.3.2 Trends in own source revenue composition

Own source revenues in Odisha comprise tax revenues (such as property tax, advertisement tax (now fees), water supply and drainage tax, and sewerage tax) and non-tax revenues from fees and user charges, rental income from municipal properties, and sale and hire charges.

At the state level, tax revenues witnessed a slight decline in its contribution to OSR from 57.1% in FY 2019-20 to 55.5% in FY 2021-22 due to non-tax revenues witnessing slightly higher growth rate of 24% CAGR versus 20% CAGR in tax revenues (refer Table 3.4). Across ULG classes, Municipal Corporations generated a larger share of their OSR from tax revenues (61.7%) compared to just 24.8% in NACs and 43.5% in Municipalities, highlighting weaker tax mobilisation among smaller ULGs (refer **Annexure 3.5**).

Table 3.4: State level own source revenue composition over FY 2019-20 to FY 2021-22

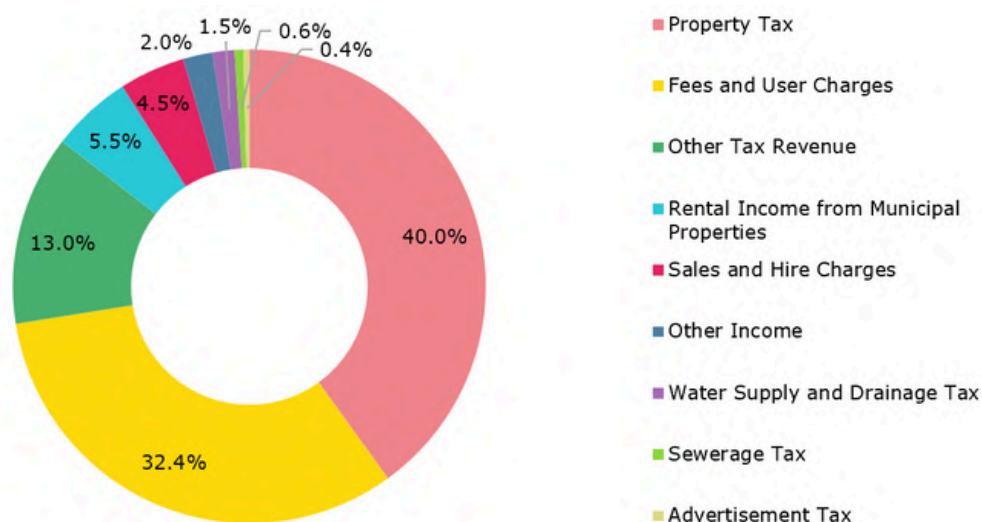
(INR crore)

Parameter	FY 19-20	FY 20-21	FY 21-22	CAGR (FY 21-22 over FY 19-20)
Tax Revenue				
Property Tax	102 (37.6%)	117 (40.0%)	161 (40.0%)	25%
Advertisement Tax (now fees)	13 (4.8%)	4 (1.3%)	2 (0.4%)	-65%
Water Supply and Drainage Tax	6 (2.1%)	4 (1.3%)	6 (1.5%)	1%
Sewerage Tax	8 (3.0%)	2 (0.6%)	3 (0.6%)	-44%
Other Tax Revenue	26 (9.5%)	31 (10.6%)	52 (13.0%)	42%
Tax Revenue	155 (57.1%)	158 (53.8%)	223 (55.5%)	20%
Non-Tax Revenue				
Rental Income from Municipal Properties	23 (8.4%)	19 (6.4%)	22 (5.5%)	-1%
Fees and User Charges	73 (26.9%)	85 (28.9%)	130 (32.4%)	33%
Sale and Hire Charges	10 (3.7%)	13 (4.3%)	18 (4.5%)	35%
Other Income	11 (4.0%)	19 (6.6%)	8 (2.0%)	-15%
Non-Tax Revenue	117 (42.9%)	135 (46.2%)	179 (44.5%)	24%
Own Source Revenue (OSR)	272	293	402	22%

Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

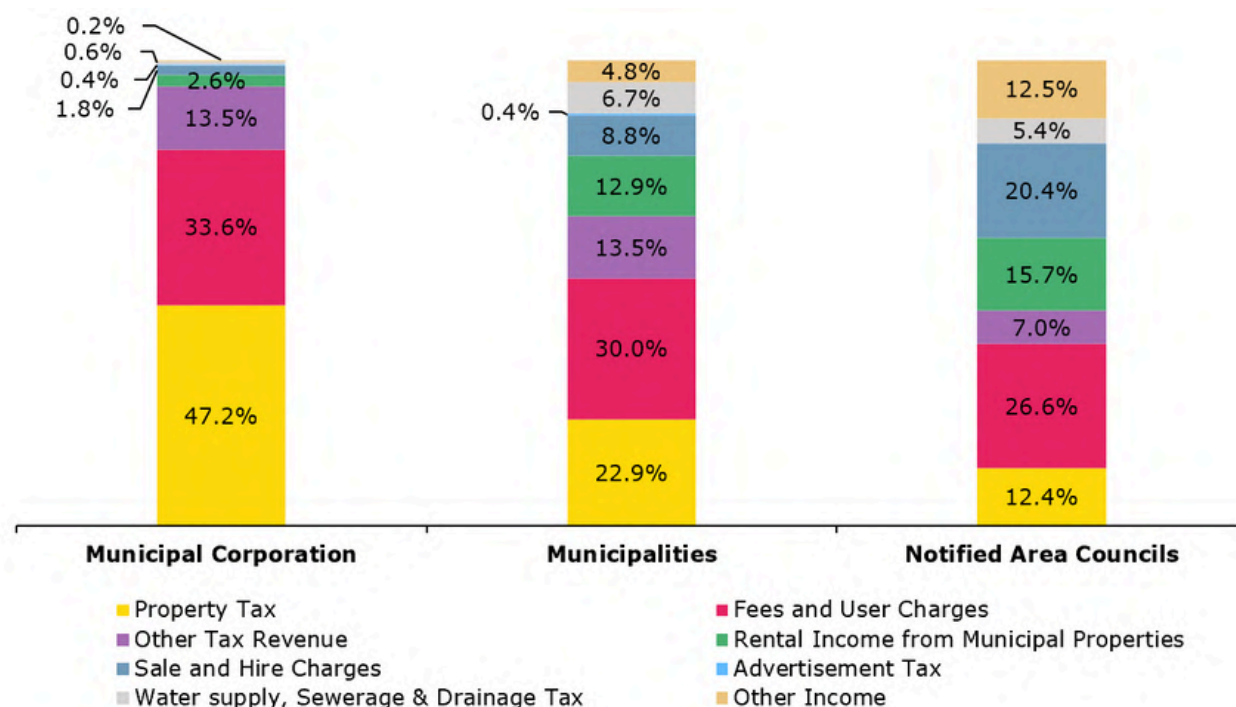
Note: Figures in parentheses represent % share to own source revenue

Figure 3.6: Major components of own source revenues at state-level, FY21-22



Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

Figure 3.7: ULG class wise major components of own source revenues for Odisha, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

Property tax is the single largest component of OSR contributing 40% to OSR in FY 2021-22 and growing at a strong CAGR of 25% over FY 2019-20 to FY 2021-22. However, its contribution varies considerably by ULG class—accounting for 47% of OSR in Corporations, 23% in Municipalities, and only 12% of OSR in NACs. Other tax revenues, such as Advertisement tax, water supply and drainage tax, and sewerage tax, remained marginal contributors (refer **Annexure 3.5**).

Fees and user charges is the second largest contributor to OSR, making up 32.4% of OSR in FY 2021-22 and registering a robust CAGR of 33% at the state level. Similarly, across ULGs classes, contribution of fees and user charges in OSR ranged from 26.6% to 33.6% in FY 2021-22.

Rental income from municipal properties contributed only 5.5% to OSR in FY 2021-22 at the state level but its relative contribution at the ULG class-level varied significantly with its contribution ranging from only 2.6% in case of Corporations to 15.7% in case of NACs in FY21-22 (refer **Annexure 3.5**). But in absolute terms, rental income witnessed a decline in revenues at the state level and in Municipalities, while Corporations and NACs witnessed muted growth over FY 2019-20 to FY 2021-22.

3.4 Devolution to ULGs

The state budget and the total HUDD budget in Odisha has more than doubled during the award period of the 5th SFC, i.e. from FY 2020-21 to FY 2025-26. To be specific, the divisible pool of the state has grown at a CAGR of 14%. However, 5th SFC transfers grew at a CAGR of 5% during this period (ranged approximately between INR 1,166 crores to INR 1,490 crores annually). This reflects a lack of buoyancy of SFC transfers vis-à-vis the divisible pool and state's overall fiscal growth, thus limiting the spirit of fiscal decentralisation. The increases in HUDD budget have mostly been distributed among the state schemes and CSS which may or may not be devolved to the ULGs.

Although SFC devolutions are typically linked to the State's own tax revenue (which has grown at 14% CAGR), Odisha has a unique fiscal context where non-tax revenues have grown at a much faster 28% CAGR and are nearly equivalent in size to tax revenues. However, since non-tax revenues are not a part of the divisible pool, the SFC should recommend a higher proportion of the divisible pool to the ULGs to strengthen the third tier by increased formula-based transfers. It reflects cooperative federalism and the fiscal reality of Odisha's resource base. A part of the increase in the transfers can constitute Performance grants to nudge ULGs for better service delivery, and accountability.

Further, a significant proportion of such transfers remains tied in nature, especially in the case of SFC transfers. It was only after the recommendations of the 4th SFC in Odisha, that a certain proportion of recommended transfers (16%) was set aside as untied which increased to 22% under the 5th SFC recommendations. Reports by both the Commissions recognize such funds as being the right of the local bodies which should be used as per their own priorities and decisions. Additionally, the ULGs have shown absorptive capacity for large-sized untied funds during 5th SFC period (78% of the devolution funds from FY 2020-21 to FY 2024-25 were utilized) and it is imperative to improve the proportion of untied funds in total SFC transfers to foster decentralization.

Recommendation 1

The SFC should recommend a higher proportion of the divisible pool to the ULGs reflecting the fiscal reality of Odisha. A portion of these transfers should be towards performance grants to incentivise improved service delivery, while an increased proportion should be allocated as untied grants to enhance fiscal flexibility.

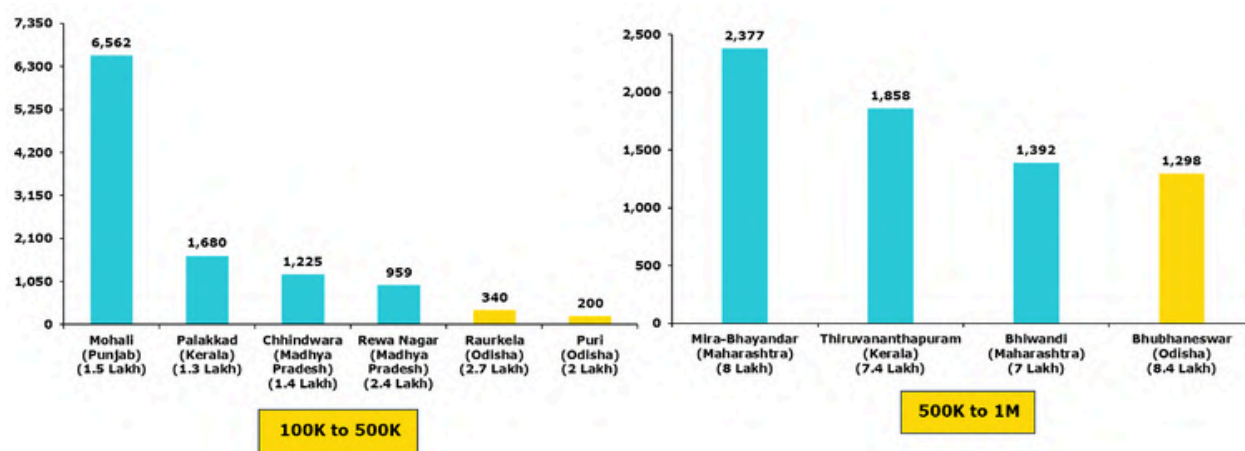
The subsequent sections present recommendations for own revenue augmentation basis an evaluation of trends in performance, current legal and administrative systems and processes, and challenges with respect to levy, billing and collection across four selected revenue streams: property tax, advertisement fees, rental income from municipal properties, and solid waste management charges.

3.5 Property Tax

At the state level, property tax is the single largest source of OSR and contributed 40% to OSR in FY 2021-22 (Figure 3.6). There are significant variations in property tax's contribution to OSR across ULG classes with property tax contributing 47.2% to OSR in case of Corporations, 22.9% in Municipalities, and 12.4% for NACs in FY21-22 (**Annexure 3.5**).

A comparative assessment of property tax revenue per capita across ULGs in India reveals significant potential for augmenting property tax collections in Odisha's ULGs. Based on audited financial statements for FY 2021-22 of ULGs across India, Bhubaneswar Municipal Corporation (500k to 1 mn city) lags other 500k-1mn cities like Mira-Bhayandar Corporation, Maharashtra (INR 2,377 per capita) and Thiruvananthapuram, Kerala (INR 1,858 per capita) (Figure 3.8). Similarly, ULGs in the 100k to 500k population category from Odisha such as Raurkela Municipal Corporation (INR 340 per capita) and Puri Municipality (INR 200 per capita) also significantly lag behind ULGs such as Mohali Municipal Corporation, Punjab (INR 6,562 per capita) and Rewa Nagar Municipal Corporation, Madhya Pradesh (INR 959 per capita).

Figure 3.8: Comparative assessment of property tax revenue per capita (INR per person) for ULGs across India, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements for FY 2021-22 from cityfinance.in

Augmenting property tax collections requires state and cities to adopt a holistic approach across the lifecycle to expand the tax net (by ensuring completeness and accuracy of records), improving the methodology for computation of tax due from each property (i.e. optimal valuation methodology) and ensuring that all taxable properties receive bills on time and all tax dues are collected on time (ensuring 100% billing and collection efficiency). Field insights and quantitative analysis reveal that Odisha's ULGs highlight the need for improvement across each lifecycle stage to augment tax revenues.

3.5.1 Creation and periodic updation of property tax database

Expanding the tax net involves two components: creation and periodic updation of property tax registers. Creation of property tax registers involves ensuring that all taxable properties have been identified and assessed on ground by ULGs. Whereas, periodic updation of tax registers is essential to map any new taxable properties constructed over time and identify any changes in attributes of existing properties (such as a change in building usage from residential to commercial or construction of new floors).

Without periodic surveys for identification of taxable properties, it is difficult for ULGs to maintain comprehensive property tax records and avoid revenue leakages. All taxable property owners are unlikely to file self-declarations for taxation without a combination of surveillance checks and dedicated enforcement efforts by ULGs.

1) Absence of periodic property surveys leading to incomplete property tax records

Field visits reveal that none of the surveyed ULGs have updated their property tax registers after the city-wide physical surveys undertaken at the time of the ULG's incorporation. In some ULGs, the last physical survey was carried out more than two decades ago. Currently, new properties are identified either by the ward officers during inspection or through self-declaration by citizens.

The Digital Door Numbering (DDN) project being rolled out across Odisha could enable ULGs to identify properties currently not captured in the property tax database due to lack of periodic updation of registers and help increase the property tax coverage gap across ULGs. DDN was introduced in Odisha to create a uniform address mechanism to provide essential services, enable easier navigation, and quicker resolution of civic complaints. Field interviews revealed that the on-ground surveys as part of the DDN

exercise captured all buildings and vacant lands up to the year 2023. Under the DDN project, property parameters including geo-coordinates and service numbers of utility services like electricity discoms, water connections, or trade licenses are being mapped against each property. The information captured under the DDN project is currently being mapped against existing property tax records of the ULGs.

As per estimates under the DDN project, the coverage gap is estimated to be as high as 30% in Bhubaneswar Corporation. While we do not have estimates of coverage gap across other ULGs, a back-of-the-envelope calculation, by comparing number of taxable properties mapped in ULGs' tax registers vis-a-vis the number of households in Odisha as per the AMRUT scheme, suggests that the aggregate property tax coverage gap could be as high as 59%. Inclusion of these properties in the tax registers is estimated to yield an incremental annual tax demand of INR 169 crore (refer **Annexure 3.6** for details).

Recommendation 2

The State Government should take necessary steps to ensure Digital Door Numbering project is completed at the earliest across all ULGs. All identified properties under the DDN project should be mapped against the existing property tax records to ensure completeness of tax records and reduce tax leakages.

2) Lack of automated data sharing mechanisms across state and municipal databases

In Odisha's ULGs, there are no digital mechanisms for sharing of property tax records with Electricity Discoms, Town Planning Department or Development Authorities—indicating a missed opportunity for identification of unassessed and under-assessed properties. Properties and users' databases are maintained by multiple state and municipal departments. These include the State Department of Inspector General of Registration (IGR) which maintains property sale transaction records, Electricity Discoms which maintain electricity connection records, Urban Development Authorities and municipal departments of Town Planning which maintain property records of building permission, completion, and occupancy certificate applicants. Electricity records and IGR's property records are more comprehensive than ULGs' property records since all property owners require ownership proof and all citizens desire electricity connections. Automated data sharing implies that whenever a citizen applies for a service (for example, an electricity connection), the ULG's Revenue Department gets an alert with the citizens' details and the tax assessor then conducts an on-ground assessment exercise to ensure that the property is mapped in the property tax register. States like Telangana and Assam have taken steps to integrate their property tax records with the state Registration Department and electricity discoms respectively (refer Box 1 and 2 for case studies on Telangana and Assam in **Annexure 3.9**).

Apart from updating tax registers by assessing unassessed properties identified under the DDN projects, State Government and ULGs could also leverage the DDN project to expand ULGs' property tax net through establishment of automated data sharing with other state and municipal departments by enabling identification of under-assessed and unassessed properties.

Recommendation 3

Housing & Urban Development Department (HUDD) should establish automated workflows for data sharing of property tax records with records of Inspector General of Registration, Electricity Discoms, Urban Development Authorities, WATCO, and with municipal departments of Town Planning to identify unassessed taxable properties and enhance the property tax net.

Recommendation 4

The Digital Door Number, post completion of the DDN project, can serve as the unique identifier for enabling automated data sharing across state and municipal department databases.

3) Absence of statutory mandate for periodic property surveys

While several other states across India have legally mandated ULGs to undertake periodic surveys to ensure completeness of records under the Municipal Acts or Rules, Odisha's Municipal Acts currently do not have any such provisions. For instance, Madhya Pradesh's and Tamil Nadu's Municipal Acts mandate periodic survey once every five years of each part of the city to save omissions in assessment of tax. A legal mandate for periodic updation is critical to provide ULGs the power to take necessary administrative action.

Recommendation 5

The Municipal Acts and Rules should be amended to mandate ULGs to undertake periodic surveys of all lands and buildings within municipal limits at least once every five years to ensure an optimal tax net.

3.5.2 Valuation for levy of property tax

Valuation involves choosing the methodology for computing the annual value of different categories of lands and buildings, selecting the formula for property tax including the applicable multiplicative factors, and choosing the tax rate. The chosen method should be reflective of properties' market values, be simple to administer, reduce subjectivity and discretion of ULG officials, and be easy for taxpayers to comply with.

There are three methods that are prevalent across India: the Unit Area Value (UAV) method which is used in states like Gujarat and Kerala, the Capital Value (CV) method, and the Annual Rental Value (ARV) method wherein property tax is levied as a certain percentage of building's perceived rental value. Under the capital value method, property tax is calculated as a fixed percentage of a property's guidance value (referred to as benchmark rate). This method is considered relatively superior as guidance values are typically revised more frequently and are more reflective of market prices than other methods.

1) Continued reliance on outdated ARV based valuation

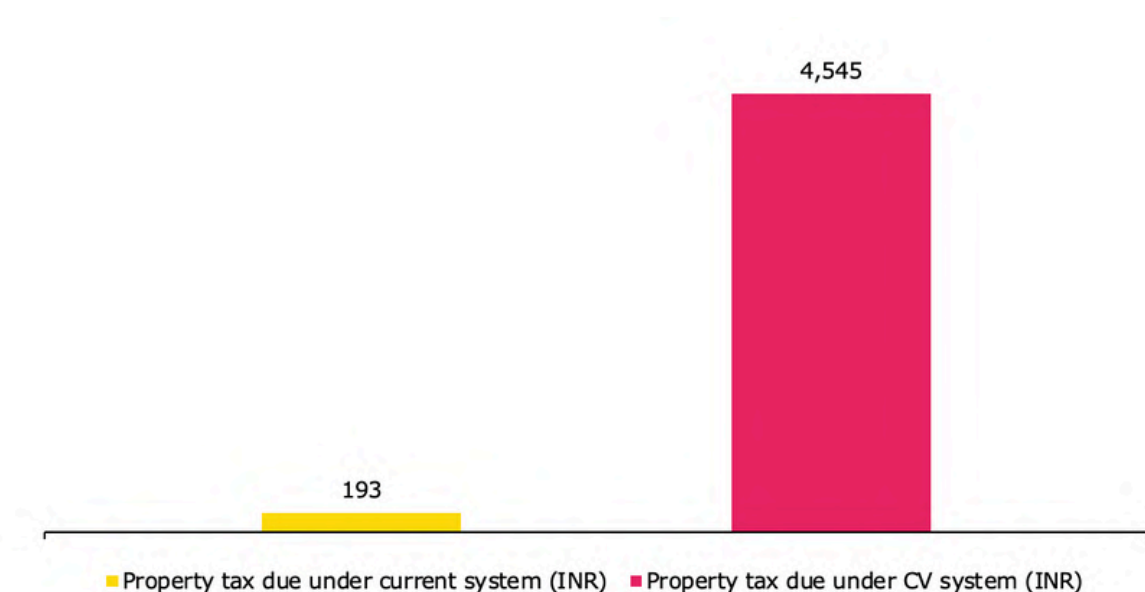
The Odisha Municipal Corporation Act, 2003 and the Odisha Municipal Act, 1950 provide that annual value of any vacant land and building shall be calculated using the Unit Area

Value (UAV) system of assessment.¹⁶ As per the Act, the municipal area is to be segregated into different categories or zones on the basis of consideration factors like average rental value of properties in different areas, average capital value of lands, quality of physical infrastructure, availability of social and market infrastructure, type of development and economic standards of the residents of the area. Subsequently, unit area values or rates are to be assigned to each of these zones for different property types, reflecting the differentiation as per the aforementioned attributes.

However, on ground, ULGs continue to follow the Annual Rental Value system for valuation, based on a Government Order issued by the HUDD in 2016. For assessment purposes, this G.O. classified ULGs into four 'orders of towns' based on their population and functional importance and prescribed locality-wise, usage-wise, and building-type-wise rates of Gross Annual Rental Value for determining the cost of construction of buildings. These rates, issued in 2016, continue to be in use even today. The prolonged use of outdated rates has contributed to a stagnant and depressed property tax base, undermining the revenue potential.

The use of land value in property tax assessments is also discretionary and varies between ULGs. A percentage of land value is added to the value of the building to arrive at the annual value of the residential property. The 'land value' being used by some ULGs is as per the Department General Administration (G.A.) Notification issued in 1998 and the same is still in force. Across the surveyed ULGs, the percentage of this land value considered for valuation varies from 0.5% to 2% and is as high as 5% in some cases. Benchmark values for calculating land values are revised every two years by the Registrar Department of the state, but it is unclear whether the latest values are being used in the valuation of the property.

Figure 3.9: Estimated property tax collection under different systems of valuation (INR)



An indicative comparison of property tax liability under different valuation methods highlights the significant undervaluation resulting from the continued use of outdated ARV-based rates. For a self-occupied residential property with 1,000 sq ft built-up area and 1,200 sq ft plot area located in Shaheed Nagar (R.K. Road) in Bhubaneswar,

¹⁶ Section 210 of the Odisha Municipal Corporation Act, 2003 and Section 142 of the Odisha Municipal Act, 1950, as amended by the Odisha Municipal Laws (Amendment) Act, 2015

property tax payable under the current system is substantially lower than estimates based on capital value-based method.¹⁷

2) Institutional vacuum in fixation and periodic revision of unit area values

The Municipal Acts also mandate the State Government to establish State Corporation Valuation Committee (VC) for Municipal Corporations, and Valuation Organisations (VO) for Municipalities and NACs, to make recommendations to ULGs on matters relating to classification of lands and buildings into different groups and fixation of UAV, and to prepare the valuation list of proposed unit area values. The unit area values are valid for a period of five years and the Acts requires periodic revision every five years based on the recommendations of the VC or VO, as the case maybe.

On ground, the State Corporation Valuation Committee and Valuation Organisations are not functional and the Municipal Acts currently do not assign the legal responsibility for assigning unit area values or undertaking periodic revision to any other party in case the State Government does not establish the Valuation Committee and Valuation Organisations. Without the legal mandate or a codified administrative mechanism/methodology to determine and revise unit area values, ULGs may find it difficult to undertake periodic revisions to the classification on their own.

3) Rationale for transition to capital value-based property taxation

In contrast, the capital value method, as mentioned above, is relatively easier to administer since it relies on levying property tax basis the benchmark values notified by the State Department of Inspector General of Registration which are more frequently revised. States like Karnataka, Telangana, Andhra Pradesh, Jharkhand and cities like Brihanmumbai Corporation have been following the capital value method to ensure property tax buoyancy. The CV method allows for continued revenue buoyancy through automatic adjustments to property tax in line with benchmark value revision. However, even the CV method can be potentially less buoyant if the State Urban Development Department or ULG (as the case maybe) relies on outdated guidance values for property tax computation. Further, CV can also be less buoyant if instead of a direct formulaic linkage to guidance value, a lot of multiplicative factors (such as occupancy, vacancy, and usage) are introduced.

Recommendation 6

State Government should transition from UAV to the capital valuation method wherein property tax is levied as a certain set percentage of benchmark values notified by State IGR Department. To conduct this transition, the State Government would need to undertake legislative amendments to both the Municipal Acts, determine the applicable tax rates for taxing the percentage of guidance value, and choose the multiplicative factors.

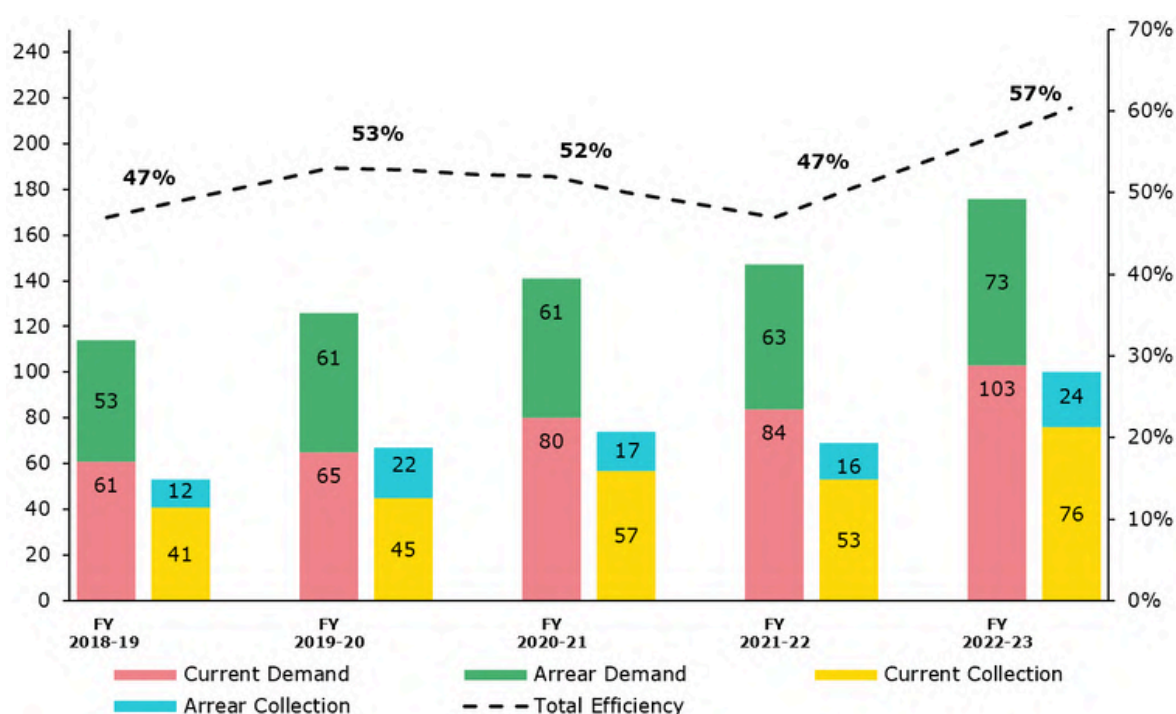
¹⁷ For the calculation of property tax due under the Capital Value (CV) method, the latest Guidance Values available on the State IGRS website have been considered. Property tax has been assumed at 0.1% of the Guidance Value.

3.5.3 Billing and collection of property tax

The total property tax demand for 96 of 115 ULGs grew at 12% CAGR from INR 114 crore in FY 2018-19 to INR 177 crore in FY 2022-23 basis self-reported property tax data on cityfinance.in (Table 3.5). Current demand contributed only 58% of total demand in FY 2022-23, indicating substantial portion of arrears in the total demand. The total demand for Corporations and NACs grew at CAGR of 17%, but only 7% for Municipalities over the same period (**Annexure 3.7**).

Total property tax collections also grew substantially at a CAGR of 17% during the same period, from INR 53 crore in FY 2018-19 to INR 102 crore in FY 2022-23. The total collections for Corporations and NACs grew at CAGR of over 20%, but only 10% for Municipalities (**Annexure 3.7**). On average, ULGs were able to collect tax dues from 62% of the properties.¹⁸

Figure 3.10: State level trends in property tax total demand, total collection and collection efficiency, FY 2018-19 to FY 2022-23 (INR crore)



Source: Janaagraha's analysis of self-reported data for 96 ULGs

Table 3.5: State-level property tax demand, collection, collection efficiency, FY 2018-19 to FY 2022-23

Parameters	FY18-19 (A)	FY19-20 (B)	FY20-21 (C)	FY21-22 (D)	FY22-23 (E)	CAGR (E over A)
Current Demand	61	65	80	84	103	14%
Current Collection	41	45	57	53	76	17%
Current Collection Efficiency	67%	70%	71%	63%	74%	7pp

¹⁸ Based on Janaagraha's analysis of 108 ULGs' self-reported data on cityfinance.in portal

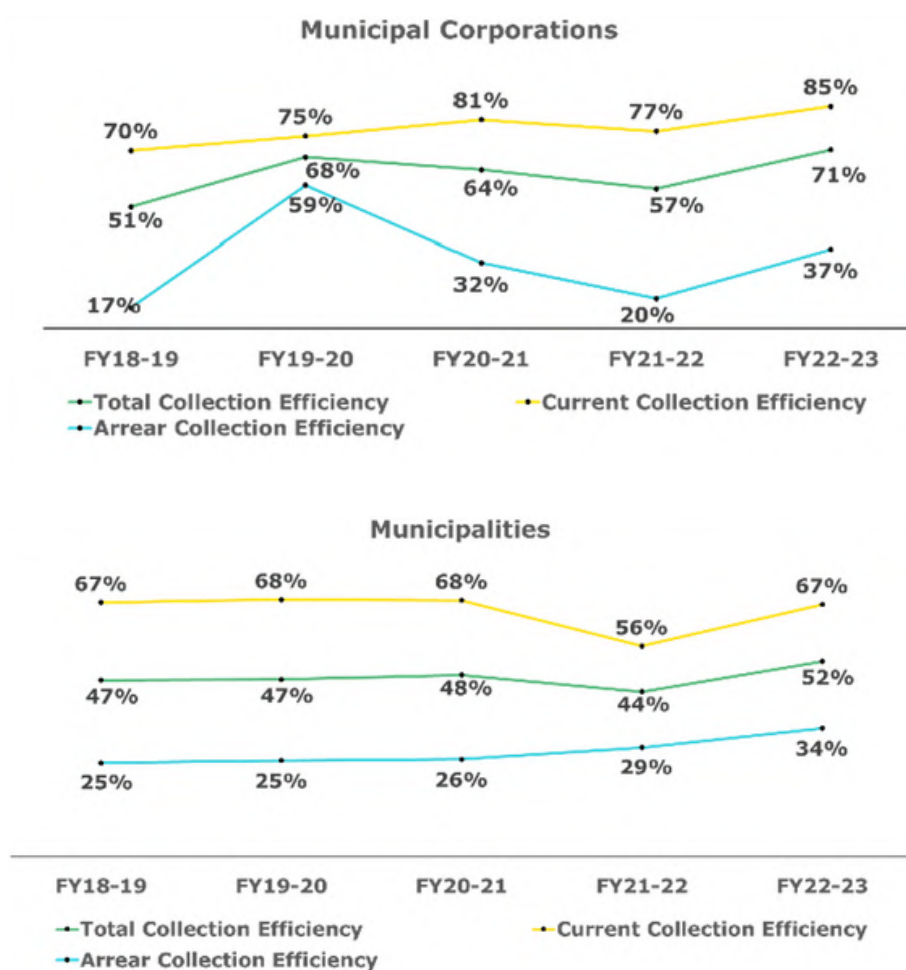
(INR crore)

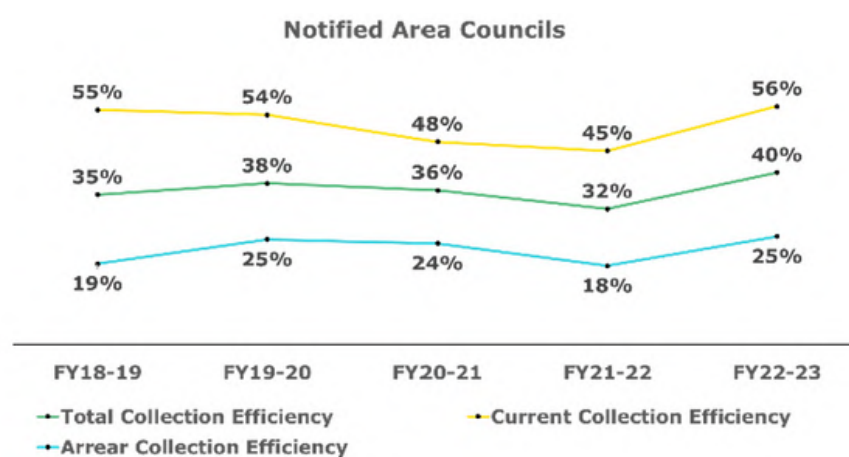
Parameters	FY18-19 (A)	FY19-20 (B)	FY20-21 (C)	FY21-22 (D)	FY22-23 (E)	CAGR (E over A)
Arrear Demand	53	61	61	63	73	9%
Arrear Collection	12	22	17	16	24	21%
Arrear Collection Efficiency	22%	36%	27%	25%	33%	9 pp
Total Demand	114	126	142	148	177	12%
Total Collection	53	68	74	69	102	17%
Total Collection Efficiency	47%	53%	52%	47%	57%	5pp

Source: Janaagraha's analysis of self-reported property tax demand and collections data for 96 ULGs

While total collection efficiency improved from 47% in FY 2018-19 to 57% in FY 2022-23, arrear collection efficiency continued to be a bottleneck with only 30% of arrear dues being collected on average over this period, both at the aggregate and ULG level (Table 3.5).

Figure 3.11: ULG class wise trends in property tax collection efficiency, FY18-19 to FY23-24





Source: Janaagraha's analysis of self-reported property tax demand and collections data for 96 ULGs

1) Human resource constraints and process inefficiencies affect billing & collections

As per CAG's report on Performance Audit of the 74th Constitutional Amendment, the national staffing gap is estimated at 37% across all local government positions. On field, ULGs reported that bills are manually distributed only to the properties with high arrears due to shortage of field staff. Bill generation is not standard across the ULGs and is either digital or manual depending on the functionality of the portal being used. In Bhubaneswar, a pre-printed demand notice is filled manually by the zone office staff, while some ULGs generate notices using their online portal.

The online portal neither has a provision for digital delivery of tax demand notices to the taxpayer nor for sending payment reminders, since phone numbers are not updated on the database. Based on field surveys, the number of properties served by every individual collection staff is substantial, especially for Corporations (Table 3.6).

On ground, ULGs reported that lack of adequate tax collectors is hampering collection efforts and reported that most collections are attributable to taxpayers paying online or coming to ULGs' collection centres to make payments. While we do not have access to state-level staffing deficits, especially with respect to field collection staff, CAG's report on Performance Audit of the 74th Constitutional Amendment, the national staffing gap is estimated at 37% across all local government positions. Therefore, further improvements in collection efficiency would require ULGs to deploy additional manpower/resources to aid collection efforts.

Table 3.6: Assessment of property coverage per field collection staff for select ULGs

(Nos.)	Bhubaneswar Municipal Corporation	Berhampur Municipal Corporation	Jatani Municipality	Hinjlicut Municipality	Gopalpur NAC
Tax Wards	67	42	18	21	11
Properties from which property tax was demanded (as of FY 22-23)	1,15,703	60,508	6,916	7,654	1,603
Collection Staff	40	7	5	3	3
Properties per individual	2,893	8,644	1,383	2,551	534

Source: As collected from field and self-reported by ULGs on cityfinance.in

Some of the smaller Municipalities such as Puri and Jatni have engaged self-help group (SHG) members (Jal Saathis/ Swachh Saathis) to expand their collection network on ground under the Unified Revenue Collection (URC) initiative. The URC model involves 'one household-one bill-one-collector' concept to enhance ULGs collection efforts by sharing of human resources across departments. In the URC pilot in Puri, Jal Saathis—SHG members engaged by the Water Corporation of Odisha (WATCO) for bill meter reading and door to door water charges collections—have also been roped in for aiding the property tax collection efforts of ULGs field collection staff. SHG members received monetary remuneration (3% for arrear collection and 1% for current collections) as incentives. The pilot in Puri has been successful in bridging the staffing gap and at increasing property tax collections as well as improving tax collection efficiency (refer Box 3 in **Annexure 3.9** for details).

Recommendation 7

The State Government should implement additional functionalities to the online property tax module on the SUJOG platform, including for generating digital demand notice and distribution to taxpayers via SMS (if phone records can be integrated), payment reminders via SMS, or automated Interactive Voice Response (IVR) based phone calls.

Recommendation 8

The State Government should facilitate scaling up the URC model to the entire state to bridge the field collection staffing gap across ULGs. The DMA can issue guidelines or standard operating procedures on the nature and quantum of incentives to be provided to Jal Saathis/ Swachh Saathis, based on a state-wide review of the field collection staff requirements.

2) Limited use of performance monitoring in property tax administration

In addition to state-led system and staffing interventions, ULGs can significantly improve property tax collection efficiency through administrative and managerial measures within their control. Field interactions suggest that several inefficiencies in billing and collection arise from the absence of systematic performance monitoring, prioritisation, and accountability mechanisms in revenue administration.

ULGs should institutionalise quarterly ward-level reviews of property tax performance, covering demand generation, current collection efficiency, and arrear recovery. Such reviews can help identify gaps in billing and collection at the ward and zonal levels and enable timely corrective actions, including targeted follow-ups and focused collection drives.

To promote accountability, property tax Management Information System (MIS) data should be used to assess and rank the performance of revenue officials at ward and zone levels. These rankings can be linked to reward and recognition mechanisms or performance appraisals, creating incentives for improved outcomes and reducing reliance on ad-hoc enforcement efforts.

ULGs should also prioritise arrear recovery through focused enforcement strategies, particularly by targeting high-value defaulters. Field evidence indicates that a significant proportion of arrears is concentrated among a limited number of properties. Preparing

and periodically reviewing a list of the top 100 defaulters at the ULG level, along with time-bound recovery action plans, can materially improve arrear collections and strengthen overall tax compliance.

3) Arrears locked in government properties and litigation

All ULGs reported considerable sums locked in arrears due from government properties and pendency due to legal disputes with other taxpayers. Berhampur Municipal Corporation reported arrears due from government properties amounting to INR 68 lakhs. Recovery from government holdings is often a drawn-out process requiring escalation to the State HUDD, the DMA, or the District authorities by the ULGs. Repeated reminders/ follow-ups also consume administrative bandwidth of ULGs when they are already constrained.

Recommendation 9

HUDD should formulate an inter-departmental coordination mechanism/ committee to address recovery of property tax from government properties and reduce pendency of arrears from such properties by ensuring that all concerned state departments make necessary budgetary provisions at the beginning of the financial year to avoid difficulty in making payments, as was previously also recommended by the 5th Odisha SFC. Disputes and arrears, if any, should be reconciled and settled on a case-to-case basis through partial rebates and a staggered payment plan, as suitable.

4) Inadequate legal provisions for property tax recovery

Low recovery is also attributable to the lack of enforcement of penal provisions and necessary enforcement measures. Surveyed ULGs were neither levying penal interest on defaulters nor on collection of arrears, despite the Odisha Municipal Act, 1950 and the Odisha Municipal Corporation Act, 2003 (as amended in 2015)¹⁹ providing for levy of interest at the rate of 3% per quarter on delay or default of property tax.

Currently, ULGs have the legal powers to file certificate cases for recovery of property tax arrears in certain cases under the Orissa Public Demand Recovery Act, 1962 which may be a long-drawn process as it requires approval from another department. Section 259 of the Odisha Municipal Corporation Act, 2003 also empowers Corporations to make regulations for levy of interest on delayed payment, issue warrant for attachment, distress or sale of movable property for recovery of tax dues, as well as attachment and sale of immovable property.

Instead of empowering Municipal Corporations to create Regulations/Bye-laws for these matters, it may be beneficial to create state level Rules or Model Bye-laws outlining standard powers and processes for attachment and sale of immovable property to provide administrative certainty and standardised processes across these ULGs. Twenty-four of the twenty-six Municipal Acts from surveyed states have a provision for distraint and sale of movable property, while nineteen out of twenty-six Municipal Acts have a provision for attachment and sale of immovable properties, thereby providing administrators legal and administrative clarity with respect to the implementation of these penal provisions.

¹⁹ Section 144 of Odisha Municipal Act, 1950 and Section 213 of the Odisha Municipal Corporation Act, 2003

Recommendation 10

The Municipal Acts or Rules should be amended to mandate penal provisions such as disconnection of municipal services, distress and sale of movable properties, and attachment and sale for immovable properties to enable recovery of tax.

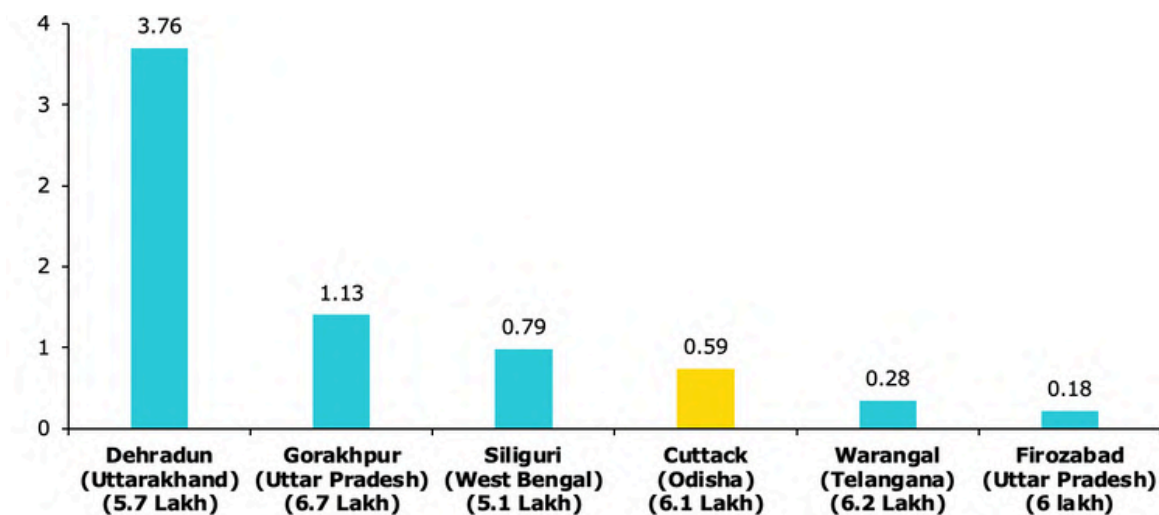
3.6 Advertisement Fees

Advertisement revenues remain a significantly untapped stream of municipal income in Odisha. This revenue typically includes two components: *ground rent*—charged for allowing advertisement installations on municipal lands and buildings, and *license fees*—levied to regulate private advertisements within municipal limits. Among these, ground rent holds the most promising revenue potential, especially for Corporations where high-visibility spaces such as traffic junctions, public parks, and bus stops can be monetised effectively. Cities like Mumbai and Delhi have capitalised on this by identifying and mapping potential advertisement locations, and monetising municipal assets by levy of differentiated ground rents basis location of assets.

Based on audited financial statements of 86 of 115 ULGs, Odisha's ULGs witnessed a 63% decline in advertisement revenues from INR 13.2 crore in FY 2019–20 to only INR 1.62 crore in FY 2021–22. Moreover, advertisement revenues' contribution to own source revenues plummeted from 4.85% in FY 2019–20 to just 0.4% in FY 2021–22.

Odisha's ULGs lag behind several of their peers across India indicating significant potential to augment advertisement revenues. In the 500k to 1 million population category, Cuttack (INR 59.2 lakh) lags behind ULGs like Dehradun (INR 3.76 crore), Gorakhpur (INR 1.13 crore) and Siliguri (INR 78.9 lakh) but outperforms ULGs like Firozabad (INR 17.8 lakh) and Warangal (INR 27.9 lakh). Similarly, Sambalpur Municipal Corporation (INR 24,730) lags behind other 100k to 500k cities like Rajnandgaon, Chhattisgarh (INR 18 lakh) and Adityapur in Jharkhand (INR 6.2 lakh).

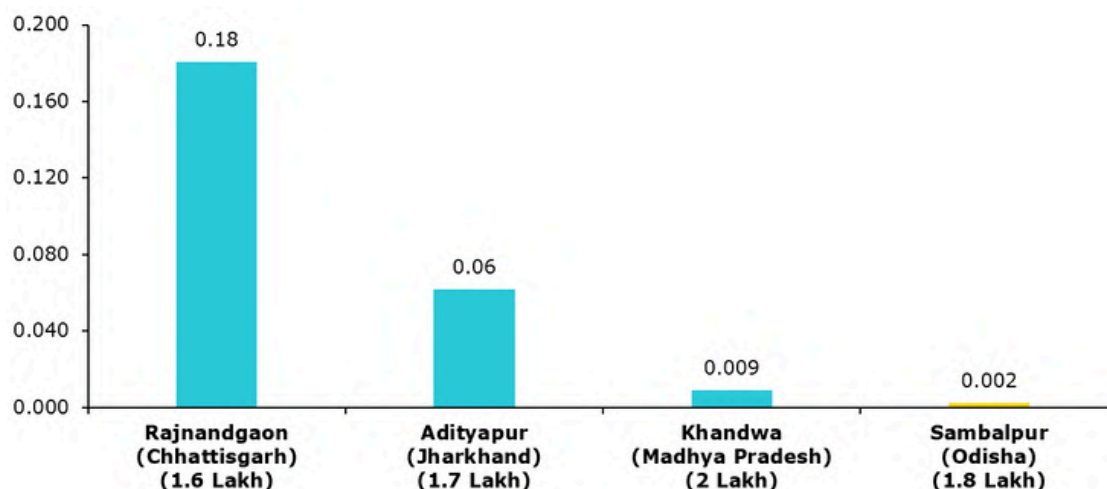
Figure 3.12: Advertisement revenue (INR crore) across select 500k-1mn ULGs, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements for FY 2021-22 from cityfinance.in

Note: ULGs Census 2011 population figures given in the brackets on x-axis.

Figure 3.13: Advertisement revenue (INR crore) across select 100k-500k ULGs, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements for FY 2021-22 from cityfinance.in

Note: ULGs Census 2011 population figures given in the brackets on x-axis.

1) Absence of a comprehensive regulatory framework for advertisement fees

Despite having the legal mandate to levy advertisement fees under both Municipal Acts, ULGs in Odisha lack a comprehensive regulatory framework to implement and enforce advertisement fees effectively. The Odisha Municipal Corporation Act, 2003 and Odisha Municipal Act 1950 empower ULGs to levy advertisement fees. However, there are no formal Rules or Bye-laws governing fee determination, licensing procedures, or enforcement mechanisms. The Advertisement Policy for Urban Odisha, 2013 (by HUDD) and the Odisha Outdoor Advertisement and Hoarding Policy, 2015 (by the Works Department) primarily deal with codifying operational and safety norms and are also only guiding documents by nature.

Other states like Madhya Pradesh, Maharashtra, and Tamil Nadu have notified state-level Advertisement Rules for regulation of ground rent and advertisement license fees across ULGs, providing legal and administrative clarity. For instance, Maharashtra Municipal Corporations (Regulation and Control of the Display of Sky-signs and Advertisement) Rules, 2022, applicable to all municipal corporations except Brihanmumbai Municipal Corporation, mandate that no agency shall erect, exhibit, fix, retain, or display any advertisement without obtaining permission from the Competent Authority. Similarly, Madhya Pradesh Outdoor Advertisement Media Rules, 2017, and Tamil Nadu Urban Local Bodies Rules, 2023 empower ULGs to determine and revise license fees, based on the specific commercial value of different areas, providing clear and standardised guidelines for ULGs to manage advertisements effectively within their jurisdictions.

Recommendation 11

Directorate of Municipal Administration (DMA) should draft Rules for advertisement fees to outline powers for levy of ground rent for municipal advertisement assets and for levy of license fees for regulation of all advertisements within municipal limits. The Rules should also outline the procedure for licensing for advertisements including parameters for permissible hoardings, license fees for different categories, period of permission renewal, conditions for transfer, cancellation and recovery of license dues. Within the broad contours of these advertisement rules, ULGs should be given the power to fix and revise ground rent rates and advertisement license fees.

3.6.1 Creation and maintenance of records of advertisement assets

Effective revenue generation from advertisement fees depends on the ability of ULGs to identify, value, and manage potential advertising spaces within their jurisdiction. This begins with a clear understanding of where potential municipal advertisement assets lie—such as traffic junctions, public parks, bus stands, transit shelters, public toilets, flyovers, boundary walls, and municipal buildings—so that appropriate ground rent can be levied for granting advertisement rights.

1) Absence of comprehensive and regularly updated advertisement asset inventory

Without creating and regular updation of the asset inventory, ULGs struggle to monitor unauthorized advertisements, assign commercial value to spaces, or license them competitively. Moreover, a well-defined classification of sites based on factors like footfall, visibility, and surrounding commercial activity allows ULGs to adopt a differential pricing approach—charging higher rates for premium zones while ensuring even low-demand spaces are monetised effectively.

Cities like Bhubaneswar and Berhampur have identified municipal land parcels and public infrastructure such as traffic junctions, flyovers, boundary walls, bus shelters, and public toilets for advertisement use. These identified spaces are tendered out on a fixed-pay model, where vendors pay a predetermined ground rent to the ULGs, ensuring predictable and recurring income.

Other cities like Jatni, Hinjilicut and Gopalpur have not undertaken any exercise to map potential advertisement spaces on municipal lands or buildings and do not levy ground rent. Instead, these ULGs depend solely on collecting advertisement license fees, with permissions typically granted on an ad-hoc basis in response to individual requests from private agencies—highlighting missed opportunities for revenue generation.

Recommendation 12

State Government should facilitate a comprehensive digital asset inventory creation of municipal advertisement assets across the five Municipal Corporations.

The exercise should cover all potential municipal advertisement assets including municipal buildings, traffic junctions, public parks, bus stands, transit shelters, public toilets, flyovers, boundary walls, electric poles, and other high-visibility public infrastructure. Each identified location should be recorded in a digital advertisement asset register capturing geo-coordinates, photographs, and site-specific characteristics. The mapped assets should be further classified into premium, standard, and low-demand zones based on footfall, visibility, and commercial density, allowing ULGs to implement differential pricing. Basis the learnings from this exercise across the five Corporations, State Government can formulate Guidelines and SOPs to support implementation across other ULGs.

2) Manual record keeping for advertisement permissions

All five surveyed ULGs maintain only manual records for tracking advertisement permissions, resulting in unstructured permission processes, weak tracking of license validity, and poor oversight of unauthorised advertisements. Permissions are typically granted manually, often in response to individual applications submitted on paper, with no standardised format or workflow in place. The surveyed ULGs maintain handwritten

records, which are prone to human error, duplication, and loss. There is no state-level database to track the number of permissions issued, their duration, location, or associated fees.

Recommendation 13

DMA should establish a digital permit management system under SUJOG portal to manage the advertisement permission process and help ULGs maintain digital records of granted advertisement permissions, validity periods, and compliance status. The IT system should feature digital workflows for application processing, document management capabilities, automated fee calculation based on objective parameters, integrated payment gateways, and renewal alert mechanisms.

3) Weak monitoring and enforcement against unauthorised advertisements

Monitoring of illegal advertisements has emerged as a major concern across surveyed ULGs, with ULGs currently relying on ad-hoc enforcement drives. Bhubaneswar Municipal Corporation's (BMC) experience highlights the scale of the issue: a third-party survey commissioned by BMC identified 1,166 advertisement displays across the city, of which nearly 50% (around 600) were found to be unauthorised. Similarly, in Berhampur, the contracted vendor, awarded advertising rights through public tender, has cited widespread unauthorised hoardings as the main reason for withholding payment of dues worth INR 2.39 crore to the ULG.

To strengthen monitoring and curb unauthorised advertisements, Bhubaneswar Municipal Corporation plans to mandate the installation of QR codes on each approved advertisement display. These QR codes will contain key details such as permit validity dates, allowing for quick on-site verification by enforcement teams. However, to ensure sustained compliance, ULGs would need to complement this digital intervention with focused enforcement drives at least twice a year to identify and remove unpermitted displays.

Recommendation 14

The proposed state-level advertisement Rules should equip ULGs with robust enforcement mechanisms to improve advertisement collections. The ULGs should be empowered to remove unauthorised advertisements and levy penalties on unauthorised advertisements. The Rules must also outline standardised procedures for detection, notice issuance, removal, and compounding. Additionally, administrative capacity needs to be built by training revenue and enforcement officials on these processes. Maharashtra's Advertisement Rules empower their corporations to immediately remove unauthorised advertisements and also stipulates that an additional compounding fee (typically five times the license fee) can be levied on advertisements installed without prior approval.

Recommendation 15

Strengthen digital monitoring infrastructure by implementing a QR code system for all licensed advertisements to allow identification of

unauthorised installations during field inspections. This system would need to be complemented by the proposed online building permit system, and a mobile application for ULG officials' field inspections.

Recommendation 16

ULGs should adopt AI-enabled Outdoor Advertisement Management Systems to strengthen monitoring and enforcement of unauthorised advertisements, and minimize revenue leakages. The experience of Pimpri Chinchwad Municipal Corporation (PCMC) demonstrates the effectiveness of this approach. PCMC has deployed AI-powered surveillance and GIS-linked digital licensing mechanisms to identify unauthorised advertisements, improving compliance and reducing annual revenue leakages, significantly reducing their dependence on manual inspections. (refer Box 8, **Annexure 3.9**)

3.6.2 Valuation and Tariff Setting of Advertisement Assets

1) Ad-hoc monetization of advertisement assets

Field insights reveal considerable variation in how advertisement assets are valued, managed, and monetised across ULGs. Broadly, we observed two models: **contract-based tendering** and **direct licensing through tariff notifications**. In cities like Bhubaneswar and Berhampur Municipal Corporations, advertisement rights on identified municipal lands and assets have been tendered out to private agencies. These ULGs follow a fixed-pay model with offset prices (minimum base rates), determined by internal committees that reportedly consider factors such as location, visibility, and commercial demand. However, specific details on how committees fix prices at the time of each tender were not readily available during field visits.

In contrast, other ULGs permit multiple private agencies to install advertisements by paying license fees as per tariffs approved by the Municipal Council. Given the significant staff and capacity constraints in monitoring and managing advertisement assets, Hinjilicut Municipality is actively considering outsourcing the management of all hoardings and advertisement-related spaces to private agencies.

Recommendation 17

ULGs in Odisha, particularly those facing staff shortages and limited capacity to monitor advertisement assets, should consider leasing out advertisement spaces to private contractors through a competitive tendering process. In the short term, to simplify oversight, ULGs can adopt fixed-fee lease models, with the minimum lease amount benchmarked against guidance values and estimated revenue potential. Prior to leasing, ULGs should conduct third-party assessments to estimate fair market value and expected annual income. As ULGs build experience in managing such contracts, they can progressively transition to performance-linked or revenue-sharing models to further optimise returns.

2) Uniform and outdated tariff structures weakening revenue potential

Tariff structures for advertisement assets have not been updated in several years and there are no consistent principles guiding rate determination across ULGs. For instance, across three surveyed ULGs, namely, Hinjicut, Jatni and Gopalpur, there is no clear

distinction between ground rent—charged for granting advertisement rights on municipal lands and properties—and advertisement license fees, which are intended to regulate all advertisements within municipal limits. Instead, these ULGs rely solely on collecting a uniform permission fee across the entire city.

The uniform fee structure across different areas within a city fails to account for location-specific variations such as variable commercial land values, differential footfall, and varying revenue potential of advertisements in commercial versus residential areas. Review of other states' systems demonstrate more sophisticated approaches. For example, Tamil Nadu's Urban Local Bodies Rules (2023) peg ground rent for municipal advertisement assets at 14% of the land's guidance value annually. Similarly, Madhya Pradesh's Outdoor Advertisement Media Rules (2017) prescribe minimum lease rates linked to 4% of collector rates, providing a location-sensitive framework for tariff setting.

The existing advertisement fee schedules have not been revised for several years, rendering them outdated and misaligned with current market conditions. For instance, Berhampur Corporation continues to follow rates last notified in 2012, which have remained unchanged for over a decade. In Gopalpur, the rates were most recently updated in 2025, while in Hinjlicut and Jatni, field officials confirmed that no revisions have been made in at least the last five years, although the exact year of last revision could not be ascertained.

Recommendation 18

Levy and computation of ground rent for advertisements on municipal assets should be linked to guidance values to better reflect the commercial potential of different locations within ULGs to create a buoyant and equitable fee structure. Till the state-level Advertisement Rules or Bye-laws are not notified, State Government should issue interim instructions to all ULGs for the same.

3) Emerging opportunities for monetization of digital advertisement spaces

Digital advertisement spaces offer significantly higher revenue potential compared to traditional hoardings due to their dynamic nature, greater visibility, and capacity for time-based pricing. Unlike static billboards, digital formats—such as LED display screens—allow multiple ads to be shown at the same location, maximising monetisation per site.

Recognising this potential, Hinjlicut has begun planning to leverage its prominent traffic junctions and public spaces for digital advertising. While implementation is still underway, the initiative reflects a growing awareness among ULGs of the need to modernise their approach by tapping into high-visibility digital spaces that offer superior commercial value compared to static formats.

Recommendation 19

ULGs should identify and monetise high-visibility digital spaces such as high-traffic junctions, bus stops, railway stations, public plazas, municipal buildings, and LED display screens at signal points. These premium locations can be tendered or licensed for dynamic digital advertisements with higher base fees reflecting their impact and visibility. ULGs, especially Corporations, can partner with private media technology firms to install LED displays on a revenue-sharing basis, implementing pricing slabs with higher rates during peak hours (morning and

evening) and lower rates during off-peak times.

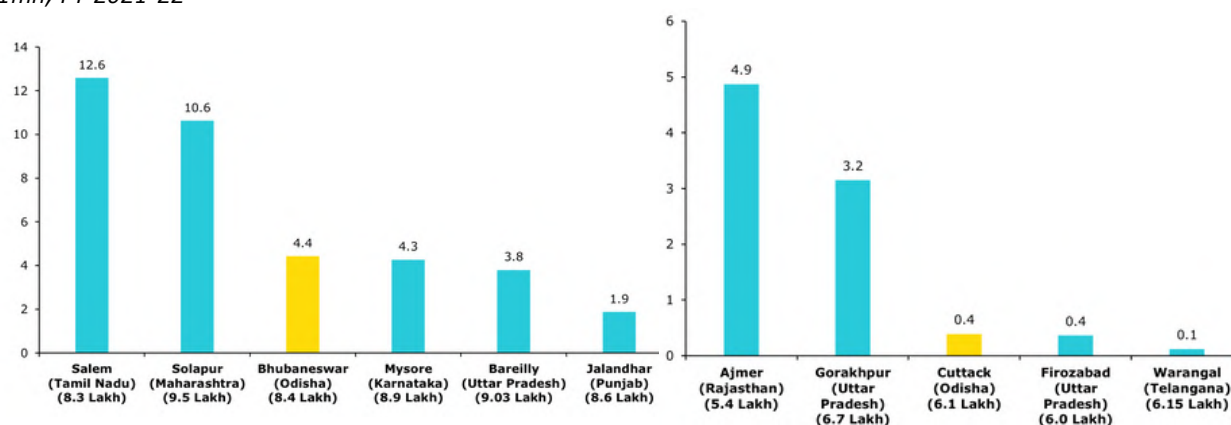
Note: Advertisement charges are paid in advance at the time of obtaining permission to display advertisements. ULGs therefore do not maintain a Demand–Collection–Balance (DCB) for advertisement charges. In the absence of DCB data, a separate section on collections for advertisement charges has not been included.

3.7 Rental Income from Municipal Properties

Rental income from municipal properties—comprising land parcels, municipal buildings, and leased commercial spaces such as shops and vending zones—has remained a critical yet underutilized revenue source for ULGs in Odisha. An analysis of audited financial statements from 86 out of 115 ULGs over FY 2019–20 to FY 2021–22 shows that rental income declined marginally, with CAGR of –1.26%, reflecting a stagnation in revenue performance. In absolute terms, income fell from INR 22.89 crore in FY 2019–20 to INR 18.65 crore in FY 2020–21, and subsequently grew by 19.7% to INR 22.32 crore in FY 2021–22. However, at the state level, rental income’s share in OSR declined from 8.4% in FY 2019–20 to 5.6% in FY21–22.

Odisha’s major ULGs underperform relative to comparable ULGs across India in leveraging rental income from municipal properties. In the 500k–1mn population category, cities like Salem in Tamil Nadu (INR 12.59 crore) and Solapur in Maharashtra (INR 10.62 crore) collected more than double the rental income of Bhubaneswar (INR 4.43 crore). Similarly, Cuttack Municipal Corporation (INR 0.39 crore) generated substantially lower rental income than Rajasthan’s Ajmer (INR 4.87 crore) and Uttar Pradesh’s Gorakhpur (INR 3.16 crore). In the 100k–500k population category, Rourkela (INR 2.71 crore), significantly trails behind Madhya Pradesh’s Rewa Nagar (INR 37.47 crore) and Tamil Nadu’s Thoothukudi Corporation (INR 4.01 crore). Smaller cities like Sambalpur (INR 0.34 crore) also substantially lagged behind their peers like Khandwa (INR 4.50 crore), Deoghar (INR 1.88 crore) and Rajnandgaon (INR 1.59 crore), highlighting the vast unrealised rental potential within Odisha’s ULGs.

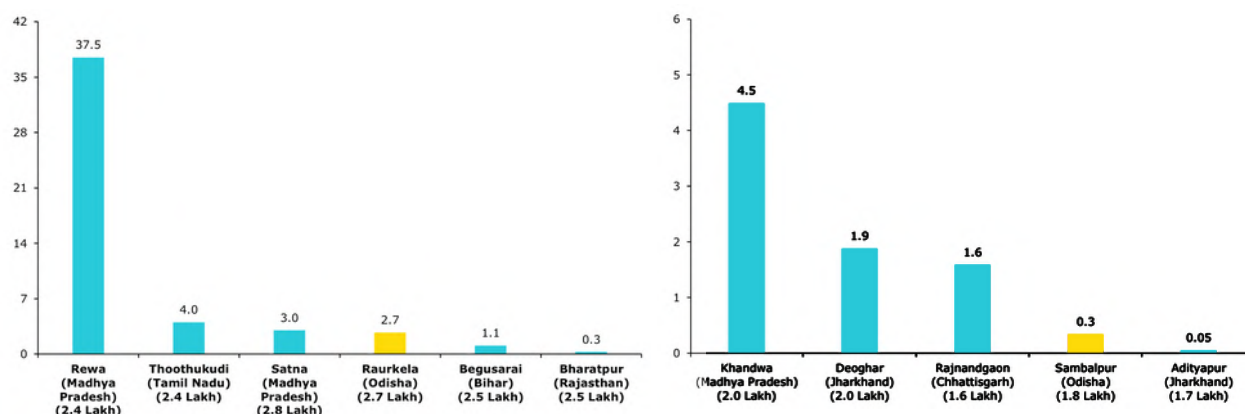
Figure 3.14: Rental income from municipal properties (INR crore) across select ULGs in population category 500k–1mn, FY 2021–22



Source: Janaagraha’s analysis based on audited financial statements for FY 2021–22 from cityfinance.in

Note: ULGs Census 2011 population figures given in the brackets on x-axis.

Figure 3.15: Rental income from municipal properties (INR crore) across select ULGs in population category 100k-500k, FY 2021-22



Source: Janaagraha's analysis based on audited financial statements for FY 2021-22 from cityfinance.in

Note: ULGs Census 2011 population figures given in the brackets on x-axis.

3.7.1 Creation and Maintenance of Records

A comprehensive and updated inventory of municipal assets—particularly land and buildings—sets the foundation for a reliable demand base by enabling ULGs to identify, manage, and strategically utilise their assets. In the absence of complete and accurate records, ULGs may remain unaware of the extent of their holdings, leading to revenue loss, encroachment, and poor planning outcomes.

1) Absence of updated inventory of municipal lands and buildings

Surveyed ULGs in Odisha did not have an updated inventory of municipal lands and buildings. Inventory of municipal lands was absent in four out of five ULGs surveyed. In one municipality, the only available municipal land records were created during its tenure as a Gram Panchayat and these records had not been updated post its transition to a municipality. Such gaps limit ULGs' ability to identify unutilised and underutilised land parcels—many of which may have been transferred over time from the state government and consequently hinder their potential utilisation for revenue or public infrastructure needs. Similar scenario persists in case of municipal buildings records. Smaller ULGs, like Gopalpur NAC, with fewer municipal buildings maintain fragmented physical records. Whereas, Bhubaneswar and Berhampur Corporations, despite managing significantly more built infrastructure, did not maintain a consolidated inventory, underlining the need for asset mapping and record modernisation.

Recommendation 20

The State Housing and Urban Development Department/DMA should facilitate and monitor the implementation of a digital inventory system for municipal lands and buildings across all ULGs in Odisha. This digital inventory should be maintained by the ULG's Revenue Department and integrated with Planning Department to ensure data-driven decision-making, prevent encroachments, identify underutilised assets, and support monetisation or public use of municipal properties. Each asset should be geo-tagged and classified with key details such as location, size, usage, current condition, and legal title.

2) Manual DCB records limiting revenue oversight

For rented municipal shops, all the surveyed ULGs rely on manual Demand Collection Balance registers ('DCB') which capture details on rented shops but do not record details of vacant shop spaces. Manual records hamper the creation of a comprehensive and accessible repository of lease agreements, increasing the risk of documentation gaps. The lack of digitised and consolidated data also makes it difficult to track arrears accurately, particularly in larger ULGs.

In Bhubaneswar Corporation, DCBs of rented municipal properties are maintained at the ward level, but city-level consolidation of demand and collection data for all municipal properties is absent. This prevents effective arrear tracking and revenue monitoring. However, Bhubaneswar Corporation is taking progressive steps to digitise DCB records for municipal properties. It plans to launch a digital Market Dashboard with features such as GPS-based geo-tagging of shops, QR-code-enabled payment systems, and real-time access to demand and collection data for tax officials. This initiative is expected to strengthen monitoring, reduce leakages, and improve compliance.

Recommendation 21

Digitise demand collection balance registers across all ULGs. State Government should facilitate digitisation of existing demand collection balance registers for rented municipal lands and buildings for all ULGs by leveraging the SUJOG platform. Digitised records will help ULGs track rental demand dues more accurately and reduce the risk of disputes or documentation loss.

Recommendation 22

As municipal corporations manage relatively larger number of municipal lands and properties, State Government should facilitate creation of dedicated MIS dashboards for the five Corporations either under SUJOG or under cities' existing IT systems. The Corporations should be able to have an integrated view of the details of their municipal lands and properties (including their geo-location) and the DCB details to monitor asset utilisation.

3) Untapped revenue potential from vacant and underutilised municipal assets

Odisha's ULGs can potentially generate additional revenues from utilising vacant municipal buildings and lands through structured lease agreements with private operators. For instance, Gopalpur NAC has leased out a previously defunct municipal building located on beachfront to a private operator to run a restaurant. The 10-year lease agreement includes an annual rental income of INR 16.17 lakh along with a clause for 10% yearly escalation in rent. Gopalpur's example highlights how the strategic reuse of underutilised municipal assets can transform idle assets into a substantial source of recurring revenue.

Asset redevelopment projects can potentially generate higher rental income for Corporations. Nationally, successful examples of municipal asset monetisation through redevelopment projects in ULGs, like the New Delhi Municipal Council, highlight the potential to generate additional revenues through municipal properties (refer Box 6 in **Annexure 3.9**). The New Delhi Municipal Council (NDMC), converted part of the government owned Moti Bagh residential estate into a commercial property by auctioning around four acres of land. The commercial auction generated INR 300 crore as one-time

revenue for NDMC and with that money, the New Moti Bagh residential estate was redeveloped to provide 500 modern large flats, over 100 bungalows, and 500 EWS flats. Similarly, NDMC had also redeveloped another former government-owned residential colony into residential and commercial complex to monetise prime land. Delhi's State Finance Commission Report highlighted how such redevelopments not only provide large upfront capital receipts to estate owners, but also provide a host of other regular streams of revenue to governments, such as property tax, stamp duties, GST, etc. through creation of new assets. The Delhi SFC recommended that Delhi's ULGs redevelop their own residential, commercial, and other estates on similar footing to generate one-time capital receipts as well as lasting revenue receipts in the form of property tax, lease rentals, etc. The SFC also advised that ULGs could explore re-development of commercial/market complexes on public-private partnership (PPP) mode.

Extracting more revenues through municipal buildings and lands may require involvement of external specialised agencies dealing in real estate management. Considering the constrained staff capacities across ULGs, including Corporations, unlocking better revenues from municipal lands and buildings would require on-boarding specialised agencies through creation of contractual agreements.

Recommendation 23

State Government should create a model contractual framework for contracting out management of municipal buildings and lands to specialised agencies. Municipal Corporations—due to better capacities and better asset holdings—are best placed for conducting pilots to evolve the model framework suitable to Odisha's context.

Recommendation 24

Corporations should explore monetisation of municipal lands and buildings through redevelopment projects—by redeveloping existing residential/commercial properties or vacant municipal lands into commercial complexes to create more revenue generating assets. ULGs could also explore redevelopment of commercial/market complexes on PPP mode to enable maximum revenue generation through better management of services.

4) Weak enforcement mechanism to monitor subletting

Despite explicit clauses in rental contracts prohibiting the subletting of municipal properties, the practice remains widespread and largely unchecked due to weak enforcement mechanisms. ULGs currently do not have systems in place to routinely verify who is actually operating businesses in rented municipal shops—whether it is the original allottee or an unauthorised sub-letter. Monitoring is largely passive and reactive, with most cases coming to light only through public complaints, typically triggered by disputes between original tenants and sub-letters. This highlights a significant enforcement gap and the need for regular field verification and tenant audits to prevent the issue of subletting.

Recommendation 25

DMA should establish periodic digital data sharing of GST records with municipal rental income records to combat unauthorised subletting. This

would involve conducting bi-annual verifications of GSTIN numbers registered at municipal property addresses for cross-verification with ULGs' tenant records. To strengthen enforcement, a tenant blacklisting system should be introduced for repeat offenders, preventing them from participating in future bids for municipal properties.

3.7.2 Valuation and Tendering of Municipal Properties

1) Absence of standardised framework for valuation and lease management

Municipal property leases are currently allotted through open tendering and there are no state-level Rules or circulars providing a standardised framework for the valuation of assets, determination of offset prices (or minimum bid prices), and overall lease management of municipal properties. In practice, ULGs determine minimum bid prices based on a combination of factors such as local demand for shops, construction costs, prevailing circle rates, and location-specific considerations. These decisions are formalised through council resolutions, allowing ULGs the flexibility to adapt to local market dynamics.

In contrast, states like Madhya Pradesh and Karnataka have issued state level Rules or Circular Instructions to regulate rental properties' valuation and lease management. *Madhya Pradesh has notified Madhya Pradesh Municipal (Achal Sampatti Antaran Rules) 2016*, under which shops are leased for 30 years through an auction process. The lease premium is calculated based on the collector guideline value of the plot and the construction cost (as per PWD rates) payable upfront. An annual rent of 0.5% of the collector rate is also charged, with a mandated annual escalation of 15%. Similarly, Karnataka has issued a Circular governing rental arrangement for municipal properties, linking lease rent to the prevailing guidance value and construction cost.

2) Absence of re-auctioning of municipal properties leading to persistent undervaluation

The absence of re-auctioning leased shops has resulted in undervaluation of municipal rental properties. While contract durations vary across ULGs, original tenants are often allowed to renew leases by paying merely 5-10% above the original monthly rent. This practice has led to significantly undervalued rental agreements, particularly for older properties, where current market rental values far exceed the rents being collected. The undervaluation of properties also contributes to subletting practices, as the differential between official rents and market rates creates lucrative opportunities for unauthorised subletting arrangements.

An alternative approach to auctioning properties, such as the one outlined in Karnataka's DMA Circular Instructions for rental income, can help address these issues. As per these Instructions, leases should be granted for a maximum of 12 years, and existing tenants are granted a Right of First Refusal—allowing them to match the highest public auction bid by offering 5% above the final bid amount to retain the lease. In Madhya Pradesh, leases can be renewed for another 30 years, but only for the same purpose as originally allotted. At the time of lease renewal, the tenant is required to pay a one-time renewal premium, calculated as 0.5% of the current market value for residential properties and 1% for commercial or industrial properties. The new annual lease rent is then fixed at either four times the original rent or 0.5% of the current market value, whichever is lower.

Recommendation 26

The State Government, should notify Model Bye-laws to guide the valuation, lease tendering, and management of municipal properties across all ULGs in Odisha. These bye-laws should include:

- A standard formula for minimum rental price determination, considering factors such as location of shop/building, construction cost, and prevailing circle rates.
- Mandate re-auctioning of all the municipal shops via fresh public tender after a defined lease period (e.g., 10–12 years). Existing tenants could be allowed to retain the property only if they match the highest bid by offering at least 5-10% above the final bid amount, ensuring transparency, competitiveness, and alignment with prevailing market rental values.

3.7.3 Collection and Collection Efficiency of Rental Income Dues

Field insights reveal that ULGs struggle significantly with current and arrear demand recovery with Hinjlicut, Gopalpur, and Jatni reporting overall collection efficiency ranging from 25% to 37% in FY 2023-24. While we do not have access to consolidated state-level data on rental income collection, field insights highlight weak collection enforcement across ULGs. Arrear collection efficiency, in particular, is substantially low, with Hinjlicut recovering just 10% and Gopalpur 27% of the outstanding dues in FY 2023-24 (refer Table 3.7).

Table 3.7: Rental income demand, collection and collection efficiency for Hinjlicut, Gopalpur, and Jatni, FY 2023-24 (INR lakh)

Parameters	Hinjlicut	Gopalpur	Jatni
Current Demand	15.1	3.3	-
Current Collection	5.5	2.5	-
Current Collection Efficiency	36%	76%	-
Arrear Demand	10.7	13.1	-
Arrear Collection	1.0	3.5	-
Arrear Collection Efficiency	10%	27%	-
Total Demand	25.8	16.4	14.3
Total Collection	6.5	6.0	5.3
Total Collection Efficiency	25%	37%	37%

Source: Data collected from respective ULGs during field visits.

1) Non-enforcement of penal provisions

Rental agreements typically include penalty provisions for delayed payments, but these are rarely exercised on ground. In four out of five surveyed ULGs, no penalties were being levied for payment defaults despite contractual provisions. Furthermore, evictions occur infrequently due to political considerations, as councils retain discretionary authority over enforcement actions.

Staffing gaps significantly impact collection efficiency, though comprehensive staff vacancy data remains unavailable. Hinjlicut Municipality is considering onboarding ex-servicemen (retired army personnel) in enforcement teams for municipal revenue collection, recognizing the need for dedicated collection capacity.

2) Absence of digital payment systems for rental collections

ULGs do not have digital payment systems in place for rent collection, resulting in continued reliance on cash transactions placing a significant administrative burden on field collection staff. Tax officials across surveyed ULGs noted tenant willingness to use digital payment methods like UPI; however, field collectors currently lack access to these payment options, limiting operational efficiency and ease of payment.

Recommendation 27

DMA should facilitate deployment of mobile point-of-sale (MPOS) devices to field staff collectors and ensure integration of MPOS devices with revenue collection.

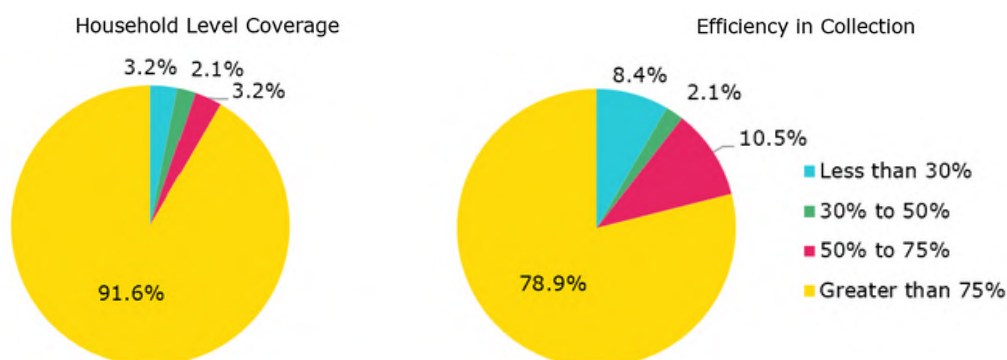
3.8 Solid Waste Management Charges

92% of Odisha's ULGs reported more than 75% household level coverage of Solid Waste Management (SWM) services in FY 2021-22 under ULG level service level benchmark (SLB) data. Self-reported SLB data is available for 95 of 115 ULGs (3 out of 5 Corporations, 43 out of 47 Municipalities and 49 out of 63 NACs) on www.cityfinance.in. All three Corporations, 93% of Municipalities, and 90% of Notified Area Councils (NACs) for which data is available reported more than 75% household level coverage of SWM services. Only 3% of ULGs reported less than 50% coverage (refer Figure 3.16 and **Annexure 3.8**).

79% ULGs reported more than 75% waste collection efficiency at the state level. At the ULG class level, three out of three Corporations, 74% of Municipalities and 82% of NACs reported more than 75% waste collection efficiency (refer Figure 3.16 and **Annexure 3.8**).

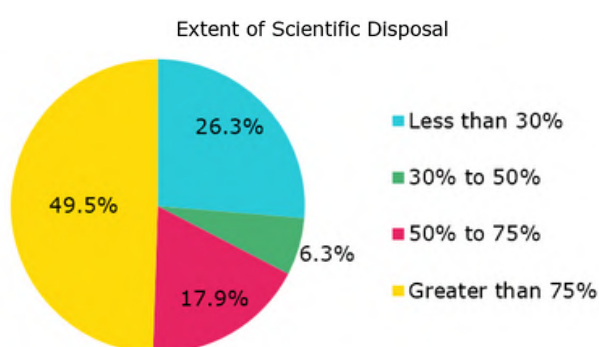
In contrast, scientific disposal of municipal solid waste shows considerable scope for improvement, with only 49% of ULGs reporting disposal levels greater than 75%. At the ULG class level, 47% of Municipalities and 53% of NACs met the highest disposal benchmark, while only one of the three Municipal Corporations fell in this category. A significant proportion—26% of all ULGs—reported scientific disposal below 30%, including two Municipal Corporations and nearly one-third of Municipalities (refer Figure 3.17 and **Annexure 3.8**).

Figure 3.16: Household level coverage of solid waste management and efficiency in collection of municipal solid waste, state level, FY 2021-22



Source: Janaagraha's analysis based on ULGs self-reported service level benchmark (SLB) data on cityfinance.in for FY 2021-22

Figure 3.17: Extent of scientific disposal of municipal solid waste, state level, FY 2021-22



Source: Janaagraha's analysis based on ULGs self-reported service level benchmark (SLB) data on cityfinance.in for FY 2021-22

3.8.1 Creation and maintenance of records

While the Solid Waste Management Rules mandate ULGs to provide waste management services, it is essential to ensure that these services do not place an undue financial burden on the city administration. To maintain service quality and financial sustainability, ULGs must recover the cost of providing such services.

Bulk Waste Generators (BWGs)—entities generating more than 100 kg of waste per day—account for a significant portion of the city's waste. It is therefore important for ULGs to identify BWGs and either ensure they process their own waste or levy appropriate user charges to recover the cost of managing it, so that the financial load does not hamper city administration.

1) Inconsistent and ad-hoc identification of Bulk Waste Generators

Across the five surveyed ULGs, the process for identifying BWGs varied significantly. Bhubaneswar Municipal Corporation has successfully set in place a robust mechanism for identifying BWGs by leveraging on trade license records and through on-ground surveys of commercial properties under trade license.

However, the other four ULGs surveyed currently follow ad-hoc processes for identifying BWGs by relying on discovery during regular field visits. While routine inspections are part of effective administration, leveraging on existing databases to identify BWGs may be more effective for better identification.

Recommendation 28

ULGs should leverage on existing databases across municipal and state departments - such as trade license databases, property tax records or records of electricity discoms – to identify potential BWGs. The ULGs should then undertake annual inspections for periodic updation of BWG records.

3.8.2 Valuation

All five visited ULGs have recently enforced their Solid Waste Management Bye-laws and have initiated levy of SWM user charges. Odisha's solid waste management system operates through a decentralised framework, where every ULG has the power to adopt its own Bye-laws under the Solid Waste Management Rules, 2016 issued by the Ministry of Environment, Forest and Climate Change.

1) Inconsistent application of SWM user charges across user categories

While ULG-level Bye-laws mandate the levy of SWM user charges across all user categories, Bhubaneswar Corporation has not yet started collecting SWM charges from residential properties and currently levies SWM charges only on commercial properties and BWGs. Other four surveyed ULGs are levying and collecting SWM charges across all user categories. Additionally, in Berhampur, flats are charged 3.3 times of residential households which has led to payment resistance from citizens.

Recommendation 29

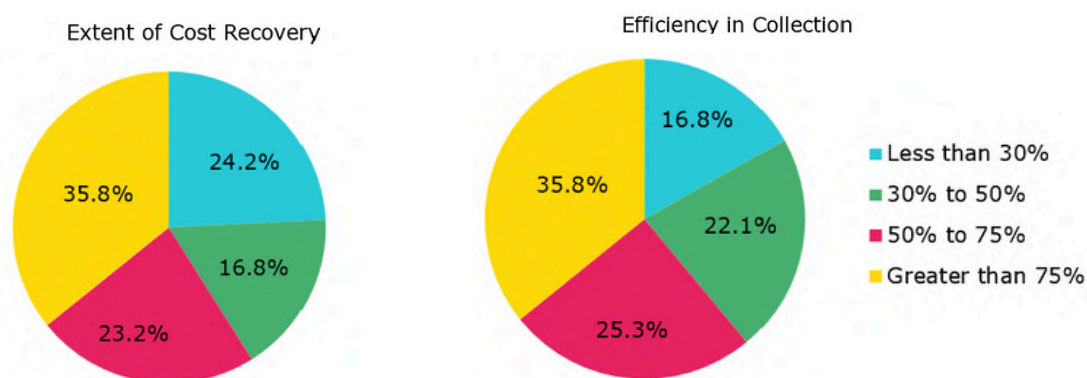
BMC and other ULGs should start levying charges across all user categories. ULGs should re-evaluate their SWM tariff structures to rationalise and reduce user categories.

2) Poor cost recovery undermining financial sustainability of SWM services

Cost recovery continues to be a critical gap in the delivery of SWM services, with only 36% of ULGs reporting more than 75% recovery of their operational costs. At the ULG class level, 35% of Municipalities and 39% of NACs achieved high-cost recovery, while all the three Municipal Corporations reported less than 75% recovery. On the other end of the spectrum, 24% of ULGs reported cost recovery below 30%, including one Municipal Corporation, 26% of Municipalities, and 22% of NACs, indicating inadequate O&M cost recovery across the board (refer Figure 3.18 and **Annexure 3.8**).

All five surveyed ULGs experience poor O&M cost recovery, with recovery rates ranging between 1.8% and 33.3%. Berhampur Municipal Corporation recorded the lowest recovery, covering only 1.8% of its annual O&M costs of INR 45 crore, while Gopalpur, Hinjlicut, and Bhubaneswar recovered around 17–18%. Jatni recorded the highest cost recovery at 33.3%.

Figure 3.18: Extent of cost recovery in solid waste management services and collection efficiency of SWM charges, state level, FY 2021-22



Source: Janaagraha's analysis based on ULGs self-reported service level benchmark (SLB) data on cityfinance.in for FY 2021-22

To address revenue shortfalls in SWM operations, Bhubaneswar Municipal Corporation (BMC) has adopted an innovative approach of generating additional income through treatment of solid waste. The Corporation currently earns approximately INR 35 lakh annually from the sale of recyclable materials at Material Recovery Facilities (MRFs). While modest relative to overall O&M costs, this initiative highlights the potential of waste-to-revenue models to supplement user charge collections.

Recommendation 30

The State Department should develop comprehensive waste-to-energy and waste-to-revenue guidelines to enable sustainable financing for SWM services. This should include frameworks to promote partnerships with startups and private sector players engaged in waste management and resource recovery.

3.8.3 Billing and Collection

Collection efficiency for SWM charges is a key parameter to assess how much of the billed amount is actually collected by ULGs. A higher collection efficiency supports cost recovery from SWM user charges and reduces the financial burden on ULGs, thereby enabling better service delivery.

1) Suboptimal collection efficiency across ULG Classes

Basis SLB data, collection efficiency remains suboptimal with only 36% of ULGs reporting more than 75% SWM collection efficiency. At the ULG class level, while 67% of Municipal Corporations achieved more than 75% collection efficiency, only 40% of Municipalities and 31% of NACs were able to recover more than 75% of their demand. Around 25% of ULGs fall in the moderate efficiency range (50–75%), whereas 39% reported very low efficiency, recovering less than 30% of the SWM user charges demanded. (refer to Figure 3.18 and **Annexure 3.8**).

Field insights also corroborate findings of low collection efficiency with all five ULGs surveyed reporting SWM charges collections falling short of covering O&M expenses. While Jatni reported 50% collection efficiency in FY 2023-24, Berhampur Municipal Corporation reported only 18% collection efficiency.

Discussion with officials reveals multiple reasons behind poor collections ranging from SWM charges being cited as an additional burden on top of property tax, deficient service

delivery, and differential tariffs for flats versus individual houses. It is essential for ULGs to improve service delivery standards and hold IEC campaigns to increase awareness among citizens on the cost of service provision and the role of user charges.

Administratively, to increase collection efficiency, it may be beneficial to adopt integrated billing of property tax and SWM user charges as a temporary solution to increase collection efficiency since citizens are currently more willing to pay property tax than an additional user fee for SWM services. Bhopal Nagar Nigam has also implemented an integrated billing system combining five municipal services into a single bill, significantly improving user charge recovery and reducing transaction costs by allowing citizens to clear multiple dues in one go. (Detailed case in Box 7 of **Annexure 3.9**).

Recommendation 31

ULGs should adopt unified billing and collection methods to combine levy and collection of property tax and SWM user charges in an integrated bill.

This approach will enhance citizen convenience, reduce reluctance for multiple transactions, and improve overall collection efficiency.

3.9 Shared Legal Services

1) Inadequate legal capacity to manage litigation



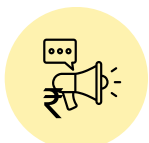
ULGs lack adequate in-house legal capacity to effectively manage legal disputes related to municipal properties, leading to delays in resolution, poor case outcomes, and prolonged non-recovery of dues. Over 20 legal cases are currently pending in Berhampur Municipal Corporation. Across ULGs, legal responsibilities are typically handled by Assistant Revenue Officers (AROs) or dealing assistants lacking formal legal training. This often results in delayed or inadequate responses, with senior officials informally stepping in to draft legal documents or prepare replies—diverting administrative attention from core functions. Further, the reliance on a limited panel of external advocates constrains ULGs' ability to manage litigation efficiently. Most ULGs work with only one or two empanelled lawyers, typically one each for the Local Court and the High Court. Field interactions suggest that delays in case progression are common, owing to the limited availability and overburdened schedules of these advocates.

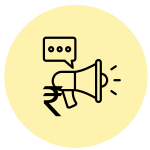



Recommendation 32

Given the acute shortage of in-house legal expertise across ULGs and the growing volume of property-related litigation, the State Government should establish Shared Legal Services Cells to support ULGs at the revenue division level (RDC). These cells can function as centralised back-end service hubs, offering dedicated legal support to a group of ULGs. Each of the three legal cells should be staffed with qualified lawyers possessing municipal law expertise and legal assistants. This centralised unit should be supported by a robust technology platform featuring case management systems, digital document repositories, and performance analytics dashboards. This arrangement would ensure timely drafting of legal notices, representation in courts, vetting of rental and lease contracts, and support in dispute resolution.

3.10 Summary of Recommendations

Table 3.8: Summary of recommendations for strengthening OSR across Odisha's ULGs

Revenue Stream	Short term	Medium Term
 <p>SFC Grants</p>	<p>Recommendation 1: The SFC should recommend a higher proportion of the divisible pool to the ULGs reflecting the fiscal reality of Odisha. Transfers should combine performance-linked grants to incentivize better service delivery with a larger share of untied grants to enhance fiscal flexibility.</p>	
 <p>Property Tax</p>	<p>Recommendation 2: The State Government should take necessary steps to ensure Digital Door Numbering project is completed at the earliest across all ULGs and that all identified properties under the DDN project are mapped against the existing property tax records.</p> <p>Recommendation 3: State Urban Development Department should establish automated workflows for data sharing of property tax records with records of Inspector General of Registration, Electricity Discoms, Urban Development Authorities, WATCO, and with municipal departments of Town Planning to identify unassessed taxable properties and enhance the property tax net.</p> <p>Recommendation 7: The State Government should implement additional functionalities to the online property tax module on the SUJOG platform.</p>	<p>Recommendation 5: The Municipal Acts and Rules should be amended to mandate ULGs to undertake periodic surveys of all lands and buildings within municipal limited at least once every 5 years to ensure an optimal tax net.</p> <p>Recommendation 6: State Government should transition from UAV to the capital valuation method wherein property tax is levied as a certain set percentage of benchmark values notified by State IGR Department.</p> <p>Recommendation 10: The Municipal Acts or Rules should be amended to mandate penal provisions such as disconnection of municipal services; distress and sale of movable properties and attachment and sale for immovable properties to enable recovery of tax.</p>
 <p>Advertisement Fees</p>	<p>Recommendation 12: State Government should facilitate a comprehensive digital asset inventory creation of municipal advertisement assets across the 5 Municipal Corporations.</p> <p>Recommendation 17: ULGs with limited capacity to monitor advertisement assets, should consider leasing out advertisement spaces to private contractors through a competitive tendering process.</p>	<p>Recommendation 11: Directorate of Municipal Administration (DMA) should draft Rules for advertisement fees to outline powers for levy of ground rent for municipal advertisement assets and for levy of license fees for regulation of all advertisements within municipal limits.</p> <p>Recommendation 14: The proposed state-level advertisement Rules should equip ULGs with robust enforcement mechanisms to improve advertisement collections. The ULGs should be empowered to remove unauthorized advertisements and levy penalties on unauthorized advertisements.</p>

Revenue Stream	Short term	Medium Term
 <p>Advertisement Fees</p>	<p>Recommendation 19: ULGs should identify and monetize high-visibility digital spaces such as high-traffic junctions, bus stops, railway stations, public plazas, municipal buildings, and LED display screens at signal points.</p>	<p>Recommendation 18: Levy and computation of ground rent for advertisements on municipal assets should be linked to guidance values to better reflect the commercial potential of different locations within ULGs to create a buoyant and equitable fee structure.</p>
 <p>Rental Income from Municipal Properties</p>	<p>Recommendation 20: The State Housing and Urban Development Department/DMA should facilitate and monitor the implementation of a digital inventory system for municipal lands and buildings across all ULGs in Odisha.</p> <p>Recommendation 21: Digitize demand collection balance registers across all ULGs.</p>	<p>Recommendation 23: State Government should create a model contractual framework for contracting out management of municipal buildings and lands to specialized agencies.</p> <p>Recommendation 24: Corporations should explore monetization of municipal lands and buildings through redevelopment projects.</p> <p>Recommendation 26: The State Government, should notify Model Bye-laws to guide the valuation, lease tendering, and management of municipal properties across all ULGs in Odisha.</p>
 <p>Solid Waste Management Charges</p>	<p>Recommendation 28: ULGs should leverage on existing databases across municipal and state departments - such as trade license databases, property tax records or records of electricity discoms – to identify potential BWGs.</p> <p>Recommendation 29: BMC and other ULGs should start levying charges across all user categories.</p>	<p>Recommendation 31: ULGs should adopt unified billing and collection methods to combine levy and collection of property tax and SWM user charges in an integrated bill.</p>
 <p>Shared Legal Services</p>	<p>Recommendation 32: Given the acute shortage of in-house legal expertise across ULGs and the growing volume of property-related litigation, the State Government—should establish Shared Legal Services Cells to support ULGs at the revenue division level</p>	

4

Fiscal Efficiency



4.1 Introduction

Aggregate municipal revenues grew by INR 331 crore, registering a CAGR of 14.3% between FY 2019-20 and FY 2021-22, based on an analysis of audited financial statements of 86 out of 115 ULGs available on cityfinance.in. In addition to their own-source revenues, ULGs receive a substantial share of funds through grants and schemes of the Union and State governments. Viewed from another perspective, a rough estimate²⁰ indicates that, on average, around 50% of the Housing and Urban Development Department's (HUDD) annual budget is transferred to ULGs collectively through Union/ State government schemes and as statutory transfers recommended by the Union/ State Finance Commissions. Given that ULGs manage significant financial resources—both their own and those devolved by the Union and State—it is critical to assess their expenditure management practices.

The objective of the chapter is to assess expenditure management practices in ULGs, i.e., the ability to spend the funds well towards the desired infrastructure and service delivery in Odisha. This corresponds to the second pillar of PFM for cities, which focuses on achieving fiscal efficiency in ULGs.

Section 4.2 outlines the approach and methodology including the analytical framework, data sources used, and limitations of the analysis. Section 4.3 presents an analysis of key expenditure trends in 115 ULGs from FY 2020-21 to FY 2024-25. Sections 4.4 to 4.7 examine the current landscape, key governance gaps, and reform recommendations across the four stages—expenditure planning, budget execution, budget monitoring, and institutional and digital capacities. Section 4.8 presents a summary of catalytic reform recommendations to strengthen fiscal efficiency in Odisha's ULGs.

4.2 Approach and Methodology

This section outlines the analytical framework for assessing expenditure performance, and data sources and methods adopted to examine the current status, performance, and challenges related to expenditure management of ULGs in Odisha. Section 4.2.3 outlines the limitations of the analysis.

4.2.1 Analytical Framework for Expenditure Performance

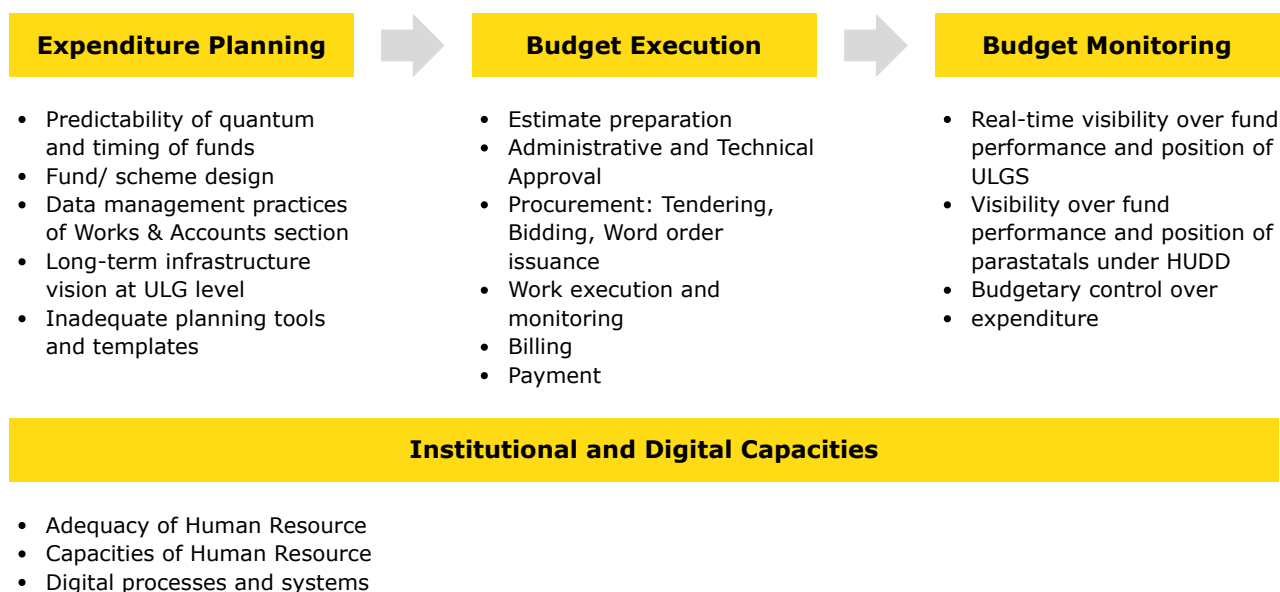
Expenditure performance in urban local governments cannot be understood solely by examining spending levels or year-end utilisation. It is shaped by decisions and processes across the entire expenditure life cycle—from how expenditures are planned, to how budgets are executed, and how spending is monitored during the year. Gaps in planning can constrain execution, while weaknesses in execution and monitoring can undermine even well-designed budgets. Institutional capacity and digital financial management systems cut across all stages and play a critical role in translating budgets into services.

This chapter therefore adopts a life-cycle approach to examine how decisions and systems across stages interact to influence expenditure outcomes. Expenditure performance is a multi-factor and multi-stakeholder problem, involving ULGs, parastatals under HUDD, and state-

²⁰ Based on Janaagraha's analysis of 80% of non-administrative allocations under HUDD's budget from FY 2018-19 (Actuals) till FY 2025-26 (Budget Estimates)

level institutions. This integrated framework enables a systemic assessment of constraints and opportunities for improving expenditure effectiveness.

Figure 4.1: Analytical Framework for Expenditure Performance



4.2.2 Data Sources and Methods

In order to conduct this assessment, a four-pronged approach is adopted:

1) Data analysis: A detailed study of trends in release, expenditure, and unspent balances in all 115 ULGs across three sources of funds, namely, SFC funds, and funds from two state schemes including MUKTA and Unnati has been undertaken. The analysis covers a period of 5 years starting from the inception of 5th SFC (FY 2020-21 to FY 2024-25). **Annexure 4.1** outlines challenges in data.

MUKTA and Unnati have been included in this analysis as the two flagship schemes of HUDD were directly implemented by ULGs and data on ULG-wise spending is available. Unnati accounted for an average of 18% of HUDD's annual budget over the last five years, while MUKTA, operational over the last three years, accounted for an annual average of 10%. Their scale and direct implementation by ULGs make them critical fiscal streams to assess ULGs' expenditure patterns.

Key Sources: (i) HUDD– Reports on Opening Balance, Release, Expenditure and Closing Balance for three years, from FY 2021-22 to FY 2023-24, extracted from Grants Monitoring Dashboard, HUDD²¹ for 5th SFC (disaggregated by sub-components), MUKTA, and Unnati (ii) Directorate of Treasury and Inspection (DTI), Finance Department – Reports on Opening Balance, Release, Expenditure and Closing Balance for two years, namely, FY 2020-21 and FY 2024-25 extracted from the PL module of IFMS for 5th SFC (disaggregated by sub-components), MUKTA, and Unnati

²¹ Grants Monitoring Dashboard is a real-time digital platform under HUDD to monitor expenditure patterns for SFC funds and key state schemes.

Table 4.1: Scope of analysis of trends in expenditure of 115 ULGs in Odisha

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
5th SFC	✓	✓	✓	✓	✓	Ongoing
MUKTA	Not started	Not started	✓	✓	✓	Discontinued
Unnati	✓	✓	✓	✓	✓	Discontinued

2) Fieldwork in 7 ULGs: Field visits were undertaken to understand on-ground expenditure processes and systems in ULGs. **Annexure 4.2** outlines details of fieldwork.

3) Policy review: To understand current policy landscape and gaps, provisions under following were analysed: (i) the Acts, rules and notifications of the Government of Odisha, guiding budget preparation and expenditure management practices of ULGs in the state (ii) Previous SFC reports. **Annexure 4.3** outlines the details.

4) Study of best practices: Review of processes, systems and platforms was undertaken for a few other states such as Karnataka, Assam, Tamil Nadu, etc to understand the best practices, if any.

4.2.3 Limitations

There are a few limitations to the analysis presented in this chapter:

- 1) Reliable data on release, expenditure and unspent balances for Centrally Sponsored Schemes (CSS) and Central Finance Commission (CFC) transfers could not be secured and hence, they could not be analyzed and incorporated in the report.
- 2) Due to lack of availability of data, an assessment of expenditure by its economic nature (capital/ revenue) or by sectors to understand the nature of expenditure and priorities of different typologies of ULGs, could not be undertaken.
- 3) There is limited research available on expenditure norms for different categories of ULGs. Therefore, comparison of current expenditure levels with normative expenditure levels is not feasible.
- 4) ULG-wise data on budget allocations and expenditure under SFC and state schemes is not available in public domain for majority of the states which prevents comparisons across states. Even where such data was available, it is limited and the comparison did not seem accurate for various reasons (differences in data sources, formats and codes, etc). Therefore, such comparisons are not provided.
- 5) An assessment of finances needs to be undertaken in relation to improvements in outputs and outcomes for citizens over time. However, reliable service delivery data is not available to draw such analysis.

Despite the limitations, the objective behind the analysis presented in this chapter is to initiate a discussion on how ULGs spend. The idea is also for key stakeholders such as the HUDD, and the DMA (in addition to the Commission) to use this data for policy discussions relating to urban finances and governance. As more data becomes available and based on specific objectives, there is ample scope to expand this analysis to have rich policy discussions on specific matters.

4.3 Analysis of Expenditure Trends in Odisha's ULGs

The 5th SFC started in FY 2020-21 with an opening balance of INR 904 crore. The duration of the 5th SFC is of six years extending from FY 2020-21 till FY 2025-26²² with a recommended amount of INR 8,133 crore and budgeted amount of INR 8,223 crore. However, for this analysis, a period of five years has been taken from FY 2020-21 till FY 2024-25.

Consequently, the corresponding recommended amount stands at INR 6,643 crore and the budgeted amount stands at INR 6,734 crore for the 5-year period. MUKTA scheme was introduced in FY 2022-23, while Unnati scheme was introduced in FY 2020-21 and the two schemes had a total budget allocation of INR 914 crore and INR 1,894 crore, respectively (till FY 2024-25). Below are a few insights from the data analysis:

1) ULGs were able to spend 78% of the funds available in 5 years

Of the INR 10,001 crore available to ULGs across MUKTA, Unnati and SFC in the last 5 years (from FY 2020-21 till FY 2024-25) including opening balance of FY 2020-21 and releases during the 5 years, INR 7,838 crore were eventually spent— amounting to 78%²³ of the total funds available. Over the 5-year period, when seen cumulatively, ULGs have spent a significant share of the total funds available.

About 47 ULGs out of the total (41%) spent at least 80% of the funds made available to them.

Table 4.2: Overall trends in release, expenditure and Closing Balance (CB) for different fund streams from FY 2020-21 to FY 2024-25

(INR crore)						
	Total Budgeted (BE)	Opening Balance (OB) in FY 2020-21	Total Release	Total Expenditure	Closing Balance (CB)	Expenditure/ Total Available Funds (TAF)
Total	9,541.40	903.9	9,097.30	7,838.40	2,169.20	78%

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard; HUDD's Demand for Grants documents from FY 2020-21 till FY 2024-25

Note: Figures are in crores

²² The duration of 5th SFC was set out to be for five years from FY 2020-21 till FY 2024-25. However, to align with 15th CFC, it was extended by one more year till FY 2025-26.

²³ Expenditure as a percentage of release has not been used, as it can be misleading—expenditure in any year may include use of funds from previous years. Instead, utilization has been looked at through expenditure as a share of total available funds (opening balance + current year release).

Table 4.3: ULG-wise expenditure performance from FY 2020-21 till FY 2024-25

Expenditure Performance*	No. of ULGs	% of ULGs
High (80%-100%)	47	41%
Moderate (60%-80%)	56	49%
Low (40%-60%)	10	9%
Critical (Upto 40%)	2	2%

*Lower limits are inclusive

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Note: 1. Expenditure performance is based on total expenditure as a percentage of total available funds over five years; 2. Aggregate performance for Unnati, MUKTA and SFC have been included; 3. The performance bands are indicative only. A utilization rate above 80% is generally regarded as a benchmark for strong absorption. However, there is no fixed national norm and acceptable rates vary by state, urban context, and scheme design.

In March 2025, closing balance of all ULGs stands at INR 2,169 crore, 22% of the total funds available during this period.

2) Even though yearly expenditure has risen over years, closing balance has risen too. Expenditure capacities are lagging with respect to fund availability.

The amount of funds released, utilized and unspent have risen, each year, at different paces. In most years, expenditure has lagged behind both releases and carried forward balances, causing unspent funds to accumulate. As can be seen in Table 4.4, expenditure has been trying to catch up with the annual releases coupled with the unspent funds being carried over. In FY 2024-25, expenditure incurred outsized the release in that year, clearly pointing towards drawing of funds from past balances. As a result, the unspent funds at the end of FY 2024-25 were brought down (by INR 316 crore) to INR 2,169 crore.

Overall closing balance has risen in each year indicating leftovers are piling up every year and reached at INR 2,169 crore by March 2025 which is 22% of the total available funds over the period of 5 years. The CB in March 2025 is 119% of average annual release—implying that ULGs still hold more than a full year's worth of allocation as unspent.

This indicates that although ULGs do utilise a large share of funds over time, their year-on-year spending capacity remains limited—reflecting on the tendency of piling up of unspent balances every year.

Table 4.4: Year-wise Overall trends in Opening Balance, Release, Expenditure and Closing Balance year-wise from FY 2020-21 to FY 2024-25

Year	OB	Release	TAF	Expenditure	CB*
2020-21	903.9	1,282.20	2,186.10	841.4	1,344.70
2021-22	1,349.20	1,480.10	2,829.30	1,099.10	1,730.20
2022-23	1,730.20	1,671.30	3,401.60	1,576.90	1,824.70
2023-24	1,824.90	2,722.10	4,547.10	2,063.60	2,483.50
2024-25	2,485.10	1,941.50	4,426.70	2,257.50	2,169.20

(INR crore)

Year	OB	Release	TAF	Expenditure	CB*
Total		9,097.30		7,838.40	
CAGR		11%	19%	28%	13%
Average		1,819.50	3,478.10	1,567.70	1,910.40

*The CB of one year and the OB of the next may not always match due to small discrepancies in reporting or timing of entries. While these differences are minor in the overall context, they have been retained as reported to ensure consistency with source data.

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

3) Expenditure performance varies across fiscal streams indicating fund design and fund administration play a role in influencing expenditure

Within the three fiscal streams, cumulative absorption is higher for SFC (80%) and MUKTA (89%) compared to Unnati (68%)—which involves infrastructure development, is marked by erratic releases, and higher variances between budget estimates and actual releases, possibly leading to difficulty in planning, a trend discussed in detail later in the report. Table 4.6 to Table 4.8 show year-wise trends in OB, Release, Expenditure and CB for the period under consideration for SFC, Unnati and MUKTA, respectively. The differences in their trends will be discussed in Section 4.4 which provides an articulation of bottlenecks in expenditure.

Table 4.5: Trends in Opening Balance, Release, Expenditure and Closing Balance for SFC, MUKTA, Unnati from FY 2020-21 to FY 2024-25

(INR crore)

	Total Budgeted (BE)	OB in 2020-21	Total Release	Total Exp	CB	Exp/ TAF
SFC	6,733.5*	903.9	6,091.3	5,577.2	1,418.5	80%
MUKTA	914.0	0.00	1,013.6	9,03.1	112.8	89%
Unnati	1,893.9	0.00	1,992.4	1,358.1	637.8	68%
Total	9,541.4	903.9	9,097.3	7,838.4	2,169.2	78%

*Calculated for 5-year period from from FY 2020-21 till FY 2024-25. INR 6,643 crore was recommended by 5TH SFC for FY 2020-21 till FY 2024-25 as per revised recommendations.

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard; HUDD's Demand for Grants documents from FY 2020-21 till FY 2024-25

Table 4.6: Trends in SFC in Opening Balance, Release, Expenditure and Closing Balance year-wise from FY 2020-21 to FY 2024-25

(INR crore)

Year	OB	Release	TAF	Expenditure	CB
2020-21	903.9	1,084.1	1,988.0	758.4	1,229.6
2021-22	1,229.7	1,181.6	2,411.2	962.6	1,448.5
2022-23	1,448.7	1,256.5	2,705.2	1,186.7	1,518.4

(INR crore)

Year	OB	Release	TAF	Expenditure	CB
2023-24	1,518.7	1,241.6	2,760.3	1,306.5	1,454.0
2024-25	1,453.9	1,327.6	2,781.5	1,363.0	1,418.5
Total		6,091.3		5,577.2	

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Table 4.7: Trends in Unnati in Opening Balance, Release, Expenditure and Closing Balance year-wise from FY 2020-21 to FY 2024-25

(INR crore)

Year	OB	Release	TAF	Expenditure	CB
2020-21	0.0	198.1	198.1	83.0	115.1
2021-22	119.5	298.5	418.0	136.5	281.5
2022-23	281.5	167.3	448.8	318.7	130.1
2023-24	130.1	897.4	1027.5	303.5	724.0
2024-25	723.2	431.1	1154.3	516.5	637.8
Total		1,992.4		1,358.1	

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Table 4.8: Trends in MUKTA in Opening Balance, Release, Expenditure and Closing Balance year-wise from FY 2022-23 to FY 2024-25

(INR crore)

Year	OB	Release	TAF	Expenditure	CB
2022-23	0.0	247.6	247.6	71.4	176.1
2023-24	176.1	583.2	759.3	453.6	305.8
2024-25	308.0	182.9	490.9	378.0	112.8
Total		1,013.6		903.1	

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

4) Expenditure performance varies across sub-components within SFC. Funds with smaller yearly releases such as Maintenance of Capital Assets (MCA) and Creation of Capital Assets (CCA) have higher accumulation as compared to larger funds such as devolution, and Sanitation and SWM.

Funds under SFC are transferred to ULGs across multiple sub-components (refer to Annexure 4.4). The sub-components with small annual fund releases, such as CCA and MCA, tend to accumulate funds over a period of years before a project is taken up. This trend was shared by the ULGs during fieldwork and has been corroborated through an

analysis of data on expenditure across different sub-components of SFC.

The 11 sub-categories with the smallest release values have 50% or more funds as unutilized whereas utilization rates for Sanitation, and Devolution (two of the sub-components with the highest allocations within SFC) are at 74% and 78% respectively. MCA and CCA have accumulation of 3-4 times of their annual release²⁴ indicating that funds have been piling up every year on top of existing unspent balances. This aligns with the findings from the fieldwork wherein a few ULGs (Bhubaneswar MC, Rourkela MC and the 2 NACs) shared that they accumulate the funds received under these categories to be able to eventually take up a project through them over time.

Table 4.9: SFC Sub-component wise trends in Opening Balance, Release, Expenditure % and Closing Balance

(INR crore)

S. No	SFC Sub-component	OB	Total Release	TAF	Expenditure	Exp/TAF	CB	CB/Average Annual Release
1	Arrear Pension & Basic Services	316.5	0.0	316.5	300.1	95%	16.5	NA*
2	Assignment - Salary, Establishment Cost, Sitting Fees & Honorarium	253.4	3,217.2	3,470.6	3,152.2	91%	318.5	0.5
3	Devolution	208.3	1,477.0	1,685.3	1,316.9	78%	368.6	1.2
4	Sanitation & solid waste management	0.0	322.3	322.3	239.7	74%	82.6	1.3
5	Compensation and Assignment out of Motor Vehicle Tax for road infrastructure	72.3	384.6	456.8	308.4	68%	148.5	1.9
6	Septage Management	0.0	27.9	27.9	14.1	50%	13.9	2.5
7	Creation of Capital Assets for Revenue Generation	35.4	219.5	255.0	116.1	46%	138.9	3.2
8	Development of Water bodies	0.0	82.1	82.1	31.1	38%	51.1	3.1
9	Maintenance of Capital Assets	18.0	66.7	84.7	30.2	36%	54.7	4.1
10	Storm Water Drainage	0.0	191.0	191.0	53.8	28%	137.3	3.6
11	Maintenance of Primary School Building	0.0	21.3	21.3	6.0	28%	15.5	3.6

²⁴ Refer to the last column of Table 4.9

(INR crore)

S. No	SFC Sub-component	OB	Total Release	TAF	Expenditure	Exp/TAF	CB	CB/Average Annual Release
12	Electric Crematorium	0.0	17.1	17.1	4.4	26%	12.7	3.7
13	New NACs Infrastructures	0.0	14.5	14.5	3.5	24%	11.0	3.8
14	Incentive Grants	0.0	10.0	10.0	0.2	2%	9.8	4.9
15	Innovative Practices	0.0	12.5	12.5	0.0	0%	12.5	5.0
16	Development of Civic Amenities at Konark NAC	0.0	33.3	33.3	0.0	0%	33.3	5

*No releases under 5th SFC

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

To illustrate, we looked at per year allocations under a few of the sub-components of SFC transfers by ULG types:

Table 4.10: Minimum and maximum annual SFC releases received by any ULG, by ULG typology and sub-component from FY 2020-21 till FY 2024-25

(INR crore)

SFC Sub-Component	MCs	Municipalities	NACs
Creation of Capital Assets (CCA)	1.75 – 4.86	0.12 – 0.67 ²⁵	0.04 – 0.23 ²⁶
Maintenance of Capital Assets (MCA)	0.68 – 1.87	0.05 – 0.44	0.02 – 0.07 ²⁷

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

- i) The annual release of funds under **Maintenance of Primary Schools** is about INR 8 lakhs for each of the five MCs in Odisha (from FY 2021-22 till FY 2024-25).²⁸ The five MCs collectively utilized only 10% of the total available funds over this period, with the MCs of Bhubaneswar and Cuttack recording null expenditure.
- ii) Secondly, the range of annual release of funds under **CCA** is from INR 4-23 lakhs for each NAC in Odisha (Table 4.10). On the other hand, priority infrastructural projects like a Kalyan Mandap was valued at INR 1.5 crore (Hindol NAC), a mini-park at INR 1 crore (Dhamnagar NAC), science park at INR 70 lakhs (Dhamnagar NAC). Since the annual fund release under CCA was less, ULGs are either forced to pool funds over multiple years or fund from devolution.

²⁵ In FY 2024-25, one exception was Hinjlicut Municipality which received INR 3.14 crore. Further, Puri Municipality is an exception which received INR 1.14 crore in each year

²⁶ FY 2021-22 was an exceptional year where average release to NAC was about INR 76 lakhs. In FY 2024-25, one exception was Kamakhyanagar NAC which received INR 3 crore

²⁷ In FY 2022-23, one exception was Kamakhyanagar NAC which received INR 23 lakhs

²⁸ In FY 2022-23, INR 17 lakhs were released to each MC

iii) Thirdly, for creation of **new infrastructure in NACs**, SFC recommended INR 50 lakhs/ annum per NAC. Dhamnagar NAC shared that its cost estimation for NAC infrastructure development was at INR 5.5 crore—revealing the gap.

Out of the five NACs²⁹ which consistently received this amount every year, three of them didn't incur any expenditure till the end of first three years and accumulated the funds. Two more NACs³⁰ were added in FY 2023-24 and they received funds for two years accumulating INR 1 crore each by March, 2025. Total utilization for these seven NACs was about 24% out of the total funds received.

This low utilization reflects a design challenge: small, fragmented allocations under some of the SFC sub-components make it difficult for ULGs to plan and execute capital works effectively, especially in the absence of ULG's own revenue to supplement the funds.

5) There is a need to look at expenditure performance for different typologies of ULGs. NACs have incurred lower expenditure in proportion to available funds than MCs.

An analysis of fund utilization across different typologies of ULGs reveals marked disparities in absorptive capacity. Between FY 2020–21 and FY 2024–25, 5 MCs and 48 Municipalities (46% ULGs) together accounted for 80% of the total released amount, while the remaining 20% was allocated to NACs. This distribution, at aggregate level, is broadly in line with the population share of these bodies. However, NACs consistently lag behind in utilization performance.

While MCs utilized 82% and Municipalities utilized 77% of the total available funds in SFC, MUKTA and Unnati, NACs could only spend 73%. To further put this into perspective, as of March, 2025, NACs had unspent funds equivalent to 180% of their average annual release, effectively holding nearly two years' worth of allocations. In contrast, MCs had unspent balances worth just 90% of one year's release.

NACs are often recently converted from rural governance bodies and may lack the administrative capacity, technical expertise, or planning systems required to execute infrastructure-heavy schemes effectively. Additionally, as already noted above, the issue of small fund size—more pronounced in NACs which often lack the fiscal strength to undertake big projects by converging grants with their own source funds (unlike bigger ULGs)—can also lead to slow spending, especially when projects are fragmented or capacities are low.

Table 4.11: ULG typology-wise trends in Opening Balance, Release, Expenditure % and Closing Balance

(INR crore)

	MC	Municipality	NAC	Total
Population %	39%	44%	18%	100%
OB	273.6	439.7	190.6	903.9
Release	3,306.9	3,990.1	1,800.2	9,097.3
TAF	3,580.5	4,429.9	1,990.8	10,001.2

²⁹ Balliguda, Champua, Dhamnagar, Dharmagarh, Ranpur

³⁰ Bijepur, Odegaon

(INR crore)

	MC	Municipality	NAC	Total
Expenditure	2,949.2(82%)	3,430.7 (77%)	1,458.5(73%)	7,838.4 (78%)
CB	636.9	999.53	532.69	2,169.2

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Out of 68 ULGs utilizing less than 80% funds, more than 50% (38) are NACs. A total of 12 ULGs have utilized less than 60% of the total available funds, out of which 9 are NACs and 3 Municipalities.

6) There is a mismatch between fund requirements and allocations by ULG-typology

NACs, usually smaller in size and own source revenues, often require larger investments to build foundational infrastructure. However, their per capita allocations remain at par with, or even lower than, those of more established Municipalities and MCs.

Table 4.12: Average yearly per capita release (INR) by ULG-typology from FY 2020-21 till FY 2024-25

(INR)

SFC Sub-component	MC	Municipality	NAC
CCA	61.7	59.7	61.5
MCA	23.8	22.2	21.4
Devolution	546.8	503.9	401.7

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

During field visits, NAC officials highlighted that while their need for capital creation is substantial, the funds received are insufficient to undertake meaningful projects. At the same time, both NACs shared that their maintenance needs remain lower due to a relatively limited asset base. Therefore, this uniform fund allocation approach—disconnected from ground realities—can lead to under-utilization.

Summary of Key Trends in Expenditure

Section 4.3 highlighted the following key patterns in the utilisation of funds by ULGs over the past five years:

- 1) Overall Utilisation:** ULGs spent 78% of the total funds available over five years under SFC, MUKTA and Unnati.
- 2) Year-on-Year Trends:** Closing balances have risen every year, pointing to a growing backlog and lag between fund availability and expenditure.
- 3) Scheme-Wise Variation:** Utilisation rates differ significantly across fiscal streams, with MUKTA and SFC showing higher absorption compared to Unnati.
- 4) SFC Sub-Component Differences:** Within the SFC, smaller funds like CCA and MCA remain largely unspent, indicating issues with too much fragmentation leading to smaller tied allocations.
- 5) Typology-Based Gaps:** NACs have relatively lower expenditure performance, compared to MCs and Municipalities, with a higher proportion of funds lying unutilized.
- 6) Mismatch in Needs and Allocations:** ULGs deficient in infrastructure, particularly NACs, receive near-similar allocations despite having different infrastructure needs, underscoring the need for more tailored and need-based fund transfers.

Towards understanding the underlying issues

While the trends describe/ illustrate the scale and variation of unspent funds, the underlying reasons for such trends need to be understood. The growing pile of unspent funds, as noted, could point to different underlying issues: either funds are unspent because of projects not being undertaken due to lack of planning (uncommitted), or they are stuck in ongoing or abandoned works (committed/ liability but unspent).³¹ During the fieldwork, most of the ULGs claimed that majority of their unspent funds are committed towards development works and are parked due to constraints relating to work execution. However, there is a lack of availability of authentic data with the ULGs/ HUDD to determine the relative share of committed and uncommitted funds with precision. The absence of reliable data reflects blindspots in liability management and highlights a major lacuna in expenditure management.

While the above mentioned systemic limitation around data management prevents a clear understanding of the relative significance of different challenges, i.e., whether it's a challenge of planning or execution, Sections 4.4 to 4.7 delve into key bottlenecks across the expenditure cycle—spanning expenditure planning, work execution, budget monitoring—as well as cross-cutting constraints related to institutional and digital capacities. Together, these factors inhibit efficient fund utilization. The respective sections also outline corresponding recommendations.

³¹ The phrases “committed” and “uncommitted” have been used loosely to indicate the stage of earmarking of funds, which in this case, could be issuance of work order by the ULG.

4.4 Expenditure Planning

Expenditure outcomes are significantly shaped at the planning stage, particularly through predictability of quantum and timing of resources, fund and scheme design, adequate data management practices of Works and Accounts section on project and fund status, the presence of a long-term infrastructure planning vision, and use of comprehensive planning tools, templates, formats. This section examines the key planning-related factors influencing expenditure performance of ULGs in Odisha.

4.4.1 Key Bottlenecks in Expenditure Planning

1) Lack of predictability regarding funds hampering financial planning by ULGs

ULGs rely on funds from the state/ centre (either through schemes or Finance Commission transfers) for most of their expenditure needs. Most of the estimates done during the budgeting process, whether for OSR, grants or expenditure (salaries, O&M, admin and capital), follow an incremental process in the absence of timely and accurate data. Additionally, a part of funds is intentionally left as unplanned, from OSR/ devolution, as a buffer against grants/ scheme funds whose receipt is unpredictable. The unpredictability appears in three key ways:

i) Lack of credible information on quantum of funds to be received by ULGs through schemes:

All the 7 ULGs which were visited shared their inability to make effective expenditure estimates given the lack of credible information on tentative allocations to be received by them through state/ central schemes (as against SFC and CFC funds). While HUDD tends to share ULG-wise allocation guidelines for SFC and CFC funds, for key state schemes, such as MUKTA and Unnati, HUDD has been sharing average released amount of previous years to guide ULG's planning process since 2023. However, its use in planning has been limited due to high volatility in release amounts. For the current financial year, i.e. 2025-26, HUDD shared allocation guidelines for key schemes like MSBY, Stormwater Drainage, and Swachh Odisha—which the ULGs have claimed has enabled improved financial planning in the current year.

Even if rough estimates are suggested to be given to ULGs based on HUDD's estimates, they might not serve the purpose. A high budget variance at HUDD's level (between releases and the budget/ revised estimates) can be observed during the period of consideration. Fund releases in state schemes show high variances as compared to SFC transfers with relatively higher budget credibility. To illustrate, releases under Unnati, in particular, shows extreme deviations when compared against the budget estimates stated in the HUDD budget (ranging from +50% to -42% in BE), followed by MUKTA (36% to -8%). In contrast, SFC funds exhibit relatively lower variance (up to -11%) in HUDD's budget. Positive variance (in the case of Unnati and MUKTA) indicates more funds are released to ULGs than budgeted, potentially leading to underutilization due to short planning windows.

It was further revealed during field work that information pertaining to other revenue streams of ULGs, such as MP/MLA LAD are also barely shared with the ULGs—disabling the ULGs from making effective expenditure plans and resulting in either excess spending or underutilization.

Table 4.13: Budget Variance Analysis for Unnati from 2020-21 till 2024-25

(INR crore)

Year	Budgeted (BE)	Budgeted (RE)	Release to PL A/C	Variance % from BE	Variance % from RE
2020-21	350	191	198.1	-26%	36%
2021-22	300	273	298.5	0%	9%
2022-23	300	235	167.3	-42%	-26%
2023-24	600	890	897.4	50%	1%
2024-25	343.9	693.9	431.1	29%	-36%
Total	1,893.9	2,282.9	1,992.4	9%	-9%

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard; HUDD's Demand for Grants documents from FY 20-21 till FY 24-25

Note: Variances have been calculated after taking into account releases to bank accounts as well in addition to releases to PL A/C.

Table 4.14: Budget Variance Analysis for MUKTA from 2022-23 till 2024-25

(INR crore)

Year	Budgeted (BE)	Budgeted (RE)	Release to PL A/C	Variance % from BE	Variance % from RE
2022-23	264.4	239.4	247.6	-5%	4%
2023-24	428.8	485.9	583.2	36%	20%
2024-25	220.8	220.8	182.9	-8%	-8%
Total	914.0	946.1	1,013.6	13%	10%

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard; HUDD's Demand for Grants documents from FY 20-21 till FY 24-25

Note: Variances have been calculated after taking into account releases to bank accounts as well in addition to releases to PL A/C.

Table 4.15: Budget Variance Analysis for SFC from 2020-21 till 2024-25

(INR crore)

Year	Budgeted (BE)	Budgeted (RE)	Release to PL A/C	Variance % from BE	Variance % from RE
2020-21	1,260.57	1,260.57	1,084.1	-5%	-5%
2021-22	1,321.73	1,321.73	1,181.6	-11%	-11%
2022-23	1,381.82	1,381.82	1,256.5	-8%	-8%
2023-24	1,351.65	1,353.69	1,241.6	-8%	-8%
2024-25	1,417.81	1,417.81	1,327.6	0%	0%

(INR crore)

Year	Budgeted (BE)	Budgeted (RE)	Release to PL A/C	Variance % from BE	Variance % from RE
Total	6,733.58	6,735.62	6,091.3	-6%	-6%

Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard; HUDD's Demand for Grants documents from FY 20-21 till FY 24-25

Note: Variances have been calculated after taking into account releases to bank accounts as well in addition to releases to PL A/C.

ii) Volatility in yearly release size:

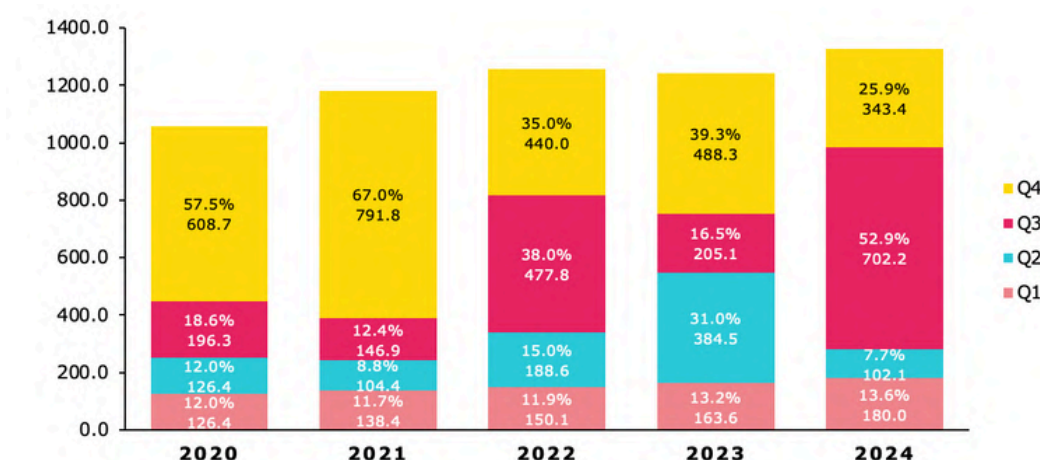
In the lack of information from HUDD, even if ULGs try to make reasonable assumptions of standard increments (possibly based on previous trends) in scheme funds during expenditure planning, high volatility in releases make such an exercise ineffective. As shown from Table 4.13 to Table 4.15, fund releases under schemes have been highly erratic—for instance, Unnati saw a more than 400% increase in releases in 2023-24—whereas SFC funds have followed a more consistent trend, supporting better financial planning.

iii) Unpredictable timing of fund releases:

One key reason for ineffective expenditure planning by ULGs is the unpredictable timing of fund releases, with a significant share often arriving in the last two quarters of the year. Schemes like Unnati show sharp volatility—many years witness negligible releases in Q1–Q2 and over 50–70% in Q4. MUKTA follows a similar pattern with 60–70% of funds released in Q3–Q4. SFC shows relatively better spread but still saw significant Q4 concentration in early years (58% in 2020 and 67% in 2021).

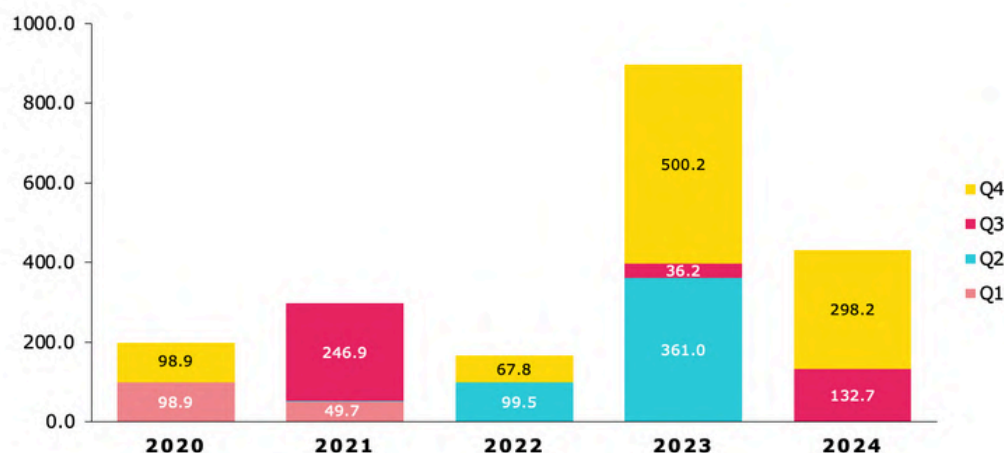
Such back-loaded releases compress the time available for implementation, causing spillovers and leading to the accumulation of unspent funds. This is particularly challenging for infrastructure-heavy schemes like Unnati, where planning and execution require longer lead times. Overall, such erratic and year-end-heavy release patterns limit ULGs' absorptive capacity and lead to a significant chunk of year-end releases to show up as opening balances in the following year.

Figure 4.2: Quarter-wise distribution of fund release under SFC from FY 2020-21 till FY 2024-25



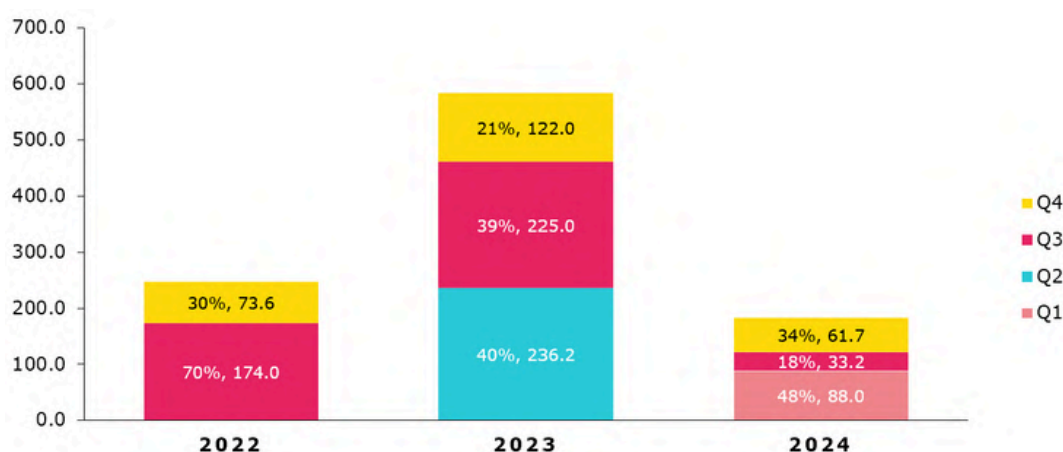
Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Figure 4.3: Quarter-wise distribution of fund release under Unnati from FY 2020-21 till FY 2024-25



Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

Figure 4.4: Quarter-wise distribution of fund release under MUKTA from FY 2022-23 till FY 2024-25



Source: Janaagraha's analysis based on reports of 115 ULGs sourced through IFMS, DTI & Grants Monitoring Dashboard

2) Specific Fund design or administrative challenges:

The following issues pertain to the challenges in fund design, as observed during the fieldwork and supported by data analysis, which hinder effective expenditure by ULGs.

i) Fund size issues in SFC transfers: As noted through the data trends in Section 4.3, there are two key challenges relating to fund size, primarily in SFC transfers. First, allocations are split into small yearly amounts, often requiring ULGs to pool funds over multiple years to take up meaningful projects. Second, per capita allocations under SFC do not adequately reflect the differing needs across ULG typologies.

ii) Lack of clarity over expenditure guidelines: Six of the seven ULGs visited reported a lack of understanding regarding the expenditure guidelines pertaining to the sub-component, namely, "Used water management" under the CSS, Swacch Bharat Mission (SBM).³² Another instance involved RMC wherein it received INR 8

³² Data on unspent balances under the sub-component of 'Used Water Management' in SBM could not be studied due to lack of availability of reliable expenditure data on CSS.

crore for Mechanical Sweeping under the sub-component of Sanitation and the ULG officials seemed to be unaware of its expenditure guidelines leading to its non-utilization.

iii) Overlap with a Central scheme: The 5th SFC recommended fund transfer for preparation of proper Drainage Master Plan for each of the ULG of the state to combat the challenges of water logging which occur during heavy rains. Rourkela Municipal Corporation (RMC) reported receiving INR 4 crore over five years for this purpose, but stated that the Master Plan has already been developed under the Smart Cities Mission. As per the expenditure guidelines pertaining to most of the sub-components under SFC, any such overlapping has to be avoided. The ATR of 5th SFC Odisha (para 6.16) also noted the same as-

"Grants-in-aid recommended by the Commission for any specific purpose should not overlap with any existing State or Central Scheme. In such cases, where there is provision of fund under any State or Central Schemes similar to the sector recommended by the Commission, then equivalent amount as recommended by the Commission shall be deducted from the State Scheme or it may be treated as contribution/share of State Government/Local Bodies in case of Central Scheme."

However, the provision is not mentioned for this sub-component—the reason of which could not be determined. However, this underscores the need to bring in more alignment between the funds being channelled to the ULGs through different routes.

Moreover, underutilization can also be due to the requirement of procuring HUDD's approval on the Master Plan before going ahead. Both the NACs which were visited stated that have prepared the Master Plan which is pending HUDD's approval for the past 6-12 months.

iv) Lack of clarity over administrative jurisdiction: Two of the three MCs shared that there is lack of clarity regarding administrative jurisdiction over the maintenance of primary schools. Hence, the funds under the corresponding sub-component under SFC, namely, 'Maintenance of Primary School Building' remained unutilized—complemented by the issue of small annual releases.

v) Uncertainty around discontinued schemes: 35% of the closing balance at the end of FY 2024-25 is due to Unnati and MUKTA schemes. However, the ULGs haven't received any guidelines with respect to their utilization. As a result, these funds were not accounted for during the annual expenditure planning process of the ULGs for the FY 2025-26 and may face challenges in their absorption.

3) Lack of visibility over commitments and liabilities due to weak coordination between Works Section and Accounts Section in ULGs

During field visits, lack of coordination between Works Section and Accounts Section emerged as a major gap in expenditure planning. This disconnect results in two major issues: either expenditure commitments are made beyond the available funds, or funds are left unutilized due to under-commitment—both reflecting weak planning practices.

A review of records maintained by the two sections showed that data on ongoing works, abandoned projects, pending payments, proposed works, and funds available is managed in a fragmented and entirely manual manner (refer to Annexure 4.5 for ULG-wise data practices). This leads to situations where available balances, especially uncommitted funds, are not taken into account while planning. Issues arise throughout the work cycle

as well such as payments made through devolution in an ad-hoc manner even when specific tied funds are available, rising liabilities due to greater expenditure commitments, and delayed payments.

The issue is particularly severe in MCs, where the volume and value of projects are much higher, making coordination more complex. In contrast, smaller ULGs, especially NACs, often rely on informal coordination mechanisms like WhatsApp groups or ad-hoc meetings. Across ULGs, especially in MCs, there is a felt need to digitally align Works and Accounts processes for real-time visibility, authentic data on liabilities and improved budgetary control over expenditure.

4) Lack of a long-term infrastructure vision for the cities

Urban infrastructure investment in Odisha's ULGs is largely shaped by short-term, project-specific considerations rather than a coherent, long-term city infrastructure vision. Most infrastructure projects in ULGs today are envisioned and implemented in a fragmented, reactive, and short-term manner due to lack of a strategic long-term vision. This issue is particularly acute in medium and large-sized ULGs, where the rapid, often unplanned expansion of urban areas has created a pressing need for new infrastructure and services within highly constrained resources—underscoring the need to strengthen their financial planning and project prioritisation capacities.

The challenge is also reflected in the absence of enabling platforms, guidance, and templates that support multi-year expenditure planning, with existing processes primarily oriented towards annual budgeting cycles. Consequently, for projects spanning multiple years, full budget estimates are often provided in a single year instead of being appropriately phased, leading to unrealistic allocations and accumulation of unspent balances. Further, project identification is frequently driven by ward-level demands of councillors, limiting the ability of ULGs to plan and invest in city-level assets such as libraries or community parks. This results in a piecemeal approach to works execution, reducing efficiency and strategic impact of capital spending.

5) Inadequate planning tools and templates

While the challenges stated above relate to 'systemic limitations' which impair ULGs' ability to plan effectively, it has been observed that the planning and documentation tools built for ULGs too have inherent limitations which prevent them from streamlining the planning process. Even when fund receipts are timely and fund design is clear, the lack of appropriate planning tools and frameworks limits ULGs from translating these into effective expenditure plans. Keeping this in light, HUDD starting from FY 2025-26, has mandated preparation of action plans by ULGs in a common MS-Excel template wherein projects will be mapped against fund sources, along with other aspects, as listed below.

Table 4.16 compares the evolution of planning practices in ULGs before and during FY 2025-26, based on field visits and interactions with municipal officials. The comparison highlights a gradual and incremental shift towards greater fiscal discipline, standardisation, and state-level visibility.

Table 4.16: Comparative analysis of Action Plan preparation process in ULGs before and during FY 2025-26

S. No.	Planning Dimension	Planning before FY 2025–26	Planning in FY 2025–26
1)	Availability of credible tentative allocations	Tentative scheme-wise allocations (except CFC and SFC) were generally not shared with ULGs prior to the start of the financial year	HUDD shared tentative allocations for select major schemes (e.g., MSBY, Swachh Odisha, Stormwater Drainage, CFC, SFC); some schemes (e.g., SBM) remain excluded
2)	Role of Finance / Accounts in planning	Planning largely driven by Works Section and Council, with limited consideration of fund availability, committed liabilities, or past balances	Finance section involved at the planning stage for sharing tentative allocations and mapping projects to fund sources (more evident in MCs). However, systemic use of financial information on committed and uncommitted balances still largely absent
3)	Consideration of opening balances and past commitments	Opening balances and committed expenditures were not factored into action plans due to lack of reliable data	Practice remains unchanged; opening balances continue to be excluded from planning
4)	Discipline and realism of action planning	Action plans were prepared on rolling basis; projects not tagged with fund source; the aggregate often exceeded expected receipts by 200–300%; projects could be added post facto	Efforts towards creation of annual consolidated action plans upfront; projects mandatorily tagged to fund sources; upper cap of 150% of expected receipts introduced for select schemes
5)	Standardisation and state-level visibility	No common template; action plans were not systematically shared with HUDD	Action plans prepared in a standard template on SUJOG, allowing state-level visibility

Source: Janaagraha's research

Note: Regarding point 4, field interactions indicated instances of post-facto inclusion of executed projects in the action plan in Dhamnagar NAC and Rourkela MC (in the latter, with a lag of up to one year).

However, several structural weaknesses—particularly the limited use of opening balances, misalignment in timelines, lack of systemic linkages between action plans and budgets, and weak legislative backing—continue to constrain efficient expenditure planning:

i) Misalignment in the timelines:

While ULGs are expected to submit budgets by February, scheme-wise allocations from HUDD often arrive in March, forcing revisions and misalignments. This calls for better calendar coordination between state and ULGs.

ii) Action plan and budget seen as separate exercises and are not linked:

Budget documents and action plans are prepared separately with no direct project-wise match. Budgets are often expenditure-driven wherein the estimations on receipts side are increased artificially. At times, expenditure is estimated by simply adding 10–15% to the previous year's budget or revised estimates.

iii) Limitations in Budget Template:

The budget template is designed as per Odisha Municipal Accounting Manual (OMAM) and National Municipal Accounting Manual (NMAM). However, it doesn't give a readily available picture of source-wise or function-wise fund distribution and utilization—which serves more functional purpose for ULG officials as well as state officials and civil society. Further, linkages with outcomes are absolutely missing with the data on Service Level Benchmarks (SLB) being maintained separately.

iv) Lack of trackability of Budget and Action Plans:

Both have been collected by HUDD in MS-Excel formats. HUDD doesn't have any measure to track ULGs' fund utilization against such action plans/ budgets or to avoid any deviation. Therefore, the current practice might remain limited to data collection and maintenance.

v) Lack of an authoritative legislative framework regarding mandatory budgeting documents at ULG-level:

While OMAM, 2011 provides for certain progressive provisions to improve ULGs' financial planning practices such as budget calendar, Budget Variance Report, citizens' participation, the Acts/ Rules in Odisha are silent on these. Annexure 4.6 clearly maps out the scope of different Acts/ Rules governing the budgeting process of ULGs in the state.

4.4.2 Recommendations for Expenditure Planning

Recommendation 1

The HUDD should facilitate development of a long-term expenditure vision for ULGs in the form Capital Investment Plans (CIPs) for MCs and City Action Plan (CAP) for Municipalities and NACs. The multi-year CIPs and CAPs should be integrated with Annual Action Plan (AAP) and annual budgeting exercise.

HUDD has initiated a praiseworthy initiative of ULGs preparing Annual Action Plan (AAP) from FY 2025-26. Observations from field indicated that ULGs were preparing such plans which were approved during Council meetings before being taken up. While there were certain challenges which have been overcome in this year (refer to Table 4.16), the scope for further improvements still remains: alignment between action plan and budgets, factoring uncommitted opening balances during planning, enabling trackability of deviations against action plans (refer to Point 5 in Section 4.4.1).

However, this still does not solve for the lack of a long-term infrastructure and investment vision in cities. This highlights the necessity of embedding a formal, forward-looking investment planning framework within municipal systems.

In this context, the following recommendations are being made:

- It is recommended that the **Municipal Corporations** should prepare a **Capital Investment Plan (CIP)**³³ which is a multi-year planning framework for identifying a shelf of projects along with financing sources that needs to be implemented over medium term in alignment with their service delivery goals and fiscal realities. CIP comprises of capital investment projects, prioritized over 3-6 years, with anticipated beginning and completion dates, annual estimated costs, and proposed financing methods. A capital investment program is approved by a local elected body. Each year, the program is reviewed, revised, and projected for the coming year.
- It is recommended that the Municipal Corporations should prepare a Capital Investment Plan (CIP) which is a multi-year planning framework for identifying a shelf of projects along with financing sources that needs to be implemented over medium term in alignment with their service delivery goals and fiscal realities. CIP comprises of capital investment projects, prioritized over 3-6 years, with anticipated beginning and completion dates, annual estimated costs, and proposed financing methods. A capital investment program is approved by a local elected body. Each year, the program is reviewed, revised, and projected for the coming year.
- All **municipalities and NACs** prepare **multi-year City Action Plan (CAP)** for identifying shelf of projects in alignment with their service delivery needs.
- All ULGs continue to prepare **Annual Action Plan (AAP)** but in alignment with the CIP and CAP.
- Capital projects identified in the CIP and CAP must be integrated into the ULG's **annual budget documents**, thereby institutionalising the practice of linking planning to budgeting.

All these planning documents are to be approved by the Municipal Council and published on the city's website and SUJOG.

Recommendation 2

The SFC should reduce fund fragmentation to enable improved fund absorption.

It has been noted that in some of the sub-components of SFC, annual disbursements tend to be lesser than average project values. To improve the effectiveness of SFC transfers, **it is recommended that fragmentation of funds is avoided for such purposes which require larger investments.** This can happen in two ways: either a limited number of ULGs are given funds in a particular year or the total pool of funds is to be increased. This needs to be further complemented by capacity building of ULGs to be able to plan expenditure from such funds. This would allow ULGs to plan and execute projects better rather than being constrained by limited annual funds.

³³ CIP is distinct from statutory planning processes such as Master Plans or the functions of urban development authorities. While Master Plans primarily focus on land use zoning and spatial growth regulations, typically led by state-level town and country planning departments or development authorities, a CIP is a multi-year financial and investment planning tool that aligns capital projects with a city's service delivery goals and fiscal capacity.

Recommendation 3

The SFC should adopt a Need-based funding approach by ULG typologies.

It has been noted that per capita allocations under SFC do not adequately reflect the differing needs across different ULG typologies. A larger recommendation is to tailor the funds—in terms of their annual allocation size, per capita allocation, purpose—as per ULG typology. **It is recommended that the SFC should adopt a differentiated per capita approach that reflects the varying infrastructure and service delivery needs of different municipal categories of ULGs.** These reforms would be particularly beneficial for NACs, which often have low revenue bases. By receiving more needs-sensitive funding, NACs would be better positioned to plan and implement basic infrastructure and services effectively.

Recommendation 4

The HUDD should adopt practices to improve predictability of funds in terms of timing and quantum.

It has been noted that lack of predictability of scheme funds, both in terms of timing and quantum, severely constrains the ULGs' capability to meaningfully undertake financial planning exercise at the beginning of the year. This year, HUDD has shared fund allocation guidelines for key schemes such as MSBY, Stormwater Drainage which has enabled ULGs to make more realistic budgets, as shared by the Accountants during fieldwork. It is further recommended that:

- **Timeline for budget calendar** needs to be re-examined to ensure that allocation guidelines are shared with the ULGs in a timely manner. This will be followed by budget preparation by ULGs.
- **The state budget may be supplemented by ULG wise allocations under state schemes, CSS, SFC and CFC funds.** 13th CFC had also recommended the following:

"The states should implement in all urban local bodies an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual and must put in place a supplement to the budget documents for ULGs."

In Odisha, the budget supplement consists of SFC and CFC transfers (disaggregated by sub-components) to the ULGs at an aggregate level. Karnataka follows the practice of releasing a ULG-wise budget supplement.

- **For SFC transfers, introducing a digital SFC transfer management system** that enables rule-based, automated fund releases to ULGs, improving predictability and reducing any release delays.

Recommendation 5

The state government should adopt Outcome-based budgeting, linking budgetary outlays and expenditure with outputs and outcomes.

ULGs, especially Municipal Corporations, handle a significant amount of public resources that are annually invested in the betterment of public infrastructure. From a review of budget documents, it is difficult to get a sense of the outputs and outcomes achieved or the services delivered from the budgetary allocation.

It is recommended that Municipal Corporations in Odisha take steps towards producing outcome budgets. The idea is to shift the focus from inputs to assessing the impact of spending on service delivery. Some other cities such as Surat, Mumbai and Chennai have taken similar initiatives with an outcome-focused approach.

However, there are some important pre-requisites to adopt outcome budgets. This relates to (i) having agreement on the performance/outcomes that will be measured. (ii) systems to measure the output and performance/outcome. (iii) staffing capacity and legal frameworks to institutionalise the initiative. It is recommended that some cities, on a pilot basis, develop a road-map to produce an outcome budget with a sharp focus to put in place the necessary systems to ensure its success.

Recommendation 6

The state government should facilitate improved citizen participation in city planning and budgeting processes

Citizen participation in ULG budgets is necessary to ensure effective and efficient resource allocation between services and neighbourhoods. There are three ingredients required for systematic citizen participation in budgets: (i) formal platforms for citizen participation like ward committees and area sabhas, (ii) codified participatory processes for the functioning of ward committees and area sabhas, and (iii) actionable data which can inform decision-making by citizens at large, and specifically, ward committees and area sabhas.

Presently, Bihar, Karnataka, Haryana and Tamil Nadu have provisions in municipal acts and rules that provide for feedback or inputs from citizens on ULG budgets. However, Odisha sees a gaping gap on all three fronts with no ward committees/ Area Sabhas, lack of codified participatory processes and lack of actionable data owing to weak public disclosure practices of ULGs.

It is therefore recommended that:

- To start with, rules/guidelines are published for the functioning of ward committees and area sabhas in municipalities and MCs, and to invite public inputs in the budget
- Establishment of structured participatory process, both offline and online
- Improved public disclosure practices (*more details on Recommendation 6 in next chapter*)

Recommendation 7

The HUDD should develop a pro-active and methodological approach for planning of O&M expenditure in ULGs

As noted earlier, there is a lack of systematic planning for O&M expenditure like sanitation, even when funds are available leading to persistent service delivery gaps. There is a need for a pro-active approach to undertake regular review of service contracts, identify service delivery gaps and plan expenditure from available funds.

Also, ULGs need to undertake methodological cost estimations during budget preparation. It requires access to data on existing asset inventory, service level benchmarks for clear targets on service delivery, unit cost rates. The data needs to be complemented by enabling SOPs to support ULGs in O&M cost estimations. For instance, guidelines for calculation of O&M costs for different sectors can be helpful for ULGs in planning. Overall, it is recommended that

HUDD holds regular consultations with ULGs to understand the nature of support needed on this front.

Recommendation 8

The HUDD should strengthen the Municipal Acts and Rules to enable comprehensive and digital-enabled budgeting frameworks for ULGs

The municipal Acts/ Rules in Odisha do not provide adequately for comprehensive budget processes hampering effective financial planning. While the Acts and Rules have undergone several amendments till now, none of them have catered to the gaps in this domain except the Municipality and MC Amendment Act of 2008 which provided for quarterly public disclosure requirements. While Odisha Municipal Accounting Manual (OMAM) of 2011 has provisions for budget calendar, public participation, Budget Variance Report—none of the relevant Acts/ Rules mention about them. Below is a snapshot of the legal landscape for budgeting processes in ULGs across different in India which can inform Odisha’s legislative development.

- **Budgeting manual:** 14 states out of 35 states/ UTs have a municipal budget manual from which 3 states have a separate municipal budgeting manual, 4 states have accounting manuals featuring a separate section on budgeting and 7 states have budgetary provisions that are similar or the same as the National Municipal Accounting Manual (NMAM). NMAM has provided limited provisions for budgets.
- **Budget system:** 8 states out of 28 states have prescribed the system of budgeting (cash or accrual).
- **Multi-year fiscal planning:** 2 states, namely, Assam and Karnataka, have provisions for long-term or mid-term fiscal planning.
- **Timelines for preparation of budgets:** 8 states have prescribed a budget calendar in their municipal acts, ensuring that the budgeting process follows a structured timeline to meet the objective of budgets. OMAM, 2011 provides for it but remains ineffective.
- **Public participation:** Bihar, Haryana, Karnataka, and Tamil Nadu have provisions for participatory budgeting, allowing citizens to have a say in how local resources are allocated. OMAM, 2011 provides for it in a limited manner.
- **Budgetary control:** 11 states have provisions for budgetary controls in their municipal acts. The Odisha Municipal Act, 1950 and OMC Act, 2003 provide for budgetary control in addition to OMAM, 2011 and OMAR, 2012. However, they remain ineffective in practice in the absence of institutional mechanisms.
- **Outcome Budgeting:** Bihar is the only state with a legal provision for outcome budgeting.

It is therefore recommended that a robust and authoritative legislative framework be put in place to steer the budgeting processes in ULGs towards improved planning and expenditure management and in case of existing but conflicting provisions, alignment is to be brought. Further, a digital-first approach should be embedded in legislative and regulatory provisions governing budgeting.

4.5 Budget Execution


While adequate planning is necessary, effective expenditure outcomes ultimately depend on timely and efficient budget execution which is the next stage after expenditure planning.

4.5.1 Key Bottlenecks in Budget Execution

As noted earlier, most of the visited ULGs claimed that a significant portion of their unspent funds was rather committed towards infrastructural projects. However, it couldn't be substantiated due to lack of reliable data on funds committed towards ongoing projects, funds freed up due to abandoned projects, funds due to be paid against completed projects and likewise.


Nonetheless, a range of issues have been observed which could actually lead to funds being locked up in certain projects and not getting utilized due to non-execution of projects. This section analyses execution-related challenges across the works lifecycle, including estimate preparation, procurement processes, and contract management.

Table 4.17: Life-cycle of Work Management and associated challenges

Stage	Description
 Estimate Preparation	A project feasibility assessment is undertaken and detailed estimate for each project outlined in the action plan, in accordance with PWD guidelines, is prepared by the Works Section.


Challenges

- Site visits are not necessarily undertaken by engineers for each project before preparation of estimates, leading to an **inadequate assessment of project feasibility** and execution challenges later on. This can possibly be due to inadequate travel support provided to engineers, as reported by Works Section, during field visits at around INR 700/ month in addition to staffing challenges.
- **Lack of in-house capacity to prepare detailed estimates:** Both the Municipalities visited shared that they outsource DPR preparation to external agencies, for larger projects or projects other than roads & drainage. Dhamnagar NAC shared that projects above INR 1 crore are outsourced.

 Authorization: Administrative and Technical Approval	Estimates prepared by Works Section/ external agency are approved by the Works section in the prescribed order of hierarchy (JE, ME, ILW). Next, the ULG officials (EO/ Commissioner + Chairperson/ Mayor) give approval based on fund availability.
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Challenges

- **Lack of systemic financial control:** Administrative approval is not systematically linked with budgeted/ sanctioned/ released funds. The check is manual and exercised as per discretion which might lead to excess expenditure commitments.
- **Non-uniform limits:** The MC Second Amendment Act, 2017 removed fixed approval thresholds and stated that the Government would notify financial limits for expenditure and sanction of the Commissioner, Standing Committee, and the Government from time to time. In practice, ULGs have adopted varying limits for Commissioner, for instance, below INR 1 crore in RMC and INR 4 crore in BMC. While such flexibility may suit local contexts, the absence of regular review from the Department can potentially pose execution ch

Stage	Description
 Procurement: Tendering and Bidding	<p>Following approval of the detailed estimate, tenders of the projects are issued by the Works section as per PWD guidelines. In accordance with government regulations, bidders are permitted to quote prices up to 14.99% lower than the detailed estimated cost.</p>


Challenges

- **Lack of systemic financial control:** Issuance of tender is not systematically linked with budgeted/ sanctioned/ released funds, as shared by all 7 ULGs. Lack of systemic financial checks at the time of issuing tenders might lead to excess expenditure commitments. The challenge is more pronounced in larger ULGs (like MCs) as it has been observed that in smaller ULGs, officials tend to wait for funds sanction order/ release of funds before issuing tenders/ work orders as they usually don't have the fiscal strength to frontload the burden of the projects in case grant/ scheme funds don't come.
- **Inefficient contractor selection process:** ULGs follow the Lowest Bidder (LI) bidding method, awarding work to the lowest-cost eligible bidder, potentially superseding quality concerns. Further, in case of identical bid values from two or more bidders, the final selection of the contractor is determined by a random draw—which is the scenario in most cases as stated by a few ULGs.
- **Combined Tenders:** Bundling multiple projects (from each ward) in a single tender is a common practice in ULGs. While it reduces administrative burden, it can lead to tendering and execution delays in addition to hampering local competition.

 Procurement: Issue of Work Order	<p>Subsequently, after bid evaluation, the Works section awards the contract and issues a work order to the selected contractor, indicating a formal agreement on project details, scope of work, timelines, along with other pertinent terms and conditions.</p>
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Challenges

- **Lack of systemic financial control:** Issuance of work order is also unlinked with any financial check. The challenge is more pronounced in larger ULGs.

 Work Execution	<p>Based on the formal agreement, the contractor initiates the project execution and the Works Section is supposed to regularly monitor the execution to ensure timely and effective completion of the project.</p>
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Challenges

- **Lack or absence of performance monitoring:** Due to inadequate staffing and absence of an enabling digital works monitoring system, systematic performance evaluation of contractors is limited leading to frequent extension of time, cost overruns and issues in quality etc.
- **Land disputes:** Land encroachment remains a major challenge across most of the ULGs, especially in MCs, resulting in delays in execution. For example, in Hindol NAC, INR 1.5 crore Kalyan mandap project was halted due to land-related conflicts. In MCs, land scarcity constrains taking up of big projects such as libraries etc.
- **Lack of inter-dept coordination:** Coordination gaps between ULGs, PWD, and parastatals such as WATCO often lead to delays in project execution.
- **Frequent transfers of key officials:** Frequent transfers of key officials, such as Executive Officers, disrupt continuity and pose significant challenges to timely and effective project execution.
- **Political considerations:** Projects are sometimes halted or delayed due to political considerations overriding administrative processes

Stage	Description
 Billing	Upon completion of the work, either partially or fully, a working or final bill, accordingly, is prepared by the Works Section. It then usually passes through the Accounts Section, Auditor (if available), Commissioners (as per the prescribed hierarchy) for verification and approval.

Challenges

- **Delay in bill approval:** In the absence of mandated timelines, bill approval cycle can take 2-3 months in an MC.

 Payment	Upon passing of the bill through administrative levels, as required, payments are processed by the accounting section through payments systems such as Integrated Financial Management System (IFMS)/ Public Financial Management System (PFMS)/ bank account.
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Challenges

- **Mismatch in fund availability and payment demands:** Since fund availability is not linked with project planning and issue of tenders and work orders, payment delays of 2–3 months often occur after the bills reach the Accounts Section. For instance, in Rourkela MC, payments were held up due to significant gaps between planned allocations and actual funds available at the time of disbursement.

Source: Janaagraha's research; Stages adapted from IMF (1999), *Guidelines for Public Expenditure Management*

Further to this, currently, there is no visibility over the procurement processes in ULGs which hinders a meaningful assessment to be undertaken to identify procurement gaps. For instance, data including time taken to release a tender, number of bids received for any tender, pre-bid meetings (if any), amount of time taken to close the tender, tender cancellations and frequency of retendering, number of Extension of Time (EOT) given to contractors, cost escalations during project execution, and likewise is absent and neither available for departmental overview nor for the public.

▶ 4.5.2 Recommendations for Budget Execution

| Recommendation 9

The state government should revamp OUIDF to facilitate infrastructure development support, in addition to financing support, to the ULGs across different stages in the works cycle.

Odisha's cities and towns need to build infrastructure across sectors like water supply, sanitation, solid waste management services, urban roads, affordable housing to ensure sustainable economic growth and provide urban residents better quality of life. Despite this infrastructure requirement, ULGs in Odisha are currently unable to fully utilise capital grants available under the 15th Finance Commission, 5th SFC and various central and state sector schemes. This is primarily due to technical capacity constraints, in addition to large-scale vacancies in the works department, to handle the various facets of development of infrastructure projects, across the stages of estimate preparation, tendering, bidding and issuance of work order, leading to poor or delayed work execution.

In Odisha, Odisha Urban Infrastructure Development Fund (OUIDF)—set up as a Trust under loan funding from KfW (German development bank)—has the primary mandate of providing financial assistance to ULGs and parastatals (infrastructure development agencies) to mobilise commercial borrowings for infrastructure projects. Currently, it doesn't have any

role to play for project development.

To ensure that ULGs and state agencies are able to create the requisite urban infrastructure, there is a need to bridge the technical capacity constraints with respect to project development, ranging from identifying economically viable projects, conducting technical and financial appraisal of projects, preparation of project documents (like Detailed Project Reports, Request for Proposals to hire contractors, concession agreements in case of PPP projects), ensuring projects' financial closure through convergence of funds across schemes and own source revenues.

States like Tamil Nadu, Karnataka, Madhya Pradesh, Jharkhand, Rajasthan and Andhra Pradesh have set up Urban Infrastructure Development and Finance Corporations (UIDFCs) at the state level to facilitate urban infrastructure development. UIDFCs like Karnataka Urban Infrastructure Development Company (KUIDFC), Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), Madhya Pradesh Urban Development Company (MPUDC), Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Ltd (RUDSICO), Andhra Pradesh Urban Infrastructure Asset Management Company Limited (APUIAML) have been mandated by their state governments to provide ULGs with end-to-end support for project development and project execution as well as mobilise financing through convergence funding across schemes or commercial borrowings.

In light of this, there is a need to re-examine OUIDF's core role and functions to provide support to ULGs, and potentially parastatals, in the development of infrastructure projects.

Recommendation 10

The state government should undertake a review of the bid evaluation method adopted by the ULGs.

As noted earlier, ULGs follow LI bidding method. The timeliness, cost and quality of urban infrastructure are directly and adversely impacted by the least-cost procurement model in the ULGs. Even as the Centre has shown willingness to embrace the superior quality and cost-based system, states and cities have not adopted it except where funding is from bilateral or multilateral agencies. It is critical to undertake procurement reforms to prevent urban infrastructure to be beset by time, cost and quality problems. In order to enable this, capacities of procurement officials need to be built. Further, the ULGs need to be provided with strong handholding support without restricting their autonomy.

Recommendation 11

The HUDD should develop a lifecycle-based digital works management module on SUJOG, building on MUKTA Soft, to digitise the entire works cycle—from estimate preparation to payments. The module should enable Smart Payments through integration with financial and payment systems. It should support public disclosure of project- and expenditure-related information.

Currently, the work management process in the ULGs in Odisha is completely manual, often rendering management and monitoring of works and funds challenging with the exception of MUKTA Soft which was used for administration of projects and grants under MUKTA scheme. ULGs in several Indian states are adopting integrated digital systems that streamline the entire public works lifecycle.

Work management system, potentially, should aim to provide three key benefits to the ULGs and HUDD, Odisha:

- **Embed financial controls within the works lifecycle**

Financial controls to be embedded by ensuring that estimates, tenders, and work orders are approved only against available budget provisions and sanctioned fund sources, with automatic visibility of committed and uncommitted balances to prevent over-programming of works and post-facto approvals.

- **Enable continuous monitoring of works and payments**

Real-time monitoring to be enabled through project-wise tracking of physical progress and financial milestones—including amounts tendered, awarded, billed, paid, and pending—so that ULG leadership and the state can identify delays, cost overruns, and stalled works early.

- **Strengthen expenditure planning using execution data**

A key challenge in expenditure planning to be addressed by generating reliable, stage-wise information on ongoing and pipeline works and associated fund-related information (such as funds tied up at tendering or contract stages), to inform annual action plans, budgeting, and mid-year revisions based on actual execution capacity and liabilities.

For instance, in Karnataka, the 'Scheme for ULB's and CC's' serves as a project monitoring tool that provides project-wise financial details, for all projects undertaken from central and state grants/ schemes. It is integrated with Karnataka's finance and accounting platform, namely, Fund-Based Accounting System (FBAS) and other relevant digital platforms—thereby, providing project-wise financial progress in real-time. In addition, through the KPPP (Karnataka Public Procurement Portal), tendering processes take place online.

Further, all ULGs in Tamil Nadu, except Chennai, use a digital system, namely, 'Urban tree', to keep track of scheme-wise works providing an oversight to the DMA and other relevant authorities. In Bhopal (Madhya Pradesh), the S4Khana platform offers a similar comprehensive approach. It digitizes the entire works management system, including the online Measurement Book.

It is therefore recommended that a digital works management system be developed, especially for MCs, on SUJOG based on MUKTA Soft, to elevate work execution capacities of the ULGs. The system should be modular, have future ready architecture for smart payments and allow seamless integration with digital payment systems such as IFMS, Just-in-time Funding System (JIT-FS) and PFMS. The system should enable a review of procurement data to identify gaps in processes.

Further, it is recommended that a public-facing portal, such as the one in e-gram swaraj, be developed for public disclosure of work-related and expenditure details.

Good Practice Highlight: Digital Work management System in Urban Work Execution in Karnataka

FBAS in Karnataka offers the following functionalities to streamline the entire works management cycle for improved transparency and accountability. ULGs can prepare estimates, obtain administrative and technical sanctions, issue work orders, record progress through Measurement Book (MB) entries, and process payments - all within a single system.

- **Estimate Preparation**
 - Engineers or designated ULG staff prepare detailed cost estimates for works (e.g., roads, drains, buildings)
- **Securing approvals**
 - After estimation, the system routes the file for Administrative Approval (AA) and Technical Sanction (TS)
 - Approval hierarchies are role-based and digitally mapped
- **Work Code Generation**
 - Each public work (like road repair, drainage, or street lighting) is assigned a unique Work Code, linking it with budgeted heads.
- **Work Order Management**
 - ULG officials can create, issue, and monitor work orders within FBAS.
 - Work orders are tied to funding sources, and technical sanction details.
- **Measurement Book (MB) Entries**
 - Engineers can record physical progress of works via Measurement Book entries within the system.
 - This links technical progress with financial payments, ensuring accountability.
- **Bill Processing & Payment Tracking**
 - After MB entry and verification, bills are generated and approved digitally.
 - Payments are tracked and linked to specific works for transparency and audit readiness.
- **Integration with Asset Register**
 - Completed works can be migrated to the Asset Register module for lifecycle tracking and maintenance planning. This feature is not being used by the ULGS though.
- **Real-Time Monitoring & Dashboards**
 - State and city-level dashboards help track status of works, fund utilization, and contractor payments.

4.6 Budget Monitoring

Robust budget monitoring and accountability mechanisms are critical to ensuring that planned expenditures translate into timely and quality outcomes. This section reviews existing monitoring practices and identifies gaps in performance tracking and oversight.

4.6.1 Key Bottlenecks in Budget Monitoring

Currently, several monitoring practices are followed in order to supervise ULGs' performance but are constrained in their effectiveness. Most of the ULGs shared that regular review meetings are held at the district level, at least once a quarter, to assess the performance of the ULGs in project execution and fund utilization for key state and central schemes, and SFC and CFC transfers. The review committee consists of District Collector, PD DRDA, PD DUDA, among other stakeholders. In addition, HUDD, from time to time, collects data from ULGs through google forms/ emails for review purposes. Thirdly, Utilization Certificates (UC) are aimed as a tool for expenditure monitoring but are usually submitted by ULGs with a lag and are completely manual. For instance, Accountant from Balasore Municipality shared that they usually prepare UCs at the end of the year and Hindol NAC shared their UC submission status as till FY 2023-24. The key underlying challenges spanning the abovementioned monitoring mechanisms are:

- Cumbersome processes of data collection for ULGs as well as district/ state dept
- Completely manual records lacking authenticity and standardization, sometimes conflicting as well
- Overlapping/ lack of coordination in data collection exercises by different agencies
- Difficulty in doing temporal and comparative analysis, thereby limiting the capacity of HUDD/ district level committee to identify and address gaps, if any

A digital initiative, namely, Grants Monitoring Dashboard, an expenditure monitoring tool for 5th SFC and two state scheme funds (MUKTA and Unnati), was built with the objective to address the above mentioned challenges but witnesses limited usability by both, ULGs and HUDD and limited coverage in terms of funds. Given this broader outline, there are two key challenges witnessed at the stage of budget monitoring:

1) Lack of ease in accessing a real-time consolidated view of fund position in ULGs

ULGs have multiple sources of receipts—own funds, state schemes, central schemes, and finance commissions. Funds from these sources flow through different channels, as noted in Table 4.18, including both bank account transfers and virtual digital transfers. This leads to twin issues:

- Lack of trackability of funds in bank accounts (not linked with a digital system):** Funds for a proportion of state schemes, such as Maintenance of Roads and Buildings, Animal Birth Control, Madhusudan Pension Yojana, continue to be processed through bank accounts. Further, multiple bank accounts are being operated to receive own source revenue. Even for a single own source of income (like property tax), funds may flow into different bank accounts if it is collected through cash or online or through M-POS machines. For instance, Bhubaneswar Municipal Corporation has more than 60 bank accounts and Cuttack Municipal Corporation has more than 100 bank accounts. Some of these may even be dormant accounts if the concerned scheme is no longer active;

however, pending instructions for closure from the state government, these accounts continue to operate.

- ii) This **multiplicity of digital systems** prevents a comprehensive view of funds, leading to poor cash management and difficulty in planning expenditures. ULGs in Odisha use different digital systems for receipts, expenditure and accounting. ULGs receive funds through different sources which are characterized by different kind of fund flows, systems, and reporting mechanisms. IFMS and PFMS are payment platforms, hence ULGs use them for incurring respective expenditure. SUJOG is not a payment platform but offers receipts management and accounting functionalities. OSR is received in the registered bank accounts and ULGs makes payments out of it through NEFT/ cheque.

Table 4.18: Fund source-wise Digital Systems used for different functions by ULGs in Odisha

#	Source of funds	Funds received in Bank A/C	Receipts system	Expenditure system	Accounting System
1	State schemes	No	PL A/C in IFMS	PL A/C in IFMS	SUJOG
2	SFC	No	PL A/C in IFMS	PL A/C in IFMS	
3	Centrally Sponsored Schemes	No	SNA-SPARSH in IFMS	SNA-SPARSH in IFMS	
4	CFC	Yes	PFMS	PFMS/ cheque	
5	Own Source Revenue (OSR)	Yes	SUJOG (mostly)	NEFT/ cheque	

Source: Janaagraha's Research

2) Limited real-time visibility of funds transferred to the parastatals

To support infrastructure and service delivery, several parastatals operate under HUDD, such as Water Corporation of Odisha (WATCO) and Capital Region Urban Transport (CRUT), for undertaking urban projects. Funds are transferred to these entities either directly by HUDD or, in some cases, by ULGs as well. One of the key challenges while engaging with parastatals is the lack of visibility over funds once transferred to the parastatals, with monitoring largely limited to Utilisation Certificates (UCs) typically submitted manually towards the end of the financial year.

Good Practice Highlight in Odisha: Just In Time-Funding System (JIT-FS)

Problem Statement

Funds drawn from the Consolidated Fund of the State were parked with Implementing Agencies (IAs), poor visibility over expenditure and unspent balances, unrealistic budgeting, and incorrect accounting.

Intervention

Just In Time-Funding System (JIT-FS), led by Finance Department, enables real-time, need- based fund transfers from the Consolidated Fund directly to end-beneficiaries. It is a separate module developed in IFMS and aims to strengthen transparency, accounting accuracy, and budget planning. To start with, in HUDD, Water Corporation of Odisha (WATCO) has been included under the ambit of JIT-FS.

Guiding Principles

- 1) Map existing fund flows processes from HUDD to IAs
- 2) Start with major IAs like WATCO, IDCO, Odisha Lift Irrigation Corporation (OLIC)
- 3) Co-develop reporting formats in JIT-FS module through stakeholder consultations
- 4) Integrate with existing parastatal IT systems, where feasible

Challenges and Way Forward

- The module currently faces technical glitches
- Coverage of IAs to be expanded to include more budgetary outlay
- Need to evolve from fiscal tracking to project-level physical progress monitoring

To address this challenge, a module called JIT-FS has been developed in Integrated Financial Management System (IFMS) by the Finance Department to solve for this challenge. The parastatals across the state are being covered in a phase-wise manner and at present, covers WATCO. It is expected to improve visibility for HUDD and ULGs over the fund position of parastatals; however, there is a need to assess the extent to which this has been achieved and identify any scope for further improvement.

3) Lack of adherence to budget and absence of budget variance reports

Budget variances are as high as 100% in receipts and expenditure in ULGs, particularly, out of scheme funds. The budget preparation process remains largely ad-hoc, driven in part by systemic issues that constrain ULGs from making realistic estimates, as discussed in Section 4.4.1. However, the lack of mechanisms to track and monitor budget execution, such as the absence of regular budget variance reports, also contributes to weak budget discipline. As of now, action plans and budgets are collected by HUDD in MS-Excel formats. HUDD doesn't have any measure to track ULGs' fund utilization against such action plans/budgets or to avoid any deviation. Therefore, the current

practice might remain limited to data collection and maintenance. As a result, budgeting is often treated as a formal exercise rather than a meaningful tool for planning and financial control.

4.6.2 Recommendations for Budget Monitoring

Recommendation 12

The HUDD should expand Grants Monitoring Dashboard under HUDD to cover entire lifecycle of all schemes and grants and enhance real-time visibility of fiscal and physical progress. It should be complemented by setting up of institutionalised high-level and department-level review mechanisms to monitor performance based on trusted sources of data.

In Odisha, Grants Monitoring Dashboard has been developed with the vision to facilitate real-time availability of data on allocation, release, and expenditure for key state schemes and 5th SFC funds. It should be further expanded for all schemes, parastatals and across grant lifecycle from allocation, eligibility, compliance, sanction, release, expenditure and projects to have clear view of bottlenecks and serve as a single source of data for monitoring and decision making. This would enable clarity across: 1) What is the allocation to each ULG/ parastatal across schemes 2) When is the amount due and in how many instalments 3) How can they become eligible (compliances), 4) Status of compliance 5) Release 6) Expenditure 7) Project status. All of this should be in public domain and moreover citizens should have an access to review and rate projects.

It is further recommended that regular high-level and department-level review mechanisms be formalised to deliberate on fund flows, budgeting, and expenditure performance of ULGs. Monitoring mechanisms should focus on the following:

- Monitoring budget variances and the extent of fund utilization by ULGs
- Setting up data-systems using single source of truth
- Using data-driven insights to assess performance and identify ULGs that require additional support or course correction
- Facilitating strategic decision-making on resource reallocation, policy tweaks, or structural reforms

Good Practice Highlight in Odisha: Grants Data Dashboard

Problem Statement

HUDD lacked a consolidated, reliable view of ULGs' fund positions across key schemes, making fund release decisions difficult. ULGS, in turn, faced challenges in timely expenditure due to limited visibility on available scheme-wise funds.

Intervention

The **Grants Data Dashboard** was developed as a decision-support tool for both HUDD and ULGS to improve the efficiency of expenditure and fund utilisation. It initially focused on key schemes constituting **38% of HUDD's budget**.

Major Schemes On the Dashboard (38% of UDD budget)



Financial Data Available Across the following Parameters:



Real-time data has been made available since September 2023

Guiding Principles

- 1) **No additional administrative burden** on officials.
- 2) **API-based integration** with existing IT systems (IFMS, PFMS), enabling replicability across states.
- 3) Prioritise **accuracy and simplicity** over visual appeal.
- 4) Adopt an **iterative development** approach, evolving based on stakeholder feedback.

Challenges and Way Forward

- **Inter-operability and integration with IT systems:**
 - IFMS integration has had technical ups and downs.
 - API integration with PFMS for 15th FC grants remains unresolved.
 - Lack of integration with SUJOG, the ULG accounting system, limits a complete fund view.
- **From data to decisions:**
 - The dashboard currently lacks a comprehensive fund picture for ULGs leading to less user-uptake.
- **From fiscal to physical progress tracking:**
 - Need to evolve from fiscal tracking to project-level physical progress monitoring, to unlock the full potential of the dashboard.

4.7 Institutional and Digital Capacities

Across all stages of the expenditure cycle, institutional capacity and digital systems play a critical enabling role. This section assesses human resource constraints, and the adequacy of digital systems that support planning, execution, and monitoring.

4.7.1 Bottlenecks in Institutional and Digital Capacities

1) Inadequate human resource and weak role definition in municipal cadre

The Odisha Municipal Service Act, 2016 was enacted to rationalise and integrate recruitment into municipal services, with the intent of strengthening administrative capacity for service delivery. The Act provides for the creation of municipal service rules defining recruitment, service conditions, and cadre structures across key functional domains such as engineering, finance, town planning, community development, and ministerial services. Sanctioned staff strength for ULGs is determined based on population, categorised across eight population slabs.

However, significant implementation gaps persist, particularly in staffing adequacy and functional clarity. There is a substantial mismatch between staffing requirements for planning, execution, and operations and maintenance of municipal services, and the personnel currently in place. 53% of sanctioned engineering posts across Odisha's ULGs remain vacant as of 31st May 2025³⁴, severely limiting project planning and supervision capacity. During field visits, significant staff shortages were noticed for key technical staff such as Junior Engineers (JEs), Municipal Engineer (MEs) in the works department, tax department, and the accounts department as well.

In addition to numerical shortages, there is a lack of clear definition of roles and responsibilities of municipal cadre positions.³⁵ Furthermore, the organizational design needs reconsideration, with a limited number of senior/ managerial positions managing a disproportionately large base of junior positions.³⁶ This constrains effective supervision, decision-making, and coordination, and ultimately weakens budget execution despite availability of funds.

2) Limited planning and technical capacities

One of the key barriers to effective fund utilization is the limited planning and technical capacity of ULG staff to plan and prioritize expenditure—particularly when dealing with untied or flexible funds. Accountants across several ULGs shared that it is easier to incur expenditure when schemes come with clear guidelines, as opposed to discretionary untied funds where planning requires a more proactive approach. This reflects a deeper planning gap, where the ability to independently assess needs and design fund utilization strategies is weak.

For instance, in Rourkela MC, a substantial portion of sanitation funds remained unutilized despite evident needs. Officials in the sanitation section lacked a clear understanding of

³⁴ As shared by HUDD, Odisha

³⁵ Janaagraha's study of Municipal Cadre Rules and Revenue Officials in Odisha, 2021 has an example: A tax collector's duties include "office work", and a Revenue Officer is tasked with "auditing ULG accounts" and "giving directions to Finance & Accounts, Assistant Auditors"

³⁶ Janaagraha's study on municipal staffing in sanitation in Odisha, 2024 showed that Municipal Sanitary Inspectors manage an unsustainable number of sanitation workers. In one of the ULGs studied, a single assistant sanitary inspector oversees 160 workers daily — leading to ineffective supervision and weak leadership

existing service delivery gaps or how additional contracts or improvements could be structured using the available funds. In the absence of regular review and planning mechanisms, O&M contracts continue in auto-pilot mode over multiple years. This results in funds lying idle—not due to a lack of need, but due to weak systems for review and proactive planning.

Secondly, while accountants were found to be relatively comfortable with tools such as Tally, SUJOG, and Excel, digital literacy amongst the staff in works sections appeared to be limited given the current greater reliance on manual data management practices. Further, field visits revealed limited in-house expertise in ULGs for preparation of an infrastructure pipeline, DPR preparation and cost estimation leading to outsourcing.

3) Absence of a regular/ permanent accountant in ULGs

The continued absence of a regular and professional accounting cadre in Odisha's ULGs remains a critical bottleneck in budget execution and financial management. While 34 regular accountants have recently been appointed, the majority of ULGs continue to rely on accountants engaged on contractual terms.

Accountants engaged on contract are not always recruited with formal accounting qualifications or adequate prior experience, as the minimum eligibility requirements remain modest. Further, such arrangements offer limited long-term security and weak career progression pathways affecting their motivation and ownership.

4) Lack of a comprehensive digital PFM reform vision and agenda for the ULGs in Odisha

Digital public financial management (PFM) reforms typically progress across three stages—digitization, digitalization, and digital transformation—each reflecting increasing levels of process integration and functional maturity (IMF, 2023). While digitization focuses on replicating manual processes in digital form, e.g., a change in which a signature on paper is no longer required and replaced by user authentication, digitalization involves automation and redesign of workflows, and digital transformation enables new capabilities such as real-time controls, analytics, and decision support.

While HUDD has initiated several digital initiatives, including the Grants Monitoring Dashboard and SUJOG, these efforts remain fragmented and do not yet reflect a comprehensive digital PFM reform agenda for ULGs. It is to be noted that fragmented and partial digital reform efforts not only provide limited functional benefits but also add to the administrative burden of the users. For instance, SUJOG largely operates at the stage of digitization, offering limited functionalities (particularly, accounting) and not covering the entire PFM cycle, as illustrated in the figure below. Further, even core accounting functionalities are not fully developed to support real-time accounting at the ULG level—which ends up increasing the burden on the accountants because of the necessity of maintaining dual records (discussed in detail in the next chapter). On the other hand, the Grants Monitoring Dashboard, currently witnessing limited user adoption, has the potential to evolve into a digital transformation tool by enabling deeper analytical and monitoring capabilities.

The figure below captures the scope of SUJOG functionalities.

Figure 4.5: Scope of SUJOG functionalities for ULGs in Odisha

	Stages of Digital PFM	Functionalities on SUJOG
Lack of integration within these modules	Budgeting	Absent
	Ward Wise Action Plans/Projects	Feature recently added on SUJOG
	Bill generation and processing	Feature present but not activated
	Payments (linked with Bank and PL Accounts)	Absent
	Expenditure control against the budgeted line items	Absent
	Works Management System	Absent
	Booking entries/Accounting	Feature present but not used in real-time Certain features such as generation of Asset Registers are missing
	Disclosure to the citizens	Absent

4.7.2 Recommendations for Institutional and Digital Capacities

Recommendation 13

The HUDD should develop function and competency-based staffing norms to improve cadre strength and capacities

The HUDD should adopt a function-led approach to staffing, wherein the number, type, and competencies of staff in ULGs are determined by the functions and services that ULGs are expected to deliver. This approach would align staffing arrangements more closely with the functional responsibilities of ULGs as envisaged under the 74th Constitutional Amendment Act. Accordingly, a cadre mapping framework within the staffing norms needs to be developed by HUDD ensuring functions devolved to the ULGs are met with sufficient cadre strength and functional capabilities.

The staffing norms should define the competencies required for the cadre to perform their functions in the Urban Local Governments. These competencies need to be mapped with specific training and capacity building programs for various cadre under municipal services. The training programs should be integrated with the annual training plans of the Urban Local Governments.

HUDD needs to adopt a dynamic HR model that recognises that different ULGs perform different functions and face varying service delivery challenges. Different services will require a different combination of managerial, technical, behavioral competencies (to name a few) based on the ULG's specific role. A differentiated approach may be adopted based on factors such as population size, geo-physical factors, socio-economic factors, extent of functions devolved to or undertaken by ULGs.

By the end of year 1, at the state level, a roadmap should be developed that details a phased roll-out of staffing reforms including cadre rationalisation, recruitment, training, etc. Thereafter, steps towards implementation should be initiated.

Recommendation 14

HUDD should scale up the Municipal Shared Services to all ULGs in the State

Odisha has pioneered the Municipal Shared Services Centre (MSSC) approach in the country with field services in the form of unified revenue collection piloted in Puri. This can be scaled to all ULGs and more ideas for field, front-end and back-end services can be explored with the objective of optimising available personnel, improving efficiency and cost effectiveness of services, as per the guidelines issued by the MoHUA.³⁷

Recommendation 15

The state government should build a dedicated institutional unit comprising of HUDD officials and professionals under the leadership of FA, HUDD to drive long-term PFM reforms.

NITI's report on Accrual Accounting has highlighted that role of the State UDD is of greater importance as ULGs have such a low-capacity. In almost all the states considered under NITI study, where the State UDD was observed to be actively involved from beginning, the reforms attained a high level of internalization. The extent of UDD involvement also matters. Karnataka, Kerala, and Tamil Nadu have ensured that the State anchorage has continued even after reform. NITI's report has recommended that ULGs need extensive technical assistance and handholding for a sustained period before the system can run on an auto-pilot mode. The State UDDs would need to be prepared for a long-haul effort in terms of change management, technology implementation, and capacity building efforts. The UDD needs to acquire the required technical and administrative capacities and secure the necessary funding to be able to spearhead the reform process for, at least, three to five years. It also must work closely with the State Finance Department in matters requiring domain expertise on accounting matters.

Reform anchorage at the State level can take different forms. While a Project Management Unit (PMU) is the most widely used arrangement, states have experimented with assigning the responsibility to special purpose entities with exclusive reform mandates. Notable examples are the Karnataka Municipal Data Society (KMDS), the Gujarat Municipal Finance Board (GMFB), the Municipal Finance Reform Cell (MFRC) in Rajasthan, and the Information Kerala Mission (IKM). These entities have surpassed the limited purpose for which they were originally established and are contributing to the State's larger urban reform agenda.

It is therefore recommended that HUDD should develop institutional, financial and digital capabilities for driving multi-year financial reforms in ULGs.

Recommendation 16

HUDD, Centre for Modernizing Governance Initiative (CMGI), and Gopabandhu Academy of Administration (GAA) to implement goal-based HRMS with annual goal-setting and performance-linked training for ULG officials

The Govt. of Odisha has embarked on a path of Goals-oriented Human Resource Management. The Centre for Modernizing Governance Initiative (CMGI) has been tasked with adoption of an integrated Human Resource Management System (HRMS) for officials of all

³⁷ D.O. No. K- 1401113 /2021/MSSCs/9111561, dated: 9th July, 2024 issued by Ministry of Housing & Urban Affairs, Government of India

departments, and leveraging the efforts of i-GOT platform as part of Karmayogi Bharat for training at the Union level. The state government³⁸ has given responsibility to the CMGI for the HRMS and integration with department and iGOT, and to the Gopabandhu Academy of Administration (GAA) to ensure that the training of officials from the platform is as per the competency gaps and targets set by the departments. The HUDD must in turn meet the vision set by the Govt. of Odisha, and all the requirements as per executive orders from Govt. and from CMGI and GAA. In addition to on-boarding all the officials at HUDD and ULGs on the HRMS, HUDD must take up the goal-setting and cascading exercise, on an annual basis as per the year's scheme targets, to ensure that all training that is conducted is goals-oriented and helping officials and ULGs move tangibly towards the targets defined for the year.

Recommendation 17

HUDD should build a robust digital PFM vision and roadmap for ULGs

Digital transformation is a core pillar that will influence all other aspects of urban governance and should, therefore, be seen as a priority area of reform. Digital Public Financial Management (PFM) systems enable ULGs to embed *reliability, verifiability, transparency, comprehensiveness, and real-time visibility* into each stage of the financial cycle. These digital capabilities strengthen institutional performance, reduce administrative burden, and create conditions for more credible budgets, timely payments, and informed decision-making across the municipal ecosystem.

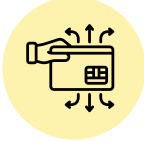



At the national level, an enabling ecosystem has been developed to advance digital urban governance, comprising of initiatives such as the National Urban Digital Mission (NUDM), National Urban Governance Platform (NUGP), National Urban Innovation Stack (NUIS), and the UPYOG platform. These are complemented by capacity-building efforts through the National Urban Learning Platform (NULP) and data governance initiatives including the Urban Data Exchange, Citizen-Centric Smart Governance (CCSG), and the Centre for Digital Governance (CDG), which together support standardisation, interoperability, and evidence-based urban governance. **The HUDD should take efforts to develop a clear vision and roadmap for digital PFM reforms, potentially supported with institutional mechanisms to ensure sustained and scalable impact.**

The guiding principles should be: (i) capturing of authentic, real-time and easily comprehensible data, (ii) development of digital standards to support interoperability between multiple digital systems at ULG, state and Union level, (iii) use of analytics to support decision making at ULG, district and state level (iv) creation of institutional bodies to drive and sustain the efforts. For instance, the Karnataka Municipal Data Society (KMDS) is a state-level institutional innovation that serves as the central IT backbone for ULGs across Karnataka. It has strong feedback loop mechanisms with ULG officials to handle grievances on a daily basis.

³⁸ Order from Chief Secretary, Govt. of Odisha, No. GAD-SER2-MISC-0029-2025/19581, dated 11-06-2025

4.8 Summary of Recommendations

Table 4.19: Summary of Recommendations for strengthening fiscal efficiency across Odisha's ULGs

Thematic Area	Short term	Medium Term
 <p>Expenditure Planning</p>	<p>Recommendation 1: The state government should mandate development of a long-term expenditure vision for ULGs in the form Capital Investment Plans (CIPs) for MCs and City Action Plan (CAP) for Municipalities and NACs. The multi-year CIPs and CAPs should be integrated with Annual Action Plan (AAP) and annual budgeting exercise.</p> <p>Recommendation 2: The SFC should reduce fund fragmentation to enable improved fund absorption</p> <p>Recommendation 3: The SFC should adopt a Need-based funding approach by ULG typology</p> <p>Recommendation 4: The HUDD should adopt practices to improve predictability of funds in terms of timing and quantum</p>	<p>Recommendation 8: The HUDD should revise the Municipal Acts or Rules to adopt a robust legal framework to support advanced budgeting processes in ULGs</p>
 <p>Budget Execution</p>	<p>Recommendation 11: The HUDD should develop a lifecycle-based digital works management module on SUJOG, building on MUKTA Soft, to digitise the entire works cycle—from estimate preparation to payments. The module should enable Smart Payments through integration with financial and payment systems. It should support public disclosure of project- and expenditure-related information.</p>	<p>Recommendation 9: The state government should revamp OUIDF to facilitate infrastructure development support, in addition to financing support, to the ULGs across different stages in the works cycle</p>
 <p>Budget Monitoring</p>	<p>Recommendation 12: The HUDD should expand Grants Monitoring Dashboard under HUDD to cover entire lifecycle of grants and enhance real-time visibility of physical and fiscal progress.</p>	
 <p>Institutional & Digital Capacities</p>	<p>Recommendation 13: The HUDD should develop function and competency-based staffing norms to improve cadre strength and capacities</p> <p>Recommendation 16: The HUDD, Centre for Modernizing Governance Initiative (CMGI), and Gopabandhu Academy of Administration (GAA) to implement goal-based HRMS with annual goal-setting and performance-linked training for ULG officials</p>	<p>Recommendation 15: The state government should build a dedicated institutional unit comprising of HUDD officials and professionals under the leadership of FA, HUDD to drive long-term PFM reforms.</p> <p>Recommendation 17: The HUDD should build a robust digital PFM vision and roadmap for ULGs</p>

5

Fiscal Accountability



5.1 Introduction

Accountability forms the bedrock of public administration, ensuring that actions taken by public authorities are in public interest. Weak accountability in public institutions, such as ULGs, often lead to poor service delivery, misallocation and misuse of public funds, and erosion of public trust—eventually impacting the quality of life in towns and cities. Having strong accountability mechanisms is, therefore, extremely critical to enable citizen-centric good governance in our cities.

In the context of cities, fiscal accountability constitutes the third pillar of Public Financial Management (PFM) and encompasses the systems and institutions that enable oversight over public finances. The chapter focuses on three core aspects of fiscal accountability—accounting, auditing, and decentralized participatory governance, including public disclosure.

The primary objective of this chapter is to evaluate the extent to which Urban Local Governments (ULGs) in Odisha uphold fiscal accountability in policy and practice, and to propose a reform roadmap based on the identified gaps. Section 5.2 outlines the approach and methodology including the analytical framework, and data sources used. Sections 5.3 to 5.5 examine the current landscape, key governance gaps, and reform recommendations across the three dimensions of fiscal accountability. Section 5.6 presents a summary of catalytic reform recommendations to strengthen fiscal accountability in Odisha's ULGs.

5.2 Approach and Methodology

This section outlines the analytical framework for assessing fiscal accountability, and data sources and methods adopted to examine the current status, performance, and challenges related to accountability practices of ULGs in Odisha.

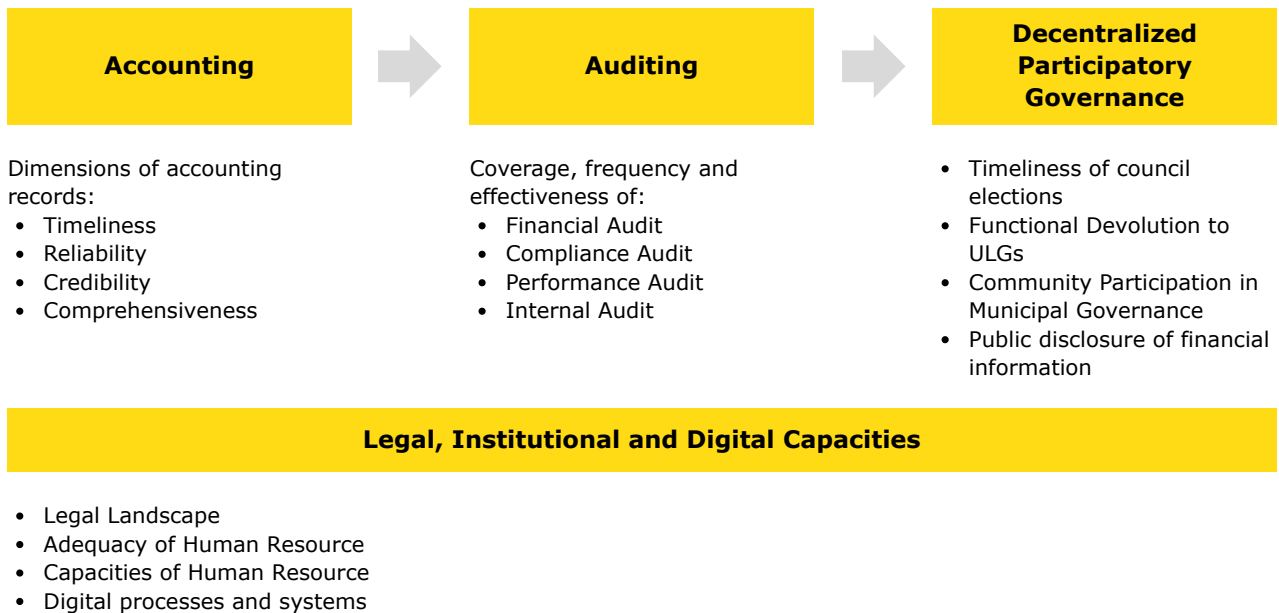
5.2.1 Analytical Framework for Fiscal Accountability

This chapter adopts a three-pronged analytical framework to assess fiscal accountability in ULGs in Odisha: (i) accounting, (ii) audit, and (iii) decentralised participatory governance (DPG). These pillars together capture the full accountability cycle—from recording and reporting of financial transactions, to independent oversight, and finally to citizen-facing transparency and participation.

Under accounting, the chapter examines the quality of accounts (timeliness, authenticity, reliability, completeness) of accounts, and use of digital accounting systems. Under audit, the chapter reviews the scope, coverage, timeliness, and follow-up of audits, including financial, compliance, and performance audits. Under DPG, the chapter focuses on the status of institutional participatory mechanisms enabling citizen participation, capacities of elected represented members in ULGs, public disclosure practices, and use of digital systems.

The review of legal landscape and digital systems cuts across all three aspects.

Figure 5.1: Analytical Framework for Financial Accountability



5.2.2 Data Sources and Methods

In order to conduct the assessment of the extent to which ULGs in Odisha uphold the principles of accountability and propose reform recommendations, the following approach has been followed:

- 1) Fieldwork:** Our team has conducted field visits to 7 ULGs in Odisha to understand the systems of accounting, audit and public disclosure in the cities in-depth. The list of the 7 ULGs is provided in the **Annexure 4.2**.
- 2) Policy review:** A thorough analysis of the urban governance policies and frameworks, guiding accounting, audit and public disclosure practices in the cities of Odisha was done. This has led to identification of gaps within the policies and in their connection to the practices being followed on the ground.
- 3) Study of best practices:** The insights drawn from this multi-pronged approach, shape the analysis and arguments developed in the sections that follow.

5.3 Accounting

The first pillar of accountability is the maintenance of records of financial transactions by a public institution in a manner which forms the basis for understanding the financial performance and health of ULGs and their key spending priorities. Accounting plays a crucial role in systematically recording, classifying, and summarizing the financial transactions, thereby offering insights into a ULG's income, expenditure, assets, and liabilities.

For the purpose of this chapter, accounting is assessed along key dimensions that underpin fiscal accountability in public institutions—timeliness, reliability, credibility, and comprehensiveness of financial information. These dimensions together determine the effectiveness of accounting systems in enabling oversight, audit, and informed decision-making.

The effectiveness of accounting across these dimensions is closely linked to the accounting

method followed. There are two main accounting methods that are used: Cash based, and Accrual based accounting. ULGs in Odisha and across India are at different stages in transitioning from cash to accrual-based accounting.

Adoption of accrual-based accounting in ULGs was introduced as a condition for states to claim funds under the Urban Reforms Incentive Fund (URIF).³⁹ Following the recommendations of the 11th and 12th FC, the National Municipal Accounting Manual (NMAM) was developed in 2004 by the Comptroller and Auditor General (CAG), India to provide a framework that facilitated and assisted state governments in drafting their own state-specific accounting manuals. Subsequently, the Odisha Municipal Accounting Manual (OMAM) was drafted by the Government of Odisha in 2008, with the Odisha Municipal Accounts Rules (OMAR) being eventually notified in 2012.⁴⁰ The Odisha Municipal Accounting Manual (OMAM) and the Odisha Municipal Accounts Rules (OMAR) provide provisions on accounting and reporting for ensuring recording of municipal transactions and enabling generation of real-time, authentic, reliable, and comprehensive financial reports in accordance with accrual accounting principles.

The table below provides a summary of the policy landscape, comprising of Municipal Acts, OMAM and OMAR, that guide various aspects of municipal accounting in the ULGs of Odisha:

Table 5.1: Accounting-related provisions in the Municipal Acts, Odisha Municipal Accounting Manual (OMAM) and Odisha Municipal Accounts Rules (OMAR)

S. No	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Accounts Rules, 2012	Odisha Municipal Accounting Manual
		Applicable to Municipalities and NACs	Applicable to Municipal Corporations	Applicable to all Municipal Corporations, Municipalities and NACs	Applicable to all Municipal Corporations, Municipalities and NACs
1.	System of accounting prescribed	Not mentioned <i>The Act provides broad powers to the State Government through Sec 387 to make rules for carrying out its purposes, including those related to accounts and financial management</i>	Not mentioned	Accrual basis [OMAR Chapter 2, Rule 3(1)]	Accrual basis [OMAM Volume II, Para 2.6 and Volume V, Para 1]

³⁹ The Urban Reform Incentive Fund (URIF) is a Government of India initiative launched in 2003-04 by the Ministry of Urban Employment and Poverty Alleviation. Its main purpose is to provide reform-linked financial assistance to state governments to accelerate urban sector reforms identified by the central government

⁴⁰ <https://cpqfm.icaai.org/wp-content/uploads/2022/08/Odisha-Municipal-Accounts-Rules-2004.pdf>

S. No	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Accounts Rules, 2012	Odisha Municipal Accounting Manual
		Applicable to Municipalities and NACs	Applicable to Municipal Corporations	Applicable to all Municipal Corporations, Municipalities and NACs	Applicable to all Municipal Corporations, Municipalities and NACs
2.	What are the contents of the annual accounts?	1)Balance Sheet 2)Income and Expenditure Statement 3)Statement of Cash flows [Section 374B(f)]	Statement of Account showing: 1)The amounts of the receipt and disbursement credited and debited to the Corporation Fund during the said year 2) Report for the same period from each head of a department subordinate to him (The Commissioner) 3) The accounts of balance due on loans then last published [OMCA, 2003 Sec 160]	1.Balance Sheet 2.Income and Expenditure Statement 3.Statement of Cash flows 4.Receipts and Payments Account 5.Notes to Accounts 6.Financial Performance Indicators. [OMAR Chapter 20 Rule 100 (2)]	1.Balance Sheet 2.Income and Expenditure Statement 3.Statement of Cash flows 4.Receipts and Payments Account 5.Notes to Accounts 6.Financial Performance Indicators. [OMAM Volume VII, Para 1.3.1]
3.	Who is responsible for the preparation of the annual accounts?	Not specified	The Commissioner [OMCA, 2003 Sec 160]	The Accounts Officer [OMAR Chapter 20 Rule 100 (2)]	Head of the Accounts Department [OMAM, Volume VII, Para 1.2]
4.	By when should the annual accounts be prepared?	Within three months of the end of the particular year [Section 374B(g)]	As soon as may be after the first day of April of each year [OMCA Chapter XI Sec 160]	Within two months from the close of the year [OMAR Rule 100(5)]	At the end of each Quarter [OMAM Volume VII, Para 1.5]
5.	Whether a Fixed Asset Register is prescribed?	No	No	Yes [OMAR Chapter-12, Rule71]	Yes [OMAM Volume II, para 3.11]
6.	Whether physical verifications of Assets is prescribed?	Not	Not	Yes. [OMAR Chapter-19 Rule 97(7)]	Yes [OMAM Volume II, para 3.13]

S. No	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Accounts Rules, 2012	Odisha Municipal Accounting Manual
		Applicable to Municipalities and NACs	Applicable to Municipal Corporations	Applicable to all Municipal Corporations, Municipalities and NACs	Applicable to all Municipal Corporations, Municipalities and NACs
7.	Frequency of preparation of in-year financial reports	On at least a half yearly basis, within 2 months of the end of each such period [OMA Section 374B(2) (f)]	The Chief Auditor of the Corporation shall conduct a monthly examination and audit of the Corporation Accounts [OMCA, Chapter XI Sec 161 (1)]	Not mentioned	Quarterly [OMAM Volume VII Rule 1.6]
8.	Which in-year financial reports are to be submitted?	1. Balance sheet, 2. Receipts and expenditure 3. cash flow statement [OMA Section 374B(2) (f)]	Not specified	Not specified	1. Balance Sheet 2. Income and Expenditure Statement 3. Statement of Cash flows 4. Receipts and Payments Account [OMAM Volume VII Rule 1.5]
9.	To whom should the in-year financial reports be submitted?	Not specified	Chief Auditor and thereafter to the Standing Committee [OMCA, Chapter XI Sec 161 (1)]	Not specified	Standing Committee [OMAM Volume VII Rule 1.6]

Based on the study of the policies and the on-ground practices observed in the ULGs through many field visits, the following challenges have been identified in the domain of accounting, that prevent the availability of real-time, authentic, reliable and comprehensive financial information.

5.3.1 Key Bottlenecks in Accounting

1) Lack of reliable and authentic accounting due to absence of a single source of truth for financial information of ULGs

ULGs in Odisha lack a single, authoritative source of financial information. The continued maintenance of parallel physical and digital records has resulted in fragmented accounting practices, undermining the credibility and reliability of financial data.

The ULGs prepare and maintain dual sets of accounts: in physical registers and digitally in Finance & Accounts (F&A) module of SUJOG. On a day-to-day or periodic basis, physical records such as cash book, cheque register, bank reconciliation statement, grants register, advance register, security deposit register, Utilization Certificate (UC) register etc. are maintained. In most of the ULGs, accounting entries are made in SUJOG

from the physical registers after the end of the financial year rendering SUJOG as a post-facto data entry system. Additionally, two set of auditors use different sources for their audit: Directorate of Local Fund Audit examines the physical registers while the Chartered Accountants auditing the financial statements refer to the entries done in SUJOG. The prevalence of multiple disconnected data management practices increases the administrative burden and reduces the reliability of the accounting data.

However, it is important to examine why this practice continues in ULGs in Odisha despite the introduction of digital accounting systems such as SUJOG, and earlier e-Municipality, by the State Government. The reasons, primarily from the perspective of the users i.e. the accountants, ranging from issues in platform, people's capacities, policy's silence and process deficiencies, are as follows:

- i) Accountants find it faster and more convenient to record transactions in physical registers or Excel due to the high volume and pace of work and staff shortages. SUJOG is considered to be time-consuming for data entry.
- ii) Currently, SUJOG does not allow scheme-wise recording of transactions, which is essential for responding to frequent information requests from Commissioners, Executive Officers, and HUDD. It provides data only by bank/PL account, not by scheme.
- iii) Accountants fear that digital systems are less reliable and there can be a data loss and hence, rely on physical registers for secure storage of information.
- iv) A few technical issues in SUJOG have been reported by the accountants. Example: In Rourkela Municipal Corporation, accountants reported that entries made in SUJOG remained in "pending" status. Similar technical glitches were reported in Berhampur Municipal Corporation, including loss of saved entries.
- v) Local Fund Auditors prefer physical registers over digital records during audits. Even if records are maintained in TALLY or Excel, they must be printed as physical registers for audit purposes. Similarly, other stakeholders such as the EOs/ Commissioners in the ecosystem prefer and rely on the physical records more.
- vi) In case of SAP, the digital system used by Bhubaneswar Municipal Corporation, entries happen at a lag and primary importance is accorded to physical registers or excel-based records, as other departments such as the works department or the establishment section do not process the files on the system in real-time.

2) Incomplete accounting records and partial compliance with prescribed standards across ULGs

Accounting practices in ULGs also suffer from gaps in completeness, with several mandatory financial statements and records either not prepared or not updated regularly, hampering financial accountability.

Contrary to the provisions in the OMAM and OMAR, that mandate the preparation of Balance sheet, Income and Expenditure statement, Receipts and Payments statement, Cash flow statements, Notes to Accounts and Financial Performance Indicators as the contents of the annual accounts, all the ULGs studied highlighted the non-preparation of cash-flow statements and the Financial Performance Indicators, due to the absence of

these features in SUJOG.⁴¹ This highlights the gaps in the system, leading to partial adherence to the OMAM and OMAR.

Furthermore, an essential book of record to be maintained by the ULG apart from cash book, cheque book, bank reconciliation statement and more, is a fixed assets register, that systematically documents all fixed assets in a ULG such as land, buildings, roads, water supply infrastructure, vehicles etc., along with their location, condition and value. A Fixed Asset Register supports accrual-based financial reporting and asset maintenance while helping prevent misuse and enabling effective capital planning. The practice of maintaining the register timely, in a systematic manner, is missing in the ULGs, despite policy provisions for the same in OMAM and OMAR. Field visits revealed that Bhubaneswar Municipal Corporation (BMC) prepared a Fixed Asset Register up to FY 2012-2013 and Rourkela Municipal Corporation (RMC) up to FY 2016-2017. Snapshots from the register for RMC are provided in Annexure 5.1 (till FY 2012-13).

3) Weak timeliness of accounting and in-year financial reporting

Timely availability of accounting data is a prerequisite for effective oversight and decision-making. However, accounting entries across ULGs are not recorded in real time on digital systems, resulting in significant delays in financial reporting, adversely affecting financial accountability. It is important to note that while ULGs generally maintain basic accounting records such as cash books, grants registers, and in some cases, bank reconciliation statements on a day-to-day basis in physical form, these records are fragmented, non-standardised, and difficult to consolidate across ULGs. As a result, real-time information remains confined to individual ULGs and does not translate into timely, system-level financial reporting or oversight.

On digital front, the accounting entries on both SAP⁴² and SUJOG platforms are not recorded in real-time. In fact, 5 out of 7 ULGs visited during the course of this study reported that the accounting entries for FY 2023–24 were either still in progress or had only recently been completed in FY 2025–26. Absence of real time accounting data in digital formats, prohibits Housing and Urban Development Department (HUDD) from effective monitoring and having a unified view of ULG finances in the state.

Further, since accounting entries happen with a lag, often of months, there is a significant delay in preparation of financial reports from the timelines prescribed under the Odisha Municipal Accounts Rules (OMAR). Such delays in the preparation of annual financial statements have cascading effects: they delay the audit process, which in turn results in the non-submission of annual financial reports in a timely manner to the elected representatives of the ULGs. This undermines a core pillar of financial accountability, i.e., timely scrutiny of public finances by the local legislature.

The importance of timely reporting is reinforced in Section 162 of the Odisha Municipal Corporation Act, 2003 (OMCA), which explicitly mandates the following for the preparation and dissemination of the year-end municipal accounts:

Section 162(3), OMCA: "As soon as may be after the commencement of each year, the Chief Auditor shall deliver to the Standing Committee on Taxation, Finance and Accounts, a report upon the whole of the Corporation Accounts of the previous year."

⁴¹ Even BMC reported non-preparation of these two statements

⁴² In case of BMC

Section 162(4), OMCA: "The Commissioner shall cause the said report to be printed, and a copy thereof forwarded to each Corporator along with the printed copy of the Administration Report and Statement of Accounts referred to in Section 160."

Non-compliance with these statutory provisions compromises not only the transparency and management of municipal finances but also the ability of corporators to perform their oversight role effectively.

4) Inconsistencies in legal and regulatory provisions governing accounting, and absence of a digital approach, Performance Audit in the legal framework

In addition to process and system-level challenges, inconsistencies across the Municipal Acts, OMAM, and OMAR further weaken accounting discipline in ULGs.

As can be observed from Table 5.1, there are misalignments between the Municipal Acts, OMAM and the OMAR, particularly with respect to (i) timelines prescribed for the preparation and submission of annual accounts, and (ii) the scope and contents of the annual accounts to be prepared. Such gaps need to be fixed, and coherence needs to be brought in the policy provisions under the Acts, Rules and Manual to give a uniform and coherent policy direction for municipal accounting.

Further, the existing legal and regulatory framework does not adequately reflect a digital-first approach to accounting. The provisions remain largely oriented towards manual record-keeping and are silent on the use of core digital systems such as SUJOG for preparation, maintenance, and reporting of accounts. This limits the ability of the State to institutionalise standardised, system-driven digital accounting practices across ULGs. Additionally, there are no provisions for Performance Audit in the current legal framework (refer to Table 5.2).

5.3.2 Recommendations for Accounting

A robust accounting mechanism is foundational to effective, transparent, and accountable urban governance. As ULGs take on expanded responsibilities in service delivery, infrastructure development, and fiscal management, the complexity and volume of financial transactions have increased significantly. Without a well-structured and timely accounting system, ULGs struggle to track expenditures, monitor revenues, or assess financial health, leading to inefficiencies, leakages, and poor planning.

Standardized, accrual-based municipal accounting, as envisaged in the National Municipal Accounts Manual (NMAM), is essential not only for statutory compliance and audits but also for generating reliable data that informs budgeting, performance monitoring, and public disclosure. Strengthening accounting practices empowers municipal decision-makers, enhances citizen trust, and lays the groundwork for improved resource mobilization and service outcomes.

The vision for robust accounting mechanism in ULGs in Odisha is as follows:

"Availability of authentic, reliable and complete financial information in real-time, from a single set of digital accounts generated from automated workflow-based systems, consistent with all laws, rules and policies"

To achieve this vision, the following recommendations are proposed:

Recommendation 1

The HUDD should strengthen F&A module in SUJOG into a comprehensive and robust digital system to enable the real-time preparation of a single set of digital accounts in all ULGs through automated, workflow-based processes

This can be achieved through:

1) Strengthening of features in the F&A module in SUJOG

The revenue module in SUJOG captures the receipts of revenue streams such as property tax, trade license, development charges and fee from issuance of building licenses, but does not capture receipts of other sources of own revenue for the ULGs such as rental income from municipal properties, advertisement fees, SWM fees etc. The existing revenue streams in the revenue module have been integrated with the F&A module, recently, highlighting a positive step towards digital reform. Incorporation of other revenue streams and their consequent linkage with F&A Module can go a long way in enabling holistic development of the digital platform.

Further, the reports should be generated as per users' requirements such as scheme-based reports, and other MIS reports. The list of ledgers and sub-ledgers should be revised as per user requirements.

2) Development of more functionalities in SUJOG to strengthen accounting

Improvements in accounting should be viewed within the wider framework of effective financial management. While planning for accounting reforms, it is essential to consider the wider financial management processes in ULGs—both at the pre- and post-accounting stages—and position accounting reforms within that context.

Accordingly, the following features needs to be developed SUJOG which would eventually strengthen the F&A module:

- Payment processing facility
- Budget module and features for expenditure control
- Dashboard for financial management
- Asset Management Module

Phased wise implementation of the above will ensure that granular data is captured at every stage, enabling a single source of truth for information and creation of a digital trail while reducing the administrative burden on ULG staff.

3) Undertaking a digital infrastructure audit of F&A module in SUJOG to assess its robustness:

As has been noted in the previous section, one of the reasons for preparation of physical registers by the accountants is the fear regarding data loss due to technical glitches

encountered in SUJOG. The HUDD should facilitate a digital infrastructure audit of F&A module in SUJOG to assess the gaps, if any, regarding back-end architecture of F&A module in SUJOG.

Recommendation 2

The Finance Department, Odisha in partnership with the Comptroller and Auditor General of India, to initiate structured efforts to progressively enhance the digital competencies of DLFA officers

To realize the vision of a single set of digital financial records, it is essential to build the capacity of Local Fund Audit (LFA) officers in operating digital systems. Currently, auditors often prefer physical registers over digital records during audits, which hinders the transition to digital workflows. As Odisha moves toward digitizing workflows and payment processes, audit officers must be equipped to shift from physical to digital verification of records. This represents a significant and long-term reform that is critical for strengthening transparency and accountability in the functioning of Urban Local Governments (ULGs). Moreover, digital features for audit can be developed on SUJOG in medium to long term.

Recommendation 3

The HUDD should invest in strengthening the capacities of accountants and other key stakeholders in digital platforms, accounting practices, and financial management systems

Transition to digital systems is often a long-drawn process due to the long-standing habit of preparing physical records. Transitioning to digital systems requires not only robust platforms, but also sustained handholding and capacity-building support for users across the system.

Capacity-building efforts should extend beyond accountants to multiple stakeholders within the urban governance ecosystem including Executive Officers and Municipal Commissioners, who approve and review financial transactions, and officials at district and state levels such as Project Directors, DUDA with whom the ULGs engage on specific financial matters.

In addition, clear Standard Operating Procedures (SOPs) for processes and recording different types of transactions may be created. Moreover, the process needs to be driven and institutionalized through a push from the higher authorities in the ULGs i.e. the Commissioners and the Executive Officers. Strong leadership at HUDD level combined with capacity building can go a long way in enabling the reform.

In this context, Assam's pioneering initiative to create a dedicated municipal financial cadre by appointing Financial Management Officers (FMOs) across all ULGs serves as a strong example.

Best Practice Highlight: Assam's Pioneering Step for Institutionalizing Financial Discipline through Dedicated FMOs in Urban Local Government

The Government of Assam has introduced a transformative reform in municipal governance by creating three dedicated urban cadres:

- **Assam Urban Administrative Service (AUAS)** - 103 Executive Officer posts
- **Assam Urban Engineering Service (AUES)** - 103 Urban Technical Officer (UTO) posts
- **Assam Urban Financial Service (AUFS)** - 103 Financial Management Officer (FMO) posts

Among these, the **creation of a special municipal cadre of Financial Management Officers (FMOs)** for all ULGS (excluding 6th Schedule areas) marks a significant milestone in strengthening Public Financial Management (PFM) at the grassroots.

The FMOs are not limited to handling day-to-day financial approvals or accounting tasks. They are entrusted with leading **PFM reforms across financial planning, budgeting, OSR augmentation, and digital PFM systems** within their ULGs.

Crucially, **no project can proceed without the FMO's sign-off**, ensuring financial feasibility is assessed before execution. This addresses a longstanding issue across ULGS- **projects being undertaken without coordination with the finance wing**, often leading to fiscal stress or stalled implementation.

With this move, **Assam has emerged as a pioneer**, setting a precedent for other states aiming to embed financial prudence and accountability within local urban governance structures.

For instance, **Odisha currently has FMOs only in its Municipal Corporations**. Expanding the FMO model to cover **all ULGs**, as Assam has done, could significantly advance Odisha's vision of effective and transparent municipal financial management.

Recommendation 4

The State Government should align the provisions of the OM Act, OMC Act, OMAM and OMAR to avoid inconsistencies and incorporate digital-first approach

As observed, the policy landscape governing the functioning of the urban local governments in Odisha is fragmented, with OMC Act and OM Act having provisions different from the OMAM and OMAR on several parameters. Bringing the existing rules and policies in alignment with each other is essential to enable wider systemic reforms. Further, these provisions require revision to explicitly incorporate a digital-first approach, including the mandatory preparation, maintenance, and submission of records in digital form.

Recommendation 5

The State Government should ensure necessary reforms in OMAM to capture functional spending and service level costing properly

OMAM, being the guiding policy document for accounting in ULGs in Odisha, needs to be holistic and properly capture functional spending by ULGs and service level costing. An exercise was undertaken in the past to revise the Odisha Municipal Accounting Manual, and a revised manual has been developed as well. Revised manual can further be aligned with future revisions in the National Municipal Accounting Manual (NMAM) to capture accounting data with requisite details for enabling better financial management.

5.4 Audit

Once the municipal accounts are prepared, they must undergo proper audit to ensure financial prudence and accountability. Auditing is an independent check on data, financial reports, and performance, ensuring that resources are used properly, laws are followed, and goals are achieved in line with expectations. Without timely and accurate audits, financial mistakes, irregularities, or any kind of malfeasance can go unnoticed, leading to misuse of public money and poor service delivery. This process promotes accountability, builds public trust, and gives stakeholders confidence in the responsible management of public funds.

ULGs in Odisha follow four kinds of audits. These are:

- 1) Financial audit
- 2) Compliance Audit
- 3) Performance Audit
- 4) Internal Audit

The specific purpose of each audit type along with the ongoing practices and related bottlenecks are discussed in the upcoming section.

The table below provides a summary of the policy landscape, comprising of Municipal Acts, OMAM and OMAR, that guide various aspects of municipal auditing in the ULGs of Odisha:

Table 5.2: Auditing related provisions in the Municipal Acts, Odisha Municipal Accounting Manual (OMAM) and Odisha Municipal Accounts Rules (OMAR)

S. No	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Accounts Rules, 2012	Odisha Municipal Accounting Manual
1.	Who audits municipal/municipal corporation accounts?	Sec 113. Appointment of Auditors The provisions of the Orissa Local Fund Audit Act, 1948 (Orissa Act 5 of 1948), shall apply in regard to the audit of the funds under the control and management of the Municipality or any of its Committees.	Sec 122. Powers and functions of the Chief Auditor The Chief Auditor shall (a) perform such duty as provided under this Act or the rules made thereunder and perform such other duties with regard to the audit of the accounts of the Corporation fund as would be required by the Corporation or the Standing Committee		
2.	Who audits annual financial statements (Income and Expenditure, Balance Sheet, etc.)?	Not specified	The Chief Auditor [OMCA Sec 162]	The Chief Municipal Auditor [OMAR Chapter 20 Rule 102 (1)]	The Chief Municipal Auditor [OMAM Volume VII Rule 1.7]
3.	Timelines for completion of Audit of Annual Financial Statements	Within three months of the end of that year [OMA, 374B (g)]	Not specified	Before 30th September of the subsequent year. [OMAR Rule 102]	Not specified
4.	Is there a requirement for internal audit?	Not specified	Not specified	Not specified	Yes [OMAM Para 9.5.5]
5.	Who conducts the internal audit?	Not specified	Not specified	Not specified	Chief Municipal Auditor and his Internal Audit Department [OMAM Para 9.5.5]

S. No	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Accounts Rules, 2012	Odisha Municipal Accounting Manual
6.	Scope of Internal Audit	Not specified	Not specified	Not specified	An auditor examines internal evidence, i.e. records, vouchers, and books of accounts. He also tests and evaluates the relevant systems in the organization. He also obtains external evidence such as confirmation of bank balances. He may decide to conduct physical counts and service or even call for independent expert opinion regarding technical matters [OMAM Para 9.5.2]

Based on the study of the policies and the on-ground practices observed in the ULGs through the field visits, the following challenges have been identified in the domain of audit:

5.4.1 Audit Architecture in Odisha's ULGs in Practice: Types, Processes and Key Bottlenecks

This section examines the audit architecture applicable to ULGs in Odisha. It outlines the types of audits, the institutions responsible, the processes followed, and the key gaps that weaken fiscal accountability.

Table 5.3: Overview of Audit Architecture in Odisha's ULGs with Key Bottlenecks

Type of Audit	Purpose	Authority Responsible	Coverage / Frequency (in practice)	Key Bottlenecks
Financial Audit	Verification of financial records and certification of annual financial statements	DLFA; Chartered Accountant firms engaged by HUDD/ULGs	DLFA: highly delayed; CA audits: annual (after 15th FC push)	Policy misalignment; delayed DLFA audits; weak linkage between DLFA and CA audits
Compliance Audit	Verification of adherence to laws, rules, and regulations	DLFA; CAG (under TGS)	Selective, risk-based; not annual for all ULGs	Limited scope; absence of appropriation audit
Performance Audit	Assessment of efficiency, and effectiveness of expenditure	CAG (selective)	Sporadic; scheme- or sector-specific	Irregular performance audit at state level
Internal Audit	Continuous internal control and risk mitigation	Internal auditors (limited ULGs)	Present in 16 ULGs (from FY 2023-24)	Limited coverage; Narrow scope in practice

1) Financial Audit:

Purpose:

Financial audit focuses on verification of financial records and certification of annual financial statements of ULGs.

Process and responsible authority:

In practice, financial audits of ULGs in Odisha are conducted through a dual arrangement:

- The Directorate of Local Fund Audit (DLFA), the statutory auditor of municipal accounts as per the Odisha Local Fund Audit Act, 1948 conducts detailed examination of accounting records
- The Chartered Accountant (CA) firms engaged by the HUDD on behalf of the ULGs or by the ULGs themselves audit and certify annual financial statements.

It is to be noted that DLFA examines all financial records such as cash book, cheque register, bank reconciliation statements, advance register, UC register, work files etc. in-depth, claiming to audit 100% of the transactions that take place within a ULG. The DLFA, however, doesn't certify the annual financial statements prepared on an accrual basis, namely the Balance Sheet, Income and Expenditure (I&E), Schedules, Receipts and Payments (R&P), Cash Flow statement etc.

The audit and certification of these financial statements is done by the Chartered Accountant firms as per the mandate by the Housing and Urban Development Department (HUDD). Availability of audited Annual Financial Statements has increased over the years due to recommendations of the 15th FC. 100% of ULGs in Odisha got their accounts audited by CAs in FY 2022-23.⁴³

Auditing of annual financial statements prepared on an accrual basis by the Chartered Accountants is a good practice being followed, given the limited bandwidth and lack of capacity of the statutory auditor, i.e. DLFA, in Odisha, to audit such records each year for every ULG. Many other states have also included CAs in audit, given the lack of mandate, limited bandwidth as well as capacity for undertaking audit of accrual accounts in state audit departments. For example, Bihar and Jharkhand allow CA firms to serve as ULG auditors. In Karnataka, a CA firm hired by the Urban Development Department (UDD) submits reports to the state audit department, which uses them in its audits.

Key Bottlenecks:

• Misalignment in policy frameworks:

The problem lies in the policy framework for auditing in Odisha, not being aligned with the on-ground practice.

- The OMCA, OMAR and OMAM mention the role of the Chief Auditor in the Municipal Corporations for auditing financial statements, contrary to the practice of audit by Chartered Accountant firms.
- The Odisha Municipal Act, 1950 does not specify the authority responsible for auditing the financial statements of Municipalities and Notified Area Councils (NACs).

⁴³ Based on the data available from cityfinance.in

- The Odisha Municipal (Accounts) Rules define an “Auditor” as the Chief Auditor as provided under the Odisha Municipal Corporation Act, 2003 and the Odisha Municipal Act, 1950. However, the Rules explicitly note that the Odisha Municipal Act, 1950 currently does not contain any provisions relating to audit. Consequently, there is a gap that needs to be addressed by incorporating explicit audit provisions in the Odisha Municipal Act, 1950.
- The Odisha Local Fund Audit Act, 1948, an overarching framework for audit of ULGs’ accounts, does not explicitly provide for the audit of annual financial statements prepared on an accrual basis.

There is, therefore, a need to align policy provisions with on-ground practice, formally recognizing CA audits, and enabling DLFA to rely on and integrate these audits into its reporting framework.

- **Delays in financial audit by the DLFA:**

Delays in conducting the audit by DLFA due to capacity constraints remains a major challenge. Field visits to the ULGs revealed that audits conducted by the DLFA are significantly delayed. Audits of accounting records for FY 2021-22, FY 2022-23, and FY 2023-24 were being undertaken only in FY 2025-26.

A summary of the audit status for selected ULGs is presented in the table below.

Table 5.4: Summary of status of audits

S.No	Name of the ULG	Audit by DLFA in FY 2025-26
1	Bhubaneswar Municipal Corporation	Audit for FY 2021-22 ongoing
2	Berhampur Municipal Corporation	Audit for FY 2021-22 ongoing
3	Rourkela Municipal Corporations	Audit for 2021-22 ongoing
4	Balasore Municipality	Audit for FY 2023-24 ongoing
5	Baripada Municipality	Audit completed till FY 2022-23
6	Hindol NAC	Audit completed till FY 2022-23
7	Dhamnagar NAC	Audit completed till FY 2022-23

- **Limited oversight by elected bodies:**

Audit reports are submitted to the executive heads i.e. the Commissioners, Executive Officers, Chief Financial Officers and for discussion at the District-level committees, but are not placed before the elected representatives.

Delays in audit, combined with the non-submission of audited records to the elected body, significantly weaken financial accountability by preventing elected representatives from exercising timely oversight and delaying corrective action on financial irregularities.

2) Compliance Audit:

Purpose:

The second type of audit is the compliance audit. The purpose of this audit is to examine whether the ULG has followed applicable laws, rules, regulations, and internal policies in the conduct of its functions, particularly in financial management and service delivery.

Process and responsible authority:

The compliance audits in the ULGs in Odisha are conducted by:

- The Directorate of Local Fund Audit (DLFA) as per the Odisha Local Fund Audit Act, 1948
- The Comptroller and Auditor General of India under the Technical Guidance and Support (TGS) arrangement with the Government of Odisha.

The process, however, does not involve auditing all ULGs in the state every year. Instead, the process is risk-based and selective.

Key Bottlenecks:

- **Limited scope and absence of Appropriation Audits**

A major gap is the absence of appropriation audits, which verify whether expenditure conforms to approved budgets. Budgeting in Odisha's ULGs remains largely procedural, with weak linkage between budget provisions and actual expenditure.

While DLFA verifies whether budgets are prepared, it does not examine compliance with budgetary appropriations. Given DLFA's wide mandate and limited staff capacity, the comprehensiveness of compliance audits remains constrained.

3) Performance Audit:

Purpose:

The third type of audit is the performance audit, whose purpose is to assess the effectiveness of expenditure incurred by the ULGs. It assesses the achievements of scheme objectives and conducts root cause analysis with respect to poor performance.

Process and Authority responsible:

- DLFA rarely conducts performance audits.
- Generally, this kind of audit is conducted by the Comptroller and Auditor General of India in a selective manner for specific sectors and schemes. For example, Performance Audit on Storm Water Drainage and Sewerage Management Systems was conducted for Municipal Corporations in Odisha for the FY 2021-22 during 2024. Previously, the CAG has also undertaken performance audits on key urban governance areas in Odisha such as "Waste Management in Urban Areas" and on the "Efficacy of the 74th Constitution Amendment Act with regard to devolution of funds, functions and functionaries in the state's ULGs".

Key Bottlenecks:

- **Sporadic and non-continuous nature of performance audits**

Performance audits are conducted occasionally and on a sample basis by the CAG. The method of selecting any particular sector/ scheme for the audit is also unknown.

4) Internal Audit Mechanism in the ULGs:

Purpose:

Internal audit is intended to provide continuous assurance on the adequacy of internal controls, accuracy of financial records, compliance with rules, and effectiveness of financial management systems in ULGs. It serves as the first line of defence against financial irregularities and supports overall fiscal accountability.

Process and responsible authority:

As per the Odisha Municipal Accounts Manual (OMAM), internal audit is to be carried out by internal auditors appointed within ULGs, who are expected to function independently of routine financial operations.

Their mandate is to *examine records, vouchers, and accounts, test and evaluate the relevant systems in the organization, obtain external evidence such as confirmation of bank balances and to decide to conduct physical counts and service or even call for independent expert opinion regarding technical matters* [OMAM Para 9.5.2].

The field visits revealed that internal auditors have been recruited in sixteen⁴⁴ ULGs in the state in FY 2023-24 through Odisha Staff Selection Commission.⁴⁵ Four out of these sixteen ULGs were visited as part of this study.⁴⁶

Key Bottlenecks:

- **Limited coverage**

Only sixteen ULGs have internal auditors, leaving the majority of ULGs in the state without any formal internal audit mechanism.

- **Narrow scope of internal audit in practice**

Interaction with the internal auditors during field visits (to the 4 ULGs with internal auditors) revealed that their work is mostly limited to verification of works files before a bill gets processed. This significantly falls short of the comprehensive mandate envisaged under OMAM. Internal Audit, when substantive and reliable, can eliminate the need for 100% transaction check by the DLFA, reducing the administrative burden on the already understaffed organization.

- **Underutilization of the internal audit mechanism putting burden on external audit**

Due to the weak and limited nature of internal audits, DLFA continues to undertake 100 per cent transaction checks, contributing to audit delays and administrative burden.

⁴⁴ These 16 ULGs are: Keonjhar Municipal Corporation, Bhubaneswar Municipal Corporation, Berhampur Municipal Corporation, Jharsuguda Municipality, Rourkela Municipal Corporation, Rajgangpur Municipality, Cuttack Municipal Corporation, Jeypore Municipality, Balasore Municipality, Rayagada Municipality, Bhawanipatna Municipality, Brajarajnagar Municipality, Jatni Municipality, Balangir Municipality, Bhadrak Municipality, Sunabeda Municipality

⁴⁵ Odisha Staff Selection Commission Notification No. IIE (Conf)- 62/23- 09 (c)/OSSC dtd. 02/01/2024

⁴⁶ Bhubaneswar Municipal Corporation, Rourkela Municipal Corporation, Berhampur Municipal Corporation and Balasore Municipality

5.4.2 Recommendations for Auditing

A strong audit mechanism is essential to ensure financial integrity, detect inefficiencies, and build public trust in ULGs in Odisha. With growing budgets and responsibilities, timely and independent audits help identify gaps in compliance, improve internal controls, and enhance the credibility of municipal financial reports. Strengthening audit practices both internal and external will also support better fund utilization, accountability to citizens, and better service delivery.

The vision for robust audit mechanism in ULGs in Odisha is as follows:

"To build a robust audit system that enables the timely availability of audited financial statements and comprehensive detection of financial irregularities, non-compliance, and service delivery gaps, with transparent disclosure of findings to elected representatives. This will strengthen financial accountability, support informed decision-making and promote responsible corrective action by Urban Local Governments in Odisha"

To achieve this vision, the following recommendations are proposed.

Recommendation 6

The HUDD needs to institutionalize a robust Internal Audit Mechanism in ULGs through hiring and training of internal auditors across all ULGs in the State, who can serve as the first line of defense against financial irregularities, non-compliance and service delivery gaps

As has been previously observed, ULGs lack a robust internal audit mechanism due to limited coverage and narrow scope in practice. It is recommended that the internal audits handle compliance and propriety checks. Larger ULGs could have their own internal auditors, while smaller ULGs could share internal auditors to save costs. The primary audit by DLFA could then focus on reviewing the effectiveness of these internal controls, rather than checking every single transaction. Strengthening internal audit mechanisms through requisite staff recruitment and capacity building will ensure that audits happen in a timely and comprehensive manner, leading to improved financial accountability.

Recommendation 7

The Finance Department, Odisha in collaboration with the Comptroller and Auditor General of India, must build the capacity of Local Fund Auditors in the use of digital systems, accrual-based accounting, and in the conduct of performance audits

To address the issue of delayed audits in ULGs, it is crucial to ensure regular recruitment of staff in the Directorate of Local Fund Audit (DLFA) through the Odisha Staff Selection Commission. In addition, auditors must be trained in the use of digital systems, equipped to understand accrual-based accounting, and capable of conducting not only financial but also compliance (particularly appropriation) and performance audits.

Currently, DLFA rarely conducts performance audits. The State government must seek support from the CAG to provide technical guidance and support to train local fund auditors in performance audits and not be entirely dependent on the CAG for this purpose. Regular and comprehensive performance audits by the State Auditor are essential to assess the

effectiveness of public expenditures and take corrective action to close service delivery gaps. The state government, therefore, must consider conceptualizing and building programs for enhancing capacities of local fund auditors in these domains.

Recommendation 8

The relevant Acts, Rules, and Manuals may be amended to designate Chartered Accountant (CA) firms as the authorized entities, responsible for auditing the financial statements of all categories of Urban Local Governments (ULGs) in the State

The Odisha Municipal Accounts Rules, 2012 designate Chief Auditor as the responsible authority for auditing financial statements. Rule 100 (5) of OMAR⁴⁷ states “*The Financial Statements shall be approved by the Council and the same shall be signed by the Executive Officer and the Chairperson after which it shall be submitted to the auditor, within two months from the close of the year.*”

The “Auditor” here means the Chief Auditor as defined under the Orissa Municipal Corporation Act, 2003. It is to be noted that currently, Orissa Municipal Act, 1950 does not define or contain provisions relating to Audit.

However, in practice, the Chief Auditor is not involved in the financial statements audit. The Manual and the Rules should, therefore, be brought in alignment with other state government notifications, providing for CA firms to undertake the audit of financial statements and DLFA using these audits for their purposes as well.

5.5 Decentralised Participatory Governance

Decentralised participatory governance forms the cornerstone of effective local self-government in India. The 74th Constitutional Amendment Act (CAA), 1993 mandates the devolution of powers, responsibilities, and resources to ULGs. Odisha, through legislative instruments such as the Odisha Municipal Act, 1950 and the Odisha Municipal Corporation Act, 2003, has established a legal framework for urban decentralisation. However, despite this statutory backing, the practical implementation of decentralised governance in the state remains fraught with institutional and operational challenges (CAG, 2021; CAG, 2023).

5.5.1 Key Bottlenecks in Decentralised Participatory Governance

This section lays out the current bottlenecks faced by ULGs in Odisha in terms of effective decentralised participatory governance and outlines corresponding recommendations.

1) Irregularities and delays in Council Elections and Council Formation

Article 243U of the Indian Constitution states that elections to ULGs shall be completed before the expiry of the term of the City Council. In case of dissolution of the Council, elections shall be held within six months from the date of dissolution. The CAG Audit (2024) observed that 1,600 out of 2,625 ULGs in 17 States in India, did not have an elected Council.⁴⁸

⁴⁷ <https://cpgfm.icai.org/wp-content/uploads/2022/08/Odisha-Municipal-Accounts-Rules-2004.pdf>

⁴⁸ Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India Volume I, Comptroller and Auditor General of India, 2024

One of the key governance challenges in Odisha has also been the irregularities and delays in conducting municipal elections. The provision for a five-year mayoral term has been provided under the Odisha Municipal Corporation Act, 2003 and operationalised through relevant amendments (State Election Commission (SEC), 2021). Despite this being a step forward, the irregularity and delay in conducting municipal elections has been a setback for decentralised governance.

Further, there is a need to empower the State Election Commission with the powers of delimitation.⁴⁹ Most states, including Odisha do not confer powers of delimitation to the SEC.

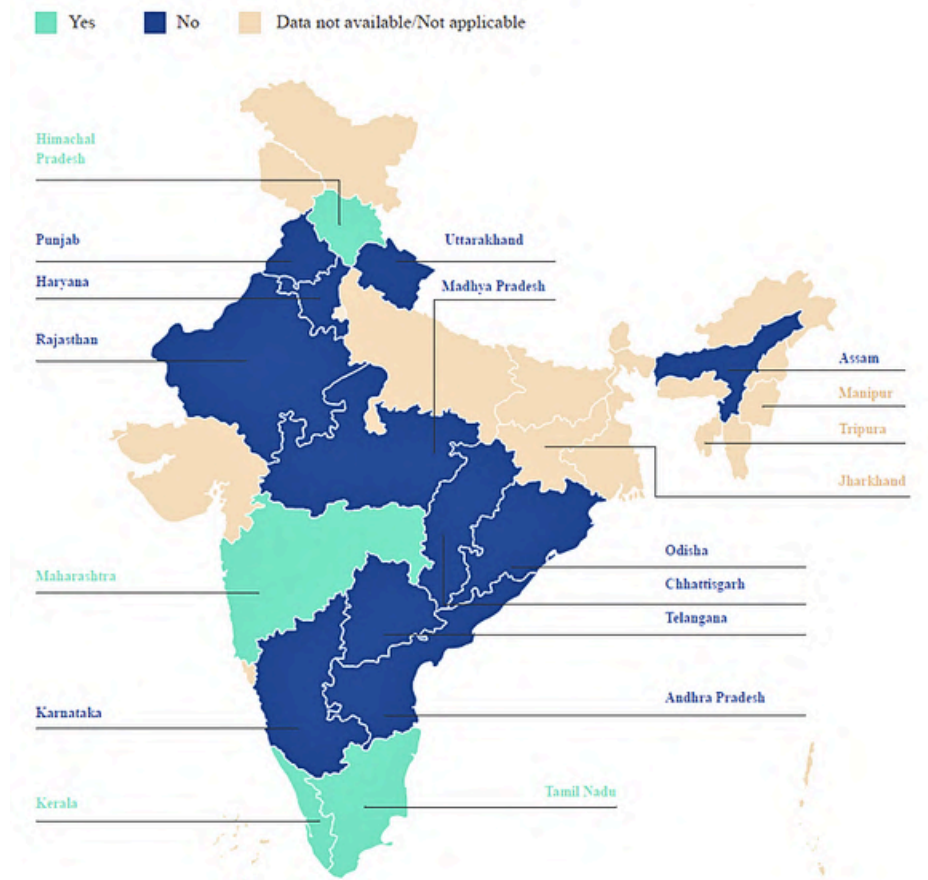
The map below provides a state-wise status of delimitation powers to the SECs across India:

Figure 5.2: State-wise status of delimitation powers to the SECs across India

Only 4 States have empowered the SECs with the delimitation of wards.

Audit observed that only 4 of the 15⁷ States, namely Himachal Pradesh, Kerala, Maharashtra and Tamil Nadu have empowered SECs with ward delimitation while in the remaining 11 States, it is vested with the State Government.

Figure 1.6: Empowerment of SEC with ward delimitation



Source: Comptroller and Auditor General of India (CAG) (2024) Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India Volume I

⁴⁹ "The task of delimitation and reservation of constituencies should be entrusted to the State Election Commissions" Sixth Report of the Second Administrative Reforms Commission "Local Governance – An Inspiring Journey into the Future" (2007)

2) Lack of functional devolution to the ULGs

Devolution of functions, a cornerstone of the 74th CAA, has been partially implemented in Odisha. While Odisha has devolved all 18 functions in legislation as per CAG's Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992 (Volume I, 2024), the on ground implementation remains rather fragmented.

In many cases, ULGs require approval from district administrations for projects already sanctioned by their own councils, undermining the principle of subsidiarity (CAG, 2023). Moreover, parastatal bodies such as development authorities, and regional planning bodies discharge many of the functions constitutionally assigned to ULGs. For example, parastatals such as Water Corporation of Odisha (WATCO), Odisha Water Supply and Sewerage Board (OWSSB), amongst others, undertake key urban functions of water supply and sewerage, which are constitutionally assigned to the ULGs. Moreover, the lack of a formal activity mapping exercise exacerbates this problem, creating overlapping jurisdictions and blurred lines of accountability (5th Odisha SFC).

3) Lack of Community Participation in municipal governance

A significant obstacle to decentralised governance in the state is the absence of Ward Committees and Area Sabhas. Despite legal provisions, these participatory platforms have not been constituted in Odisha's ULGs, excluding citizens from policy formulation and implementation at the local level. The absence of elected representation and structured grassroots consultation has created an impediment to active citizen participation in urban governance (CAG, 2023). The CAG has highlighted that only 9 out of the 15 States in India have formed Ward Committees at least in one ULG.⁵⁰

The table below presents the status of formation of Ward Committees across 15 states:

Table 5.5: Status of formation of Ward Committees across 15 States in India

Status of formation of Ward Committees	States
Ward Committees constituted in all ULGs and wards	Kerala (numbers not specified), Maharashtra (8 out of 8 test-checked ULGs)
Ward Committees constituted in some of the ULGs and wards	Chhattisgarh (1 out of 27 test-checked ULGs), Himachal Pradesh (1 out of 14 test-checked ULGs), Karnataka (1 out of 11 city corporations), Madhya Pradesh (2 out of 33 test-checked ULGs), Tripura (6 out of 11 ULGs), Jharkhand (3 out of 10 test-checked ULGs) and Telangana (3 out of 17 ULGs)
Ward Committees not constituted in ULGs	Andhra Pradesh, Haryana, Odisha, Punjab, Rajasthan and Uttarakhand

Source: Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India Volume I, Comptroller and Auditor General of India, 2024

Presented below is the case study of Karnataka, specifically the Mangaluru City Corporation, and its citizen-led legal push to institutionalize ward committees as mandated under the 74th Constitutional Amendment Act.

⁵⁰ Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India Volume I, Comptroller and Auditor General of India, 2024

Good Practice Highlight: Enforcing Decentralization through Ward Committees in Mangaluru City Corporation

"Ward committees have existed in Bengaluru, albeit sporadically, since 1999 due to sustained pressure from citizens." As many as 7145 ward committee meetings were held in Bengaluru between 2019-2024. The first ward committees outside Bengaluru were constituted in Mangaluru in 2021.

The case of WCs in Mangaluru is an example of citizens using the judiciary and law to enforce the 74th CAA. In the absence of effective on ground adherence to and delivery of the Constitutional mandate for first mile governance, the example of Mangaluru may be considered to understand the levels of urgency in citizen participation. This was due to the PIL order of the High Court of Karnataka in Writ Petition No. 53244/2018 (Nigel Albuquerque & Ors. Vs. State of Karnataka & Ors.) for Mangaluru City Corporation (MCC). "The litigation highlighted the MCC's failure to comply with constitutional and statutory requirements for Ward Committees." The HC directed the MCC to notify Area Sabhas before ward elections and form Ward Committees immediately after the elections to the MCC Council. This ruling was a significant step toward enforcing the legal mandate for decentralized governance in Mangaluru. So far, 489 WC meetings have been held between April 2022 and July 2024.

In pursuance of this, the MCC has drafted the Mangaluru City Corporation Ward Committees (Transaction of Business) Byelaws, 2022 which contains detailed provisions and nuances on the WC process, powers and functioning- like ward development schemes/mapping, administration, public consultation and disclosure amongst other key aspects for WCs to function effectively on the ground.

4) Inadequate Public Disclosure of relevant information by ULGs

Public disclosure of financial and operational information is central to transparency, accountability, and citizen trust in ULGs. It enables citizens visibility over the use of public funds and helps build trust in public institutions. While Odisha's legal framework mandates disclosure of a wide range of information, implementation remains weak.

Field visits revealed that disclosures are largely limited to audited financial statements and draft budgets displayed on notice boards for a limited period. Other mandated disclosures are generally not made available, indicating a significant gap between policy intent and on-ground practice.

The Odisha Municipal (Amendment) Act, 2008 mandates the disclosure of the following information.

- **Information on Administration and Elected Representatives:**
 - Particulars of its organization, functions, functionaries, duties, contact details

- **Information on procedural aspects:**

- Minutes of proceedings of meetings of the council, committees and other bodies or council proceedings' webcast

- **Financial and other related information:**

- City Budgets (Ward-wise)
- Audited Financial Statements
- Other Audit and Compliance reports
- Ongoing works list (includes tenders, bills, work orders)
- Annual service delivery metrics aligned with MoHUA SLBs
- Annual Administrative Report

- **Information of grievance redressal:**

- Suo moto declaration under Section 4(1)(b) of the RTI Act, 2005 published and accessible (website, notice boards, etc.)
- Maintain complaints register at zonal and HO level (with escalation mechanism) and ensure that ULGs' grievance redressal rate is at least 85% annually

5.5.2 Recommendations for Decentralized Participatory Governance

Recommendation 9

The State Government should ensure the timely conduct of municipal elections prior to the expiry of ULG terms and empower the State Election Commission (SEC) with ward delimitation powers.

Timely municipal elections are essential for ensuring continuity and stability in urban governance. These reforms will reduce governance vacuums and strengthen democratic legitimacy at the local level.

Recommendation 10

The State Government should strengthen functional clarity and institutional coordination between ULGs, parastatals and other civic agencies

1) Undertake proper activity mapping exercise that clearly delineates the roles and responsibilities of ULGs vis-a-vis parastatals and other civic agencies in the State

A forward-looking activity-mapping exercise will systematize urban governance by clearly defining the roles of ULGs, parastatals, and other civic agencies. Clear functional boundaries will reduce overlaps and improve coordination across institutions. This will support integrated planning and more efficient service delivery. Ultimately, it will strengthen accountability for urban outcomes.

2) The State Government should frame rules mandating coordination between the ULGs and parastatals.

Mandating coordination through formal rules will shift urban governance towards a more collaborative and integrated model. Structured coordination mechanisms can enable joint planning, data-sharing, and aligned implementation across agencies. This will help address fragmentation in service delivery systems. Over time, such reforms will create a more coherent and future-ready urban governance framework.

3) To put the rules in practice, the State Government should form Municipal Coordination Committees (MCCs) led by the mayor and consisting of all civic agencies within the city

Municipal Coordination Committees led by elected leadership can serve as strategic platforms for integrated city management. Regular engagement among civic agencies will improve convergence in planning and implementation. These committees can strengthen oversight and accountability to the Municipal Council. In the long term, they will support adaptive and citizen-centric urban governance.

Recommendation 11

The ULGs should take proactive measures to empower their Councillors through Councillor Leadership Training Programs on matters of civic administration

The councillor trainings on matters of civic administration (including women elected representatives) conducted by the Coimbatore City Municipal Corporation in collaboration with Tamil Nadu Institute for Urban Studies, is a good example in this regard.

Recommendation 12

The State Government should reinstate Area Sabhas and Neighbourhood Groups in accordance with the provisions of Odisha Municipal Laws (Amendment) Act, 2015 (Section 21-C)

Reinstating Area Sabhas and Neighbourhood Groups will institutionalise citizen participation at the neighbourhood level. These forums will enable community inputs into planning, service monitoring, and grievance redressal. Their activation is critical to deepening participatory urban governance as envisaged in law.

Recommendation 13

ULGs to form Ward Committees (WCs) in accordance with the provisions of the Odisha Municipal Corporation Act, 2003 as amended including the Odisha Municipal Laws (Amendment) Act, 2023.

Forming Ward Committees as mandated in law will strengthen decentralised decision-making at the ward level. Ward Committees can serve as formal platforms for citizen representation and consultation. Their effective functioning will improve transparency and responsiveness in ULG governance.

Recommendation 14

The ULGs to establish ward offices, which can function as service delivery centres, revenue collection points, and venues for community interactions at the first-mile.

Establishing ward offices will bring municipal administration closer to citizens. Ward offices can function as first-mile service delivery points, revenue collection centres, and spaces for community engagement. This will improve service access and administrative responsiveness.

Recommendation 15

The ULGs must comply with the Odisha Municipal (Amendment) Act, 2008 and the Odisha Municipal Corporation (Amendment) Act, 2008 to disclose the following information to the citizens.

Mandatory public disclosures, as provided under municipal laws, will enhance transparency and citizen oversight. Regular dissemination of financial and operational information can enable informed public engagement. Strengthening disclosure practices is essential for reinforcing accountability in ULGs.

Recommendation 16

The Housing and Urban Development Department could create a digital participatory governance platform for public disclosure of information

The information can be made publicly available and invite citizen feedback through a digital governance platform on the lines of the Meri Panchayat App⁵¹ developed by the Ministry of Panchayati Raj, Government of India. The App offers a noteworthy example of public disclosure of information. It is a mobile-governance platform to serve as a one stop shop for primary users, i.e. the Gram Panchayat Citizens, Gram Panchayat Secretaries, Gram Pradhan and Sarpanch.

The platform provides the citizens a whole range of details such as funds allocation for Gram Panchayat, Financial and Physical Progress of works, where the citizens can comment on the quality development works, raise complaints and gain access to a plethora of information. The whole list of information available to the public through the App, is shown below:

⁵¹ <https://meripanchayat.gov.in/homepage>

Figure 5.3: Snapshot of 'Meri Panchayat' platform

Who's Who

- Know My Public Representatives, Government Servants related to GP (Source eGramSwaraj Portal)
- Committees and their members formed at GP Level (Source eGramSwaraj Portal)

Governance (G2C Services for Gram Panchayat)

- Circulars and Orders (Source eGramSwaraj Portal)
- Messages and Notifications meant for his Gram Panchayat

Citizen Participation

- Know and view Implementation of GP Development Plan (Source eGramSwaraj Portal)
- View Funds Allocation for Gram Panchayat (Source eGramSwaraj Portal)
- Submit Ratings and Reviews with Geofenced/ Geo Tagged Photos
- View Sankalps taken at GP Level (Source eGramSwaraj Portal)
- View Financial and Physical Progress of Works, Comment on Quality and Expenditure related to Development Works (Source eGramSwaraj Portal)
- View Gram Panchayat Assets (Source eGramSwaraj Portal)
- View Account and Audit information (Source Audit Online Portal)
- Post Suggested Activities for inclusion in upcoming Main/Supplementary Panchayat Plan for discussion in Gram Sabha Meetings

Inclusive Citizen Participation

- View Past and upcoming Gram Sabhas schedule, Agenda (Source eGramSwaraj Portal)
- View Notifications
- Register Suggestions/Complaints
- View Gram Sabha Decisions

Meri Panchayat is a Citizen Engagement Mobile Platform

- for facilitating continuous Social Audit of all works and activities via Geo Tagged and Geo Fenced Photos and Responses submitted through this app.
- for Inclusive Participation in the making of Development Plans

Meri Panchayat is envisaged to serve as a medium/ mode for the Elected Representatives and Authorized Officials to reach out to Citizens of all Gram Panchayats across the country via Messages and Notifications at the click of a Button.

Recommendation 17




The State Government could publish model SOPs for Social Audit and facilitate social audits for at least two major works in each of the ULGs in Odisha

Odisha has made partial progress in this regard through the establishment of the Odisha Society for Social Audit Accountability and Transparency (SAU), an independent Social Audit Unit. However, these audits have been largely restricted to rural schemes like MGNREGS and social security programmes, with minimal extension into urban services (CAG, 2023). Expanding the scope of social audits into urban services can significantly strengthen transparency, enforce accountability, and empower citizens to play an active role in shaping and monitoring urban development outcomes.

5.6 Summary of Recommendations

The table below presents a summary of the catalytic recommendations for accounting, auditing and decentralized participatory governance for the ULGs in Odisha:

Table 5.6: Summary of Recommendations for strengthening fiscal accountability across Odisha's ULGs

Thematic Area	Short term	Medium Term
 <p>Accounting</p>	<p>Recommendation 1: The Housing and Urban Development Department should strengthen SUJOG into a comprehensive and robust digital system to enable the real-time preparation of a single set of digital accounts in all ULGs through automated, workflow-based processes</p>	<p>Recommendation 4: The State Government should align the provisions of the OM Act, OMC Act, OMAM and OMAR to avoid inconsistencies and incorporate digital-first approach</p>
 <p>Auditing</p>	<p>Recommendation 6: The Housing and Urban Development Department needs to institutionalize a robust Internal Audit Mechanism in ULGs through hiring and training of internal auditors across all ULGs in the State, who can serve as the first line of defence against financial irregularities, non-compliance and service delivery gaps</p>	<p>Recommendation 7: The State Finance Department, in collaboration with the Comptroller and Auditor General of India, must build the capacity of Local Fund Auditors in the use of digital systems, accrual-based accounting, and in the conduct of performance audits</p>
 <p>Decentralized Participatory Governance</p>	<p>Recommendation 10: The State Government should strengthen functional clarity and institutional coordination between ULGs, parastatals and other civic agencies</p> <p>Recommendation 11: The ULGs should take proactive measures to empower their Councillors through Councillor Leadership Training Programs on matters of civic administration</p> <p>Recommendation 15: The ULGs must comply with the Odisha Municipal (Amendment) Act, 2008 and the Odisha Municipal Corporation (Amendment) Act, 2008 to disclose information to the citizens</p> <p>Recommendation 16: The Housing and Urban Development Department could create a digital participatory governance platform for public disclosure of this information</p>	<p>Recommendation 12: The State Government must reinstate Area Sabhas and Neighbourhood Groups in accordance with the provisions of Odisha Municipal Laws (Amendment) Act, 2015 (Section 21-C)</p> <p>Recommendation 13: ULGs must form Ward Committees (WCs) in accordance with the provisions of the Odisha Municipal Corporation Act, 2003 as amended including the Odisha Municipal Laws (Amendment) Act, 2023</p>

6

Implementation of SFC Recommendations



The SFC and its recommendations play an important role in fiscal architecture of the country. SFC recommendations not just play an important role in improving the financial sustainability of ULGs by expanding their resource base but also in driving public finance management reforms in ULGs, at large. Effective implementation of accepted SFC recommendations is central to improving the credibility and institutional effectiveness of the SFC, while simultaneously strengthening financial management practices of the ULGs. However, it has been observed across states that a significant share of SFC recommendations remain unimplemented even after the expiry of SFC award period. The following recommendations are proposed to enhance the effectiveness of SFCs through improved implementation of their recommendations:

Recommendation 1

Establish robust top-down, inter-departmental and department-level review mechanisms focused on improving the implementation of recommendations related to grants and reforms.

Institutionalised grant review mechanisms are found to provide multiple benefits. In countries where such practices are followed, it has served as a platform for high-level deliberation on grant design and implementation progress. At the moment, such reviews happen between FD and UDD during the annual budget process, but there is significant scope to formalise their purpose and approach.

- 1) At the highest level, an inter-departmental grant review mechanism should be established.** This can be chaired by the Development Commissioner or by the Chief Secretary. It should include representation from the PAG's (Principal Accountant General) office, HUDD, FD, Rural Development, civil society, and other relevant members belonging to institutions focused on improving accountability of public finances. At a broad level, the objective can be to formally review the state government's implementation of the SFC's recommendations. Within this framework, specific objectives can include (but not exhaustive) (i) review of measures taken to empower local governments, especially on reforms suggested by SFCs and further financial devolution; (ii) processes and systems adopted to improve efficiency, equity, effectiveness and accountability of SFC and CFC grants; and (iii) for urban, review of performance of parastatals, if they receive grants from SFC's recommended pool of finances.
- 2) It is recommended that an SFC Cell is set up within the Finance Department. Its key objectives will be to support the SFC, during its term, and to facilitate the implementation of its recommendations, during the award period.** Various SFCs have previously emphasised on the value-add from this institutional reform.⁵² Figure 6.1 illustrates the different responsibilities that it could undertake.

⁵² Kerala (2nd SFC), Assam (2nd and 5th SFC), Maharashtra (5th SFC), Tamil Nadu (5th SFC), Rajasthan (5th SFC), Sikkim (4th SFC), among others.

Figure 6.1: Potential Functions of SFC Cell



So far, very few states have taken an active lead on this front (Tamil Nadu and Kerala, to name a few). In Tamil Nadu, the cell is tasked with multiple responsibilities aimed at monitoring, evaluating and improving the performance of local self-governing institutions. Its core mandate includes monitoring SFC fund transfer, fund utilization by local governments, creation of a data bank on finances of Local Governments for use by State and Central Finance Commissions, among others.⁵³ In Odisha, an initiative of this nature will signal the state government's commitment to fiscal decentralisation and empowerment of ULGs.

Recommendation 2

Create robust bottom-up accountability mechanisms focused on improving the transparency and accountability of ULGs.

In addition to top-down review mechanisms, local level accountability needs strengthening. It is recommended that citizens and civil society groups are actively engaged in the process of planning and monitoring of SFC and UFC grants. Specifically,

- 1) Active consultations with citizens during the process of action plan** preparation for 'untied SFC grants'. The HUDD can provide broad Standard Operating Procedures (SOPs) to guide the consultation processes. The objective should be for ULGs to understand citizens' priorities within different sectors (solid waste management,

⁵³ Government of Tamil Nadu. *Explanatory Memorandum on the Action taken on the Recommendations made by the fifth State Finance Commission in its report submitted to Hon'ble Governor of Tamil Nadu on December 27, 2016.*

pavements, drains, roads, parks, among others). Ideally, this should happen through ward committees, area sabhas and other participatory forums provided for by the law. Minutes from citizens' consultations should be published on the ULG's webpage.

2) Conduct social audits for works undertaken through SFC untied grants. In the rural sector, both at the Union and State level, significant progress has been made in this direction. At the Union level, the Panchayati Raj Department has issued guidelines to conduct social audits on the use of 15th FC grants. MOPR works jointly with the CAG to enhance the effectiveness of social audits.⁵⁴ However, such initiatives are lacking in the urban sector. **HUDD in Odisha can anchor this shift, and set an example for other states and for MoHUA to take forward at the Union level. As urban becomes more critical to the state's economic development and flow of finances to ULGs increase, measures aimed at improving the governance of finances become essential.**

Recommendation 3

All information across grants lifecycle from outlays to outputs (allocation, eligibility, compliances, sanction, release, utilisation and projects) should be published on SUJOG on real-time basis.

Transparency can be a tool for improving the accountability of ULGs and trust in ULGs. SFC can pave a pathway through transparency in SFC grants by making it mandatory for HUDD and ULGs for publish information on the release and use of SFC grants. In Odisha, digital systems are mature enough to enable this reform. The coverage can be expanded to CFC grants, key state schemes and CSS as well later on. Specifically, the following recommendation is made.

A public facing portal on SUJOG can be developed to:

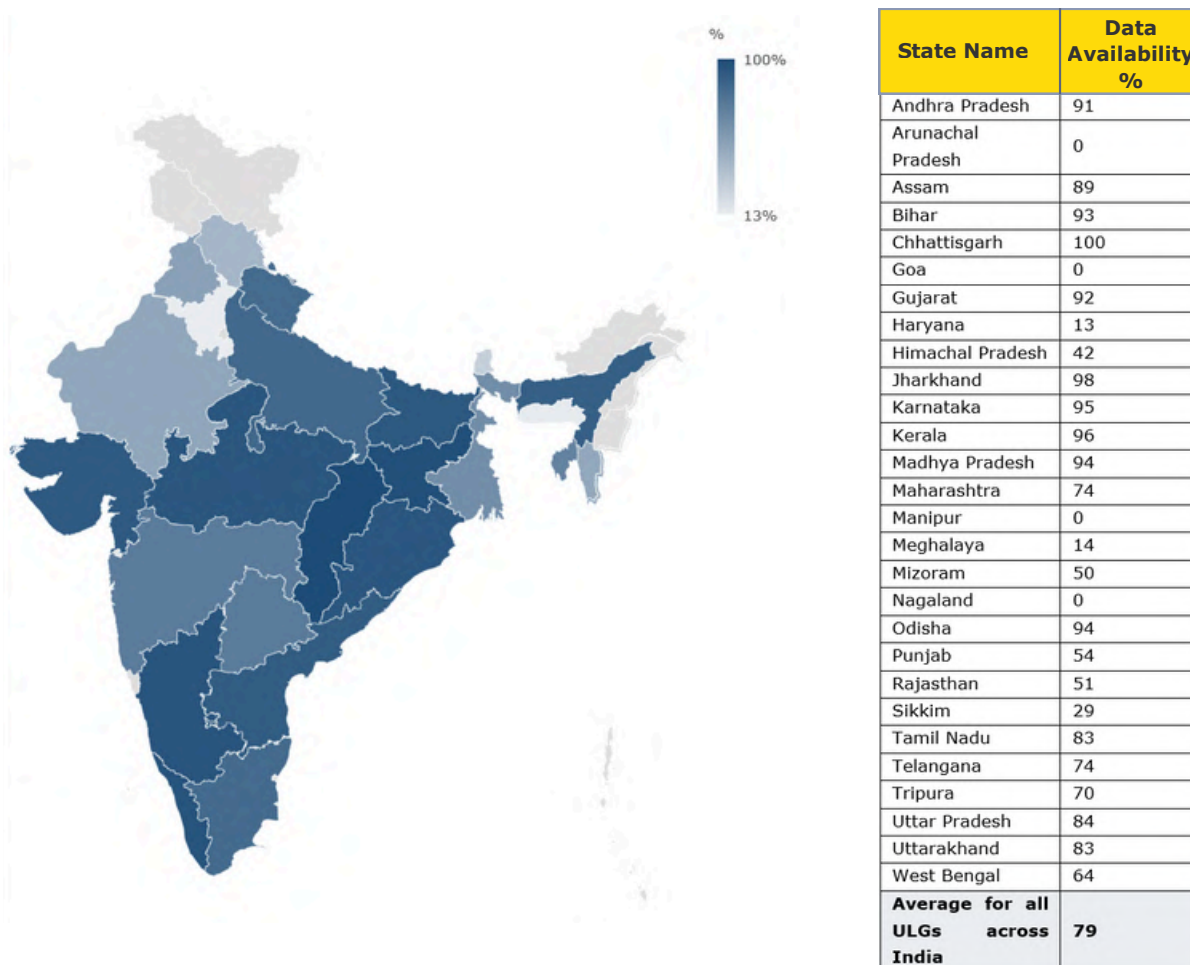
- Publish action plans of all ULGs in public domain. Provide real-time financial information on ULG-wise release of grants, expenditure and status of unspent finances. Grants Monitoring Dashboard can be leveraged and integrated with SUJOG to enable this.
- Provide information on all projects completed from SFC grants, on SUJOG in public domain. MGNREGA scheme fares well on the transparency front as relevant information pertaining to works is made available to the public through a Management Information System (MIS). Moreover, panchayats also publish information on utilization and outputs from 15th FC grants in public domain on eGramSwaraj portal and Meri Panchayat app. This has enabled a spirit of collaboration between citizens and administration in improving the effectiveness of the scheme. A similar vision can be built for SFC grants in Odisha wherein citizens and city governments work together to translate finances to better service delivery.
- Publishing information on financials and projects in a format that is easily comprehensible, in real-time, can be a step in this direction.

⁵⁴ Ministry of Panchayati Raj, 2015; Social Audit Directorate Karnataka; Ministry of Panchayati Raj, n.d.

Annexures



Annexure 2.1: The extent of ULG data availability for these states for FY 2021-22



Annexure 2.2: The GSDP and Urbanisation Rate of States

#	State	Gross State Domestic Product (GSDP) at Current Prices FY 2022-23	State Population (As per Census 2011)	GSDP per Capita FY 2022-23	Urbanisation Rate (%)	Urbanization Typologies
1	Andhra Pradesh	13,035,236,200,000	49,670,000	262,437	33%	More Urbanised Large State
2	Arunachal Pradesh	351,072,000,000	1,383,727	253,715	23%	Less Urbanised Small State
3	Assam	4,787,791,900,000	31,205,576	153,427	14%	Less Urbanised Small State
4	Bihar	7,464,166,500,000	104,099,452	71,702	11%	Less urbanised large State
5	Chhattisgarh	4,643,989,900,000	25,545,198	181,795	23%	Less Urbanised Small State
6	Goa	891,297,400,000	1,458,545	611,087	62%	More Urbanised Small State
7	Gujarat	22,034,189,700,000	60,439,692	364,565	42%	More Urbanised Large State
8	Haryana	9,840,554,400,000	25,351,462	388,165	34%	More Urbanised Small State
9	Himachal Pradesh	1,917,275,900,000	6,864,602	279,299	10%	Less Urbanised Small State
10	Jharkhand	4,173,611,400,000	32,988,134	126,519	24%	Less Urbanised Small State
11	Karnataka	22,699,950,900,000	61,095,297	371,550	38%	More Urbanised Large State
12	Kerala	10,236,024,600,000	33,406,061	306,412	47%	More Urbanised Small State
13	Madhya Pradesh	12,464,713,400,000	72,626,809	171,627	27%	Less Urbanised large State
14	Maharashtra	36,458,838,500,000	112,374,333	324,441	45%	More Urbanised Large State
15	Manipur	402,429,400,000	2,855,794	140,917	30%	More Urbanised Small State
16	Meghalaya	465,513,100,000	2,966,889	156,903	20%	Less Urbanised Small State
17	Mizoram	306,903,300,000	1,097,206	279,713	51%	More Urbanised Small State

#	State	Gross State Domestic Product (GSDP) at Current Prices FY 2022-23	State Population (As per Census 2011)	GSDP per Capita FY 2022-23	Urbanisation Rate (%)	Urbanization Typologies
18	Nagaland	371,500,900,000	1,978,502	187,769	29%	Less Urbanised Small State
19	Odisha	7,595,595,700,000	41,974,218	180,959	16%	Less Urbanised large State
20	Punjab	6,812,512,600,000	27,743,338	245,555	37%	More Urbanised Small State
21	Rajasthan	13,578,512,100,000	68,548,437	198,086	24%	Less Urbanised large State
22	Sikkim	426,774,500,000	610,577	698,969	24%	Less Urbanised Small State
23	Tamil Nadu	23,933,644,400,000	72,147,030	331,734	48%	More Urbanised Large State
24	Telangana	13,118,230,200,000	35,003,674	374,767	33%	More Urbanised Large State
25	Tripura	723,475,400,000	3,673,917	196,922	26%	Less Urbanised Small State
26	Uttar Pradesh	22,841,039,100,000	199,812,341	114,312	22%	Less Urbanised large State
27	Uttarakhand	3,037,807,400,000	10,086,292	301,182	30%	More Urbanised Small State
28	West Bengal	15,317,583,400,000	91,276,115	167,816	31%	More Urbanised Large State

Source: RBI and Census 2011

Annexure 2.3: Availability of data by ULG

S.No.	ULG Name	2019-20	2020-21	2021-22	2022-23	All 4 Years
Municipal Corporations						
1	Bhubaneswar Municipal Corporation	Yes	Yes	Yes	Yes	Yes
2	Cuttack Municipal Corporation	Yes	Yes	Yes	Yes	Yes
3	Brahmapur Municipal Corporation	Yes	Yes	Yes	Yes	Yes
4	Raurkela Municipal Corporation	Yes	Yes	Yes	Yes	Yes
5	Sambalpur Municipal Corporation	Yes	Yes	Yes	No	No
Municipality						
6	Baleshwar Municipality	Yes	Yes	Yes	Yes	Yes
7	Baripada Municipality	Yes	Yes	Yes	Yes	Yes
8	Bhadrak Municipality	Yes	Yes	Yes	Yes	Yes
9	Puri Municipality	Yes	Yes	Yes	No	No
10	Anandapur Municipality	No	No	Yes	Yes	No
11	Anugul Municipality	Yes	Yes	Yes	Yes	Yes
12	Balangir Municipality	Yes	Yes	Yes	No	No
13	Barbil Municipality	Yes	Yes	Yes	Yes	Yes
14	Bargarh Municipality	No	No	Yes	Yes	No
15	Basudebpur Municipality	Yes	Yes	Yes	Yes	Yes
16	Belpahar Municipality	Yes	Yes	Yes	Yes	Yes
17	Bhawanipatna Municipality	Yes	No	No	No	No
18	Biramitrapur Municipality	Yes	Yes	Yes	Yes	Yes
19	Brajarajnagar Municipality	Yes	Yes	Yes	Yes	Yes
20	Choudwar Municipality	Yes	No	Yes	Yes	No
21	Debagarh Municipality	No	No	Yes	No	No

S.No.	ULG Name	2019-20	2020-21	2021-22	2022-23	All 4 Years
22	Dhenkanal Municipality	Yes	Yes	Yes	Yes	Yes
23	Gunupur Municipality	No	No	Yes	Yes	No
24	Hinjilicut Municipality	Yes	Yes	Yes	Yes	Yes
25	Jagatsinghpur Municipality	Yes	Yes	Yes	Yes	Yes
26	Jajapur Municipality	Yes	Yes	Yes	Yes	Yes
27	Jaleswar Municipality	Yes	Yes	Yes	Yes	Yes
28	Jatani Municipality	Yes	Yes	Yes	Yes	Yes
29	Jeypur Municipality	Yes	Yes	Yes	Yes	Yes
30	Jharsuguda Municipality	Yes	Yes	Yes	Yes	Yes
31	Joda Municipality	No	Yes	Yes	Yes	No
32	Kendrapara Municipality	Yes	Yes	Yes	Yes	Yes
33	Kendujhar Municipality	Yes	No	Yes	Yes	No
34	Khordha Municipality	Yes	Yes	Yes	Yes	Yes
35	Koraput Municipality	Yes	Yes	Yes	Yes	Yes
36	Malkangiri Municipality	Yes	No	Yes	Yes	No
37	Nabarangapur Municipality	No	Yes	Yes	Yes	No
38	Paradeep Municipality	Yes	Yes	Yes	Yes	Yes
39	Paralakhemundi Municipality	No	Yes	Yes	Yes	No
40	Pattamundai Municipality	Yes	Yes	Yes	Yes	Yes
41	Phulabani Municipality	No	No	No	Yes	No
42	Rairangpur Municipality	Yes	Yes	Yes	Yes	Yes
43	Rajagangapur Municipality	Yes	Yes	Yes	Yes	Yes
44	Rayagada Municipality	Yes	Yes	Yes	Yes	Yes
45	Sonapur Municipality	Yes	Yes	Yes	Yes	Yes
46	Soro Municipality	Yes	Yes	Yes	Yes	Yes

S.No.	ULG Name	2019-20	2020-21	2021-22	2022-23	All 4 Years
47	Sunabeda Municipality	Yes	Yes	Yes	Yes	Yes
48	Sundargarh Municipality	Yes	Yes	Yes	Yes	Yes
49	Talcher Municipality	Yes	Yes	Yes	Yes	Yes
50	Titlagarh Municipality	Yes	No	Yes	Yes	No
51	Umarkote Municipality	Yes	No	Yes	Yes	No
52	Vyasanagar Municipality	Yes	Yes	Yes	Yes	Yes
Notified Area Council						
53	Asika Notified Area Council	Yes	Yes	Yes	Yes	Yes
54	Athagad Council Notified Area	No	No	Yes	Yes	No
55	Athamallik Council Notified Area	Yes	Yes	Yes	No	No
56	Attabira Notified Area Council	Yes	Yes	Yes	Yes	Yes
57	Baliguda Council Notified Area	No	No	Yes	Yes	No
58	Balimela Council Notified Area	No	No	Yes	Yes	No
59	Balugaon Notified Area Council	Yes	Yes	Yes	Yes	Yes
60	Banapur Notified Area Council	Yes	Yes	Yes	Yes	Yes
61	Banki Notified Area Council	Yes	Yes	Yes	Yes	Yes
62	Barapali Notified Area Council	Yes	Yes	Yes	Yes	Yes
63	Bellaguntha Council Notified Area	Yes	Yes	Yes	Yes	Yes
64	Bhanjanagar Council Notified Area	Yes	Yes	Yes	Yes	Yes
65	Bhuban Notified Area Council	Yes	Yes	Yes	Yes	Yes
66	Bijepur Notified Area Council	Yes	Yes	Yes	Yes	Yes
67	Binika Notified Area Council	Yes	No	Yes	Yes	No
68	Boudhgarh Council Notified Area	Yes	Yes	Yes	Yes	Yes
69	Buguda Notified Area Council	Yes	Yes	Yes	Yes	Yes

S.No.	ULG Name	2019-20	2020-21	2021-22	2022-23	All 4 Years
70	Champua Notified Area Council	No	No	Yes	Yes	No
71	Chandabali Notified Area Council	Yes	Yes	Yes	Yes	Yes
72	Chhatrapur Notified Area Council	Yes	Yes	Yes	Yes	Yes
73	Chikiti Notified Area Council	Yes	Yes	Yes	Yes	Yes
74	Dasapalla Notified Area Council	Yes	Yes	Yes	Yes	Yes
75	Dhamanagar Notified Area Council	Yes	Yes	Yes	Yes	Yes
76	Dharmagarh Notified Area Council	Yes	Yes	Yes	Yes	Yes
77	Digapahandi Notified Area Council	No	No	No	Yes	No
78	G. Udayagiri Notified Area Council	No	No	Yes	Yes	No
79	Ganjam Notified Area Council	Yes	Yes	Yes	Yes	Yes
80	Gopalpur Notified Area Council	Yes	Yes	Yes	Yes	Yes
81	Gudari Notified Area Council	Yes	No	Yes	Yes	No
82	Hindol Notified Area Council	Yes	Yes	Yes	Yes	Yes
83	Junagarh Notified Area Council	Yes	Yes	No	No	No
84	Kamakhyanager Notified Area Council	Yes	Yes	Yes	Yes	Yes
85	Kantabanji Notified Area Council	Yes	Yes	Yes	Yes	Yes
86	Karanja Notified Area Council	Yes	Yes	Yes	Yes	Yes
87	Kasinagar Notified Area Council	No	No	Yes	Yes	No
88	Kavisurjanagar Notified Area Council	Yes	Yes	Yes	Yes	Yes
89	Kesinga Notified Area Council	Yes	Yes	Yes	Yes	Yes
90	Khalikote Notified Area Council	Yes	Yes	Yes	Yes	Yes
91	Khandapada Notified Area Council	Yes	Yes	Yes	No	No

S.No.	ULG Name	2019-20	2020-21	2021-22	2022-23	All 4 Years
92	Khariar Notified Area Council	Yes	Yes	Yes	Yes	Yes
93	Khariar Road Notified Area Council	Yes	Yes	Yes	Yes	Yes
94	Kochinda Notified Area Council	Yes	Yes	Yes	Yes	Yes
95	Kodala Notified Area Council	Yes	Yes	Yes	Yes	Yes
96	Konark Notified Area Council	Yes	No	Yes	Yes	No
97	Kotpad Notified Area Council	Yes	No	No	Yes	No
98	Nayagarh Notified Area Council	No	No	No	No	No
99	Nilagiri Notified Area Council	Yes	Yes	Yes	Yes	Yes
100	Nimapada Notified Area Council	Yes	Yes	Yes	Yes	Yes
101	Nuapada Notified Area Council	Yes	Yes	Yes	Yes	Yes
102	Odogaoon Notified Area Council	Yes	Yes	Yes	Yes	Yes
103	Padmapur Notified Area Council	Yes	Yes	Yes	Yes	Yes
104	Patnagarh Notified Area Council	Yes	Yes	Yes	Yes	Yes
105	Pipili Notified Area Council	Yes	Yes	Yes	Yes	Yes
106	Polasara Notified Area Council	Yes	Yes	Yes	Yes	Yes
107	Purusottampur Notified Area Council	Yes	Yes	Yes	Yes	Yes
108	Rambha Notified Area Council	Yes	Yes	Yes	Yes	Yes
109	Ranapur Notified Area Council	Yes	Yes	Yes	Yes	Yes
110	Redhakhool Notified Area Council	Yes	Yes	Yes	Yes	Yes
111	Remuna	No	No	No	Yes	No
112	Surada Notified Area Council	Yes	Yes	Yes	Yes	Yes
113	Tarbha Notified Area Council	Yes	Yes	Yes	Yes	Yes
114	Tusura Notified Area Council	Yes	Yes	Yes	Yes	Yes
115	Udala Notified Area Council	Yes	Yes	Yes	Yes	Yes
	Total ULGs	98	91	108	106	82

Annexure 2.4: Data Availability of States by Population Category

S.No.	State Name	4M+		1M to 4M		500K to 1M		100k to 500k		less than 100K		Overall		
		No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	Data Availability
1	Andhra Pradesh	0	0	2	2	1	1	28	25	92	84	123	112	91%
2	Arunachal Pradesh	0	0	0	0	0	0	0	0	31	0	31	0	
3	Assam	0	0	0	0	1	1	3	3	100	89	104	93	89%
4	Bihar	0	0	1	1	0	0	26	26	235	217	262	244	93%
5	Chhattisgarh	0	0	1	1	1	1	8	8	159	159	169	169	100%
6	Goa	0	0	0	0	0	0	0	0	14	0	14	0	
7	Gujarat	2	2	2	2	1	1	25	23	136	125	166	153	92%
8	Haryana	0	0	1	1	1	0	19	11	68	0	89	12	13%
9	Himachal Pradesh	0	0	0	0	0	0	1	1	65	27	66	28	42%
10	Jharkhand	0	0	2	2	1	1	6	6	41	40	50	49	98%
11	Karnataka	1	1	0	0	3	3	22	22	290	274	316	300	95%
12	Kerala	0	0	0	0	2	2	5	5	87	83	94	90	96%
13	Madhya Pradesh	0	0	4	4	1	1	27	23	386	366	418	394	94%
14	Maharashtra	1	1	9	9	8	7	25	23	385	276	428	316	74%
15	Manipur	0	0	0	0	0	0	1	0	26	0	27	0	
16	Meghalaya	0	0	0	0	0	0	1	0	6	1	7	1	14%
17	Mizoram	0	0	0	0	0	0	1	1	1	0	2	1	50%

S.No.	State Name	4M+		1M to 4M		500K to 1M		100k to 500k		less than 100K		Overall		
		No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	No. of ULGs	Data Available for ULGs	Data Availability
18	Nagaland	0	0	0	0	0	0	1	0	38	0	39	0	
19	Odisha	0	0	0	0	2	2	7	7	106	99	115	108	94%
20	Punjab	0	0	2	1	1	1	13	7	153	82	169	91	54%
21	Rajasthan	0	0	2	2	6	6	23	16	269	128	300	152	51%
22	Sikkim	0	0	0	0	0	0	1	0	6	2	7	2	29%
23	Tamil Nadu	1	1	2	2	2	1	20	17	626	522	651	543	83%
24	Telangana	1	1	0	0	1	1	12	10	129	94	143	106	74%
25	Tripura	0	0	0	0	0	0	1	1	19	13	20	14	70%
26	Uttar Pradesh	0	0	7	7	8	8	46	43	714	595	775	653	84%
27	Uttarakhand	0	0	0	0	1	1	5	4	105	87	111	92	83%
28	West Bengal	1	1	1	1	3	3	50	45	73	32	128	82	64%
	Total	7	7	36	35	44	41	377	327	4360	3395	4824	3805	79%

Annexure 2.5 : Revenue Envelope and Revenue Expenditure by ULGs Type

Revenue Envelope and Revenue Expenditure of 4 Municipal Corporations (INR Crore)

Components	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Revenue Envelope					
Total Tax Revenue	129.3	133.13	189.92	208.95	17.35%
Assigned Revenues and Compensation	242.4	207.47	269.47	151.19	-14.56%
Rental Income from Municipal Properties	9.38	8.01	11.45	13.37	12.52%
Fees and User Charges	52.78	59.81	106.95	129.78	34.97%
Sales and Hire Charges	1.93	4.62	5.5	5.43	41.21%
Revenue Grants, Contributions and Subsidies	171.45	265.69	229.52	328.18	24.16%
Income from Investment	14.05	14.61	7.04	6.66	-22.04%
Interest Earned	24.06	44.02	33.77	46.37	24.44%
Other Income	1.22	4.55	0.93	1.18	-1.06%
Others	0	0	0	0	0.00%
Total Revenue	646.58	741.93	854.55	891.11	11.28%
Revenue Expenditure					
Establishment Expenses	283.63	257.04	275.08	250.54	-4.05%
Administrative Expenses	20.38	25.42	60.95	51.14	35.87%
Operation & Maintenance	207.8	220.42	281	352.61	19.28%
Interest & Finance Charges	8.45	6.11	9.27	5.59	-12.86%
Programme Expenses	3.14	2.64	6.33	41.47	136.38%
Revenue Grants, Contributions & Subsidies (Exp)	0	0.03	0	0.25	0.00%
Miscellaneous Expenses	61.17	158.97	128.45	45.76	-9.22%
Total Revenue Expenditure	584.58	670.63	761.07	747.36	8.53%
Revenue surplus/ (deficit)	62	71.30	93.48	143.75	32.35%

Revenue Envelope and Revenue Expenditure of 31 Municipalities**(INR Crore)**

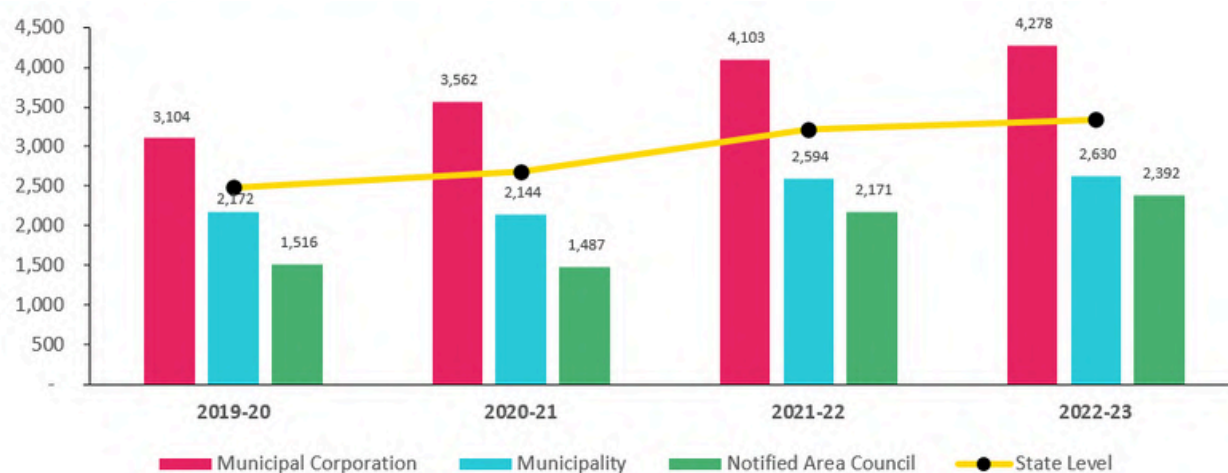
Components in INR cr.	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Revenue Envelope					
Total Tax Revenue	29.24	27.68	33.09	36.17	7.35%
Assigned Revenues and Compensation	167.7	156.98	179.24	169.14	0.29%
Rental Income from Municipal Properties	10.78	9.63	9.81	12.89	6.14%
Fees and User Charges	20.51	21.89	22.84	27.55	10.34%
Sales and Hire Charges	4.62	4.31	6.69	5	2.64%
Revenue Grants, Contributions and Subsidies	105.9	107.92	163.8	171.41	17.41%
Income from Investment	3.41	2.26	1.34	1.27	-28.06%
Interest Earned	17.66	15.34	18.4	20.39	4.91%
Other Income	7.61	2.53	3.63	1.23	-45.48%
Others	0	14.27	0	0	0.00%
Total Revenue	367.44	362.81	438.84	445.06	6.60%
Revenue Expenditure					
Establishment Expenses	185.79	185.49	216.45	204.48	3.25%
Administrative Expenses	12.91	17.66	19.61	13.89	2.47%
Operation & Maintenance	106.22	135.28	182.72	168.72	16.68%
Interest & Finance Charges	0.64	0.92	2.93	0.85	9.98%
Programme Expenses	4.72	7.89	9.51	13.62	42.38%
Revenue Grants, Contributions & Subsidies (Exp)	10.7	3.76	7.36	3.62	-30.34%
Miscellaneous Expenses	13.27	37.87	36.17	6.09	-22.86%
Total Revenue Expenditure	334.25	388.87	474.75	411.27	7.16%
Revenue surplus/ (deficit)	33.19	-26.06	-35.91	33.78	0.59%

Revenue Envelope and Revenue Expenditure of 47 NACs**(INR Crore)**

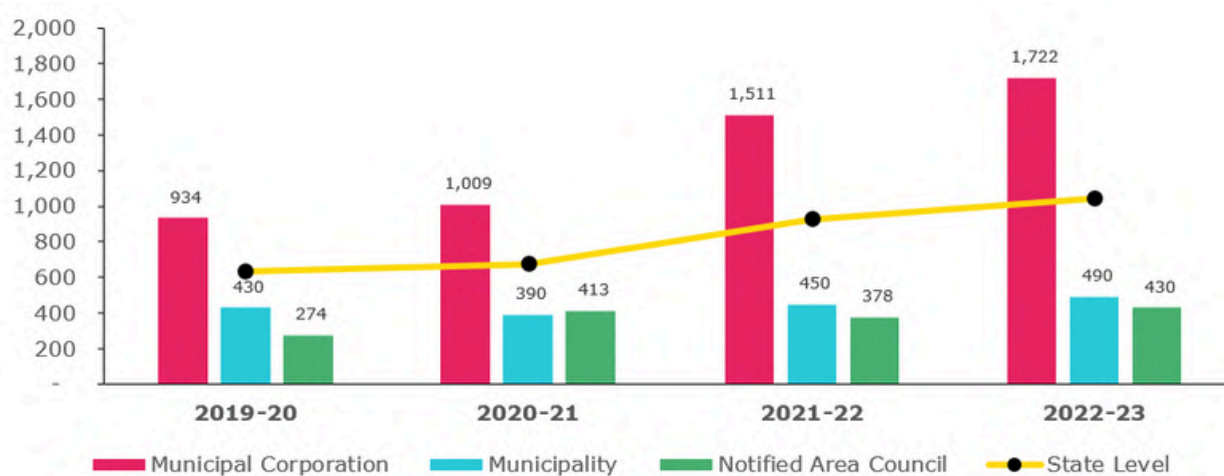
Components in INR cr.	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Revenue Envelope					
Total Tax Revenue	5.67	5.76	7.34	10.27	21.92%
Assigned Revenues and Compensation	55.79	44.2	60.35	71.27	8.50%
Rental Income from Municipal Properties	4.48	3.1	4.65	5.21	5.15%
Fees and User Charges	5.63	7.16	7.87	12.84	31.60%
Sales and Hire Charges	3.58	3.85	6.04	3.35	-2.14%
Revenue Grants, Contributions and Subsidies	34.22	33.13	71.39	72.84	28.64%
Income from Investment	0.14	0.24	0.04	0	-100.00%
Interest Earned	7.13	6.6	8.73	9.64	10.57%
Other Income	2.12	12.49	3.7	2.03	-1.49%
Others	0	0	0	0	0.00%
Total Revenue	118.75	116.54	170.1	187.44	16.43%
Revenue Expenditure					
Establishment Expenses	86.36	75.45	82.97	104.33	6.50%
Administrative Expenses	7.38	9.85	9.39	9.57	9.04%
Operation & Maintenance	34.38	41.64	64.9	77.44	31.08%
Interest & Finance Charges	1.58	1.45	1.01	0.88	-17.68%
Programme Expenses	2.98	2.07	9.01	6.57	30.14%
Revenue Grants, Contributions & Subsidies (Exp)	14.01	11.07	6.67	3.05	-39.84%
Miscellaneous Expenses	3.5	13.4	11.28	5.31	14.88%
Total Revenue Expenditure	150.19	154.93	185.22	207.14	11.31%
Revenue surplus/ (deficit)	-31.43	-38.39	-15.12	-19.7	-14.42%

Annexure 2.6 : Per Capita trends by ULG Types in Odisha

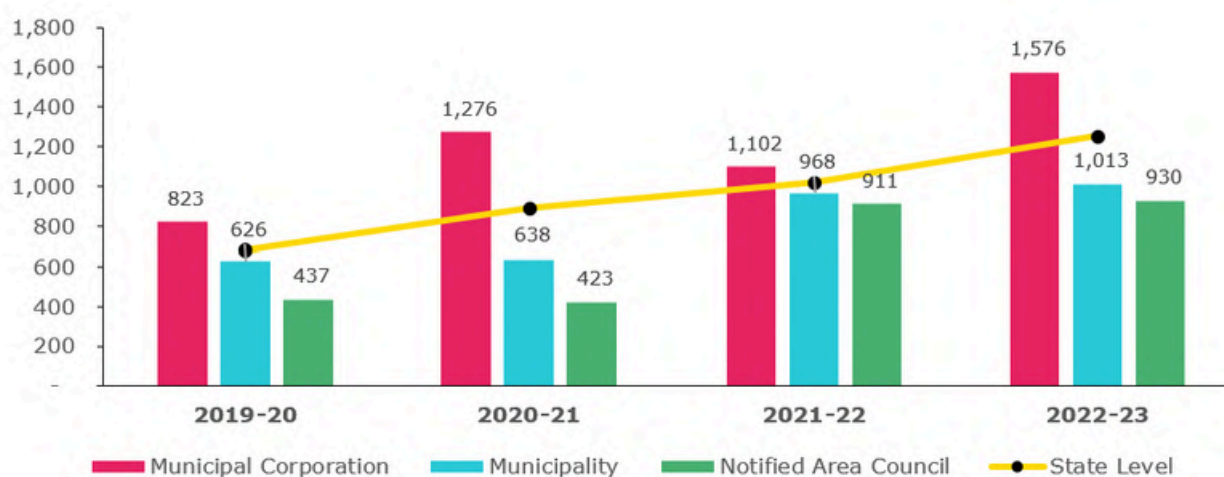
Total Revenue Per Capita (INR) of Odisha's ULGs



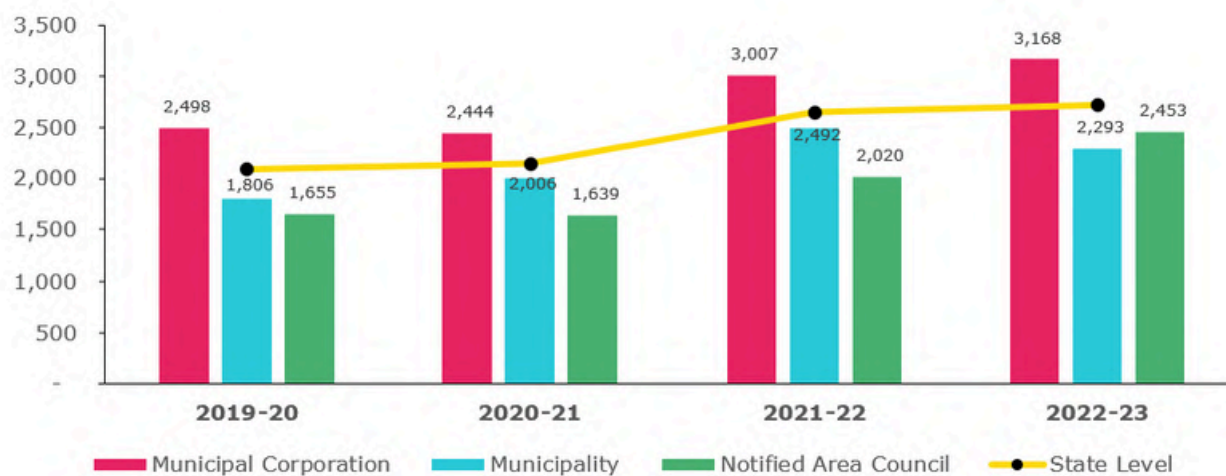
Own Revenue per Capita (INR) of Odisha's ULGs



Grants Per Capita (INR) of Odisha's ULGs



Revenue Expenditure per Capita (INR) of Odisha's ULGs



At the state level, the per capita revenue expenditure increased from INR 2,096 in 2019-20 to INR 2,720 in 2022-23. This marks a cumulative increase of nearly 30 percent over four years, suggesting a gradual increase in expenditure by ULGs across Odisha. There has been increase across all ULG typologies and is broadly in line with national trend.

Annexure 3.1: List of officials interviewed for own source revenues

City	Date of Interview	Officials Interviewed
Bhubaneswar	15th - 17th May, 2025	<p>Bhubaneswar Municipal Corporation</p> <ol style="list-style-type: none"> 1) Mr. Rajesh Prabhakar Patil, Commissioner 2) Mr. Suwendu Kumar Sahu, Additional Commissioner 3) Mr. Ajaya Kumar Mohanty, Deputy Commissioner 4) Mr. N Ganesh Babu, Deputy Commissioner 5) Ms. Rubi Behra, Deputy Commissioner 6) Mr. Dipak Ramjan Behra, Chief Finance Officer 7) Mr. Jagannath Pattnaik, Assistant Executive Engineer 8) Mr. Bipin Sangrita, Accountant <p>Housing and Urban Development Department</p> <p>Ms. Sikha Biswal, FA-cum-Additional Secretary</p> <p>Directorate of Town Planning</p> <p>Mr. Subhendra Mishra, Chief Town Planner & Director</p>
Jatni Municipality	18th -19th May, 2025	<ol style="list-style-type: none"> 1) Ms. Rashmita Nath, Executive Officer 2) Mr. Santosh, Tax Collector 3) Ms. Anuradha Pradhan, AEE 4) Mr. Patitapaban Swain, Accountant 5) Mr. Rajesh Kumar Sahoo, Sanitation Expert 6) Mr. Jyoti Ranjan, Computer Operator 7) Ms. Swati Sagarika, General Planning Consultant
Berahmpur Corporation	26th & 28th May, 2025	<ol style="list-style-type: none"> 1) Mr. Prathamesh Arvind Rajeshirke, Commissioner 2) Ms. Kalyani Sanghamitra, Deputy Commissioner 3) Mr. Ronit Kumar, Assistant Commissioner 4) Sri. Bikram Sundhi, Assistant Commissioner 5) Mr. Basudev Panigrahy, MIS Programmer 6) Ms. Sneha, Revenue Department 7) Mr. Shantanu Mishra, Senior Sanitation Expert 8) Ms. Madhuri Kalah, Assistant Town Planner 9) Mr. Prashant Mallik, Dealing Assistant

City	Date of Interview	Officials Interviewed
Hinjlicut Municipality	30th May, 2025	1) Mr. Jubuli Charan Behera, Executive Officer 2) Mr. Subrata Mahapatra, Junior Engineer 3) Mr. Purna Chandra Panda, Cashier 4) Mr. Ganesh Pattnaik, Accountant
Gopalpur Notified Area Council	29th May, 2025	1) Mr. Pramod Kumar Padhi, Executive Officer 2) Ms. Manojita 3) Mr. Mohanty, Accountant

Annexure 3.2: List of Acts, Rules, Bye-laws and G.Os reviewed for Odisha

Acts

- 1) Odisha Municipal Corporations Act, 2003 (upto the amendments in 2023)
- 2) Odisha Municipal Act, 1950 (upto the amendments in 2023)
- 3) Odisha Development Authorities Act, 1982

Policies/ Manuals/ Rules/ G.Os

- 1) Advertisement Policy for Urban Odisha, 2013
- 2) Odisha Outdoor Advertisement and Hoarding Policy 2015
- 3) Odisha Municipal Accounting Manual
- 4) Solid Waste Management Rules, 2016 issued by the Ministry of Environment, Forest and Climate Change
- 5) Bhubaneswar Municipal Corporation, Solid Waste Management Bye-Laws, 2018
- 6) Berhampur Municipal Corporation, Solid Waste Management Bye-Laws, 2017
- 7) Jatni Municipality, Solid Waste Management Bye-Laws, 2017
- 8) HUDD Notification No. 8346 dated 21.04.21 regarding EIDP Fee
- 9) Bhubaneswar Development Authority's Standard Operating Procedure for approval of EIDP plan dated 18.01.21

Annexure 3.3: State Finance Commission Reports

- Bihar: 6th SFC Report (2021)
- Chhattisgarh: 3rd SFC Report (2018)
- Delhi: 5th SFC Report (2017)
- Haryana: 6th SFC Report (2021)
- Karnataka: 3rd SFC Report (2008), 4th SFC Report (2018) and 5th SFC's Interim Report (2024)
- Kerala: 6th SFC Report (2021)

- Maharashtra: 5th SFC Report (2019)
- Odisha: 5th SFC Report (2019)
- Rajasthan: 5th SFC Report (2018)
- Tamil Nadu: 6th SFC Report (2022)
- West Bengal: 4th SFC Report (2016)

Annexure 3.4: Other References

- Karnataka G.O. governing rental income from commercial properties (2019)
- Madhya Pradesh Municipal (Achal Sampatti Antaran Rules) 2016
- Madhya Pradesh Outdoor Media Rules (2017). Retrieved from <https://mpurban.gov.in/Uploaded%20Document/act%20&%20rules/Out%20Door%20Media%20Policy%202017.pdf>
- Maharashtra Urban Development Department (2022): Municipal Corporations (Regulation and Control of the Display of Sky-signs and Advertisement) Rules, 2022. Retrieved from <https://legalitysimplified.com/wp-content/uploads/2022/05/Maharashtra.pdf>
- Ministry of Housing and Urban Affairs (2020): Property Tax Toolkit
- Tamil Nadu Urban Local Bodies Rules (2023). Retrieved from https://www.stationeryprinting.tn.gov.in/extraordinary/2023/124_III_1a_2023.pdf

Annexure 3.5: ULG class wise own source revenue composition over FY19-20 to FY21-22

(INR Crore)

Parameter	FY19-20	FY20-21	FY21-22	CAGR (FY21-22 over FY19-20)
Municipal Corporations				
Tax Revenue				
Property Tax	84 (47.4%)	99 (51.0%)	140 (47.2%)	29%
Advertisement Tax	13 (7.0%)	3 (1.8%)	1 (0.4%)	-68%
Water Supply and Drainage Tax	1 (0.6%)	0 (0.0%)	1 (0.2%)	-21%
Sewerage Tax	8 (4.3%)	1 (0.6%)	1 (0.4%)	-62%
Other Tax Revenue	15 (8.3%)	20 (10.5%)	40 (13.5%)	64%
Tax Revenue	121 (67.6%)	124 (63.8%)	183 (61.7%)	23%
Non-Tax Revenue				
Rental Income from Municipal Properties	8 (4.3%)	6 (3.0%)	8 (2.6%)	1%
Fees and User Charges	47 (26.4%)	56 (28.6%)	100 (33.6%)	46%

(INR Crore)

Parameter	FY19-20	FY20-21	FY21-22	CAGR (FY21-22 over FY19-20)
Municipal Corporations				
Non-Tax Revenue				
Sale and Hire Charges	2 (1.0%)	4 (2.2%)	5 (1.8%)	75%
Other Income	1 (0.7%)	4 (2.3%)	1 (0.2%)	-26%
Non-Tax Revenue	58 (32.4%)	70 (36.2%)	114 (38.3%)	40%
Own Source Revenue (OSR)	178	195	297	29%
Municipalities				
Tax Revenue				
Property Tax	15 (20.5%)	15 (23.1%)	17 (22.9%)	8%
Advertisement Tax	0.6 (0.9%)	0.1 (0.2%)	0.3 (0.4%)	-28%
Water Supply and Drainage Tax	4 (5.2%)	3 (4.5%)	4 (5.1%)	1%
Sewerage Tax	0.6 (0.8%)	0.7 (1.0%)	1.2 (1.6%)	42%
Other Tax Revenue	9 (12.8%)	9 (13.0%)	10 (13.5%)	5%
Tax Revenue	29 (40.2%)	28 (41.9%)	33 (43.5%)	6%
Non-Tax Revenue				
Rental Income from Municipal Properties	11 (14.8%)	10 (14.6%)	10 (12.9%)	-5%
Fees and User Charges	21 (28.2%)	22 (33.1%)	23 (30.0%)	6%
Sale and Hire Charges	5 (6.4%)	4 (6.5%)	7 (8.8%)	20%
Other Income	8 (10.5%)	3 (3.6%)	4 (4.8%)	-31%
Non-Tax Revenue	44 (59.8%)	38 (58.1%)	43 (56.5%)	-1%
Own Source Revenue (OSR)	73	66	76	2%
Notified Area Councils				
Tax Revenue				
Property Tax	3 (14.0%)	3 (8.1%)	4 (12.4%)	10%
Advertisement Tax	0.02 (0.1%)	0.17 (0.5%)	0.01 (0.02%)	-45%
Water Supply and Drainage Tax	0.9 (4.1%)	0.7 (2.3%)	1.3 (4.5%)	24%

(INR Crore)

Parameter	FY19-20	FY20-21	FY21-22	CAGR (FY21-22 over FY19-20)
Notified Area Councils				
Tax Revenue				
Sewerage Tax	0.03 (0.2%)	0.06 (0.2%)	0.25 (0.9%)	175%
Other Tax Revenue	2 (8.0%)	2 (6.7%)	2 (7.0%)	10%
Tax Revenue	6 (26.4%)	6 (17.8%)	7 (24.8%)	14%
Non-Tax Revenue				
Rental Income from Municipal Properties	4 (20.9%)	3 (9.6%)	5 (15.7%)	2%
Fees and User Charges	6 (26.2%)	7 (22.1%)	8 (26.6%)	18%
Sale and Hire Charges	4 (16.7%)	4 (11.9%)	6 (20.4%)	30%
Other Income	2 (9.9%)	12 (38.6%)	4 (12.5%)	32%
Non-Tax Revenue	16 (73.6%)	27 (82.2%)	22 (75.2%)	19%
Own Source Revenue (OSR)	21	32	30	17%

Source: Janaagraha's analysis based on audited financial statements of 86 ULGs from cityfinance.in

Note: Figures in parentheses represent % share to own source revenue

Annexure 3.6: State-level estimation of property tax coverage and increment in current property tax demand

The below Table presents our estimates on the property tax coverage gap at the state level and ULG class-level basis number of households covered under AMRUT scheme. Assuming 5% of properties are exempted, we estimate the additional number of residential properties from whom tax could be levied. We imputed the estimated residential property tax coverage gap to estimate the non-residential tax coverage gap. Results indicate at least 59% coverage gap in the consolidated property tax register.

Table 3.4.1: State-level estimation of increment in current property tax demand due to estimated increase in property coverage

Property Type	Existing Current Demand (FY 22-23, INR Crore)	Properties under tax net (no.)	Estimated additional properties (no.)	Incremental current demand (INR Crore)
Residential	67	5,95,519	8,59,019	97
Non-residential	50	1,89,318	2,73,086	72
Aggregate	117	7,84,837	11,32,105	169

Source: Janaagraha's analysis of self-reported data for 108 ULGs

Annexure 3.7: ULG type wise property tax demand, collection, collection efficiency, FY18-19 to FY22-23

Parameters (INR crore)	FY18-19 (A)	FY19-20 (B)	FY20-21 (C)	FY21-22 (D)	FY22-23 (E)	CAGR (E over A)
Municipal Corporation						
Current Demand	24	26	34	34	47	19%
Current Collection	17	19	28	26	40	25%
Current Collection Efficiency	70%	75%	81%	77%	85%	
Arrear Demand	13	19	18	18	21	12%
Arrear Collection	2	11	6	4	8	36%
Arrear Collection Efficiency	17%	59%	32%	20%	37%	
Total Demand	37	45	53	52	68	17%
Total Collection	19	31	34	30	48	26%
Total Collection Efficiency	51%	68%	64%	57%	71%	
Municipality						
Current Demand	32	33	37	41	45	8%
Current Collection	22	22	25	23	30	8%
Current Collection Efficiency	67%	68%	68%	56%	67%	
Arrear Demand	31	33	34	34	39	6%
Arrear Collection	8	9	9	10	13	14%
Arrear Collection Efficiency	25%	25%	26%	29%	34%	
Total Demand	64	67	72	76	84	7%
Total Collection	30	31	34	33	44	10%
Total Collection Efficiency	47%	47%	48%	44%	52%	

Parameters (INR crore)	FY18-19 (A)	FY19-20 (B)	FY20-21 (C)	FY21-22 (D)	FY22-23 (E)	CAGR (E over A)
Notified Area Councils						
Current Demand	6	6	8	9	12	21%
Current Collection	3	3	4	4	6	21%
Current Collection Efficiency	55%	54%	48%	45%	56%	7pp
Arrear Demand	8	9	9	11	13	14%
Arrear Collection	2	2	2	2	3	22%
Arrear Collection Efficiency	19%	25%	24%	18%	25%	9 pp
Total Demand	14	15	17	20	25	17%
Total Collection	5	6	6	6	10	21%
Total Collection Efficiency	35%	38%	36%	32%	40%	5pp

Annexure 3.8: Odisha's ULGs performance on solid waste management services in FY21-22

Household level coverage of solid waste management services				
	Municipal Corporation	Municipality	Notified Area Council	Total
Less than 30%	0 (0%)	1 (2%)	2 (4%)	3 (3%)
30% to 50%	0 (0%)	1 (2%)	1 (2%)	2 (2%)
50% to 75%	0 (0%)	1 (2%)	2 (4%)	3 (3%)
Greater than 75%	3 (100%)	40 (93%)	44 (90%)	87 (92%)
Total	3	43	49	95

Efficiency of collection of municipal solid waste				
	Municipal Corporation	Municipality	Notified Area Council	Total
Less than 30%	0 (0%)	4 (9%)	4 (8%)	8 (8%)
30% to 50%	0 (0%)	1 (2%)	1 (2%)	2 (2%)
50% to 75%	0 (0%)	6 (14%)	4 (8%)	10 (11%)
Greater than 75%	3 (100%)	32 (74%)	40 (82%)	75 (79%)
Total	3	43	49	95
Extent of scientific disposal of municipal solid waste				
Less than 30%	2 (67%)	14 (33%)	9 (18%)	25 (26%)
30% to 50%	0 (0%)	3 (7%)	3 (6%)	6 (6%)
50% to 75%	0 (0%)	6 (14%)	11 (22%)	17 (18%)
Greater than 75%	1 (33%)	20 (47%)	26 (53%)	47 (49%)
Total	3	43	49	95
Extent of cost recovery in SWM services				
Less than 30%	1 (33%)	11 (26%)	11 (22%)	23 (24%)
30% to 50%	1 (33%)	11 (26%)	4 (8%)	16 (17%)
50% to 75%	1 (33%)	6 (14%)	15 (31%)	22 (23%)
Greater than 75%	0 (0%)	15 (35%)	19 (39%)	34 (36%)
Total	3	43	49	95
Efficiency in collection of SWM related user related charges				
Less than 30%	1 (33%)	8 (19%)	7 (14%)	16 (17%)
30% to 50%	0 (0%)	9 (21%)	12 (24%)	21 (22%)
50% to 75%	0 (0%)	9 (21%)	15 (31%)	24 (25%)
Greater than 75%	2 (67%)	17 (40%)	15 (31%)	34 (36%)
Total	3	43	49	95

Annexure 3.9: Case studies for own revenue augmentation in ULGs

Box 1: Linkage of property tax records with electricity records in Assam

Department of Housing and Urban Affairs (DoHUA), Government of Assam has been successful in mapping and linking property tax records against users' Electricity Service Connection Numbers in 103 out of 104 ULGs. The mapping exercise was conducted during the state-wide property tax re-assessment drive undertaken in FY22-23. The process was as follows:

- Tax official conducted door-to-door property survey
- Property's details including location, measurements, usage and electricity service number were recorded for each property.
- Electricity Service Number was verified against electricity discom records.
- Connection details including owner's name and connection usage was auto-fetched and verified against tax records
- In case of discrepancy between the two departments, tax official resurveyed to confirm details.

Source: Janaagraha's research

Box 2: Linkage of Registration Department's property records with property tax records in Telangana

Prior to data sharing, the state Registration Department registered properties' sale without checking if the owner had a property tax ID ('PTID'). And in case of properties with a PTID – the system did not check if the owner's details matched the tax records and if there were any tax dues outstanding. To address these challenges, in FY21-22, the state linked the Stamp and Registration Department records with ULGs' property tax records as follows:

- 1) For property registry with property tax ID, the IT system digitally matches tax ID details and conducts auto-mutation or automatic name transfer in tax records basis registry details.
- 2) For property registry without PTID, i.e. for properties potentially outside the property tax net, the process is as follows:
 - Property owner files for registry with Stamp and Registration Department
 - Property registry is completed and PTID is generated. Property details are shared with ULG's Revenue Department
 - Owner receives PTID and tax details by SMS
 - Property tax is effective from next half-year

Source: Janaagraha's research

Box 3: Pilot on Unified Revenue Collection to reduce staffing gaps in Municipality

Pre-Project Situation: Before the unified revenue collection (URC) pilot, property tax was being collected by Puri Municipality's 16 tax collectors while water charges were being collected by the 34 Jalasathis. This was an inefficient system because two different people (One tax collector and one Jalasathi) were visiting the same household for collecting property tax and water charges respectively. The unified revenue collection (URC) pilot aimed to enable a system where one collection agent could collect both property tax and water charges to increase efficiencies and property coverage through sharing of human resources.

Project Intervention: A pilot was undertaken in Puri where the Jalasathis were appointed as collection agents to collect multiple revenues- property tax, water charge, sewerage charge, and sanitation user fee. Jalasathis receive an incentive amount of 2% of collected amount in case of current collection and 3% in case of arrear collection.

Impact: Post introduction of URC, total property tax collection increased by 23 percentage points with an increase in collection efficiency from 52% in FY21-22 to 75% in FY22-23; while total collection for water and sewerage charges increased by 129%. URC helped the ULG overcome staffing shortage and enhance overall revenue collections.

Source: Janaagraha's work with the State Government of Odisha

Box 4: Optimization of tax collection through Public-Private Partnership (PPP) in Jharkhand

Pre-Project Situation: The ULGs reported low and stagnant property tax collections (INR 23 crores in FY13-14). Shortage of manpower at the ULGs' level led to low household coverage hence lowering collections of all revenue streams.

Project Intervention: In July 2016, state government appointed three private tax collection agencies to collect revenue from property tax, water charges and trade license (under a contracted Project Management Unit's (PMU) oversight). Private agencies deployed over 500 tax collectors across 41 ULGs. Physical survey for assessment of new properties and under assessed properties was conducted. Billing and collection of taxes and charges from all properties was undertaken by the hired agencies. Cross-mapping of property tax IDs against water charges, trade license, building plan sanction records was also undertaken to reduce leakages and increase tax net.

Impact: Property tax collection increased by more than sixfold from INR. 23 crores in FY13-14 to INR 147.5 crore in FY21-22. The number of properties assessed had increased by 168% from 3.17 lakhs in FY15-16 to 8.5 lakhs in FY21-22. The collection of property tax per household increased from INR. 248 per household in FY13-14 to INR. 1,620 per household in FY21-22.

Source: Janaagraha's research

Box 5: Ways to harness the potential of revenues from advertisement fees

Advertisement fees revenue comprises advertisement fee on hoardings, signages, billboards, etc. used in municipal limits as well as ground rent or lease income levied on advertisements on municipal lands and buildings. While subsumption of advertisement tax under GST led to a dent in ULGs income nationally, ULGs like Delhi and Ghaziabad (Uttar Pradesh) have been able to optimally utilise advertisement revenues by leveraging the ground rent/lease income. In case of Municipal Corporation of Delhi, the 5th State Finance Commission (2016-21) stated that lease rent component for Delhi's ULGs contributed 90% of their advertisement revenues (prior to introduction of GST). In FY16-17, erstwhile MCD-South earned INR 100 crore revenue from advertisement leases.

Similarly, in July 2021, Ghaziabad Corporation, Uttar Pradesh tendered out 15,000 square meters of advertisement space in the city to a private contractor (via tender) **for an annual fee of INR 14.5 crore for a period of 15 years with a 10% fee hike every 3 years.** Prior to leasing out the advertisement space and rights to a private contractor, the Ghaziabad Corporation was able to earn only INR 4.5 crore annually through advertisement revenues. The contractor is responsible for creation and maintenance of advertisement assets and identification of illegal hoardings.

ULGs like Chhatrapati Sambhajnagar Municipal Corporation in Maharashtra have also adopted the Build Operate Transfer (BOT) Model under which a private agency is granted rights to advertise on municipal assets (e.g., unipoles on road dividers) in return for a fixed annual fee. At the end of the contract period, municipal assets shall revert back to the municipal corporation.

In case of Maharashtra, to protect ULGs right to charge an advertisement license fee post GST, the state government notified the Maharashtra Municipal Corporations (Regulation and Control of the Display of Sky-signs and Advertisement) Rules, 2022⁵⁵. The Rules govern advertisement licensing for Corporations – excluding Brihanmumbai Corporation which is governed under separate rules – and states that *"no agency, without permission in writing from the Competent Authority, shall erect, exhibit, fix, retain or display any advertisement by means of hoarding, posters, sky signs, kiosks, wall paintings, wall stickers, balloons etc."* As per the said Rules, apart from a few advertisements - like those displayed within premises not visible from the road, relating to business of the railways, state transport or their premises; advertisements displayed on or upon business premises relating to trade or business carried on within the premises; and advertisements displayed on or upon any premises relating to the sale or letting of the premises or of any effects therein – all other advertisements are to be charged license fees. The Rules lay down the procedure for availing license/permit from the Corporations and empower Corporations' Commissioners to decide the license fees as well as periodically revise the same.

⁵⁵ Maharashtra Municipal Corporations (Regulation and Control of the Display of Sky-signs and Advertisement) Rules, 2022: <https://nmcnagpurskysign.co.in/doc/Jahirat%20adhisuchna%202022.pdf>

The 5th State Finance Commission of Delhi also recognised that advertisement tax, like most other taxes, besides generating revenue for the ULGs, serves the purpose of collection of a variety of data relevant for city's management. Moreover, advertisement tax also helps ULGs regulate hoardings through levy of fines and fees. Therefore, the SFC recommended to create a uniform regulatory framework for the entire city (earlier divided into 3 corporations, New Delhi Municipal Council and Delhi Cantonment), even while the tax got subsumed into GST. It also recommended that the Delhi government should draft an advertisement policy for all ULGs in Delhi and advised that the policy should aim at allowing advertisements at various public places (including buildings and transport systems), while at the same time, preventing unauthorised hoardings and defacement of roads and structures.

Source: Janaagraha's analysis basis interviews with ULGs and state officials and perusal of publicly available documents

Box 6: State Finance Commissions' views for augmenting rental income from municipal properties

Karnataka's 4th SFC highlighted that despite circular instructions, many ULGs had neither revised their rental/lease rates nor held timely auctions. The SFC report also mentioned prevalence of occupants refusing to vacate municipal properties despite expiry of lease period, and prevalence of litigation.

Kerala's 6th SFC identified rents from shopping complexes as a major source of revenue, noting that rental rates were particularly low and often determined unscientifically. The SFC recommended periodic reassessment of rental rates using methodologies adopted by the Public Works Department (PWD) to ensure fair pricing and increased revenue generation.

The 5th State Finance Commission of Delhi laid forth the benefits of land monetisation in New Delhi Municipal Council (NDMC). Ministry of Housing & Urban Affairs (MoHUA) – under which NDMC operates - converted part of the government owned Moti Bagh residential estate into commercial property by auctioning around four acres of land. The commercial auction generated INR 300 crore as one-time revenue for NDMC/MoHUA and with that money, the New Moti Bagh residential estate was redeveloped to provide 500 modern large flats, over 100 bungalows, and 500 EWS flats. Similarly, NDMC had also redeveloped another former government-owned residential colony into residential and commercial complex to monetise prime land. SFC Report highlighted how such redevelopments not only provide large upfront capital receipts to estate owners, but also provide a host of other regular streams of revenue to governments - such as property tax, stamp duties, GST, etc. through creation of new assets. The Delhi SFC recommended that Delhi's ULGs redevelop their own residential, commercial and other estates on similar footing to generate one-time capital receipts as well as lasting revenue receipts in the form of property tax, lease rentals, etc. and advised that ULGs could explore re-development of commercial/market complexes on public-private partnership (PPP) mode.

Tamil Nadu's 6th SFC also recommended that ULGs could jointly take up development of remunerative projects – like new market complexes, truck terminals, theme parks etc.- with Village Panchayats in their adjoining areas on a profit sharing basis. The SFC also recommended notification of Statutory Rules – instead of executive instructions – for regulation of lease and rent from municipal properties to provide ULGs with greater sanctity and certainty to enable more investment in creation of remunerative assets. It also recommended that ULGs should rent/lease their shops only through tender and public auction as per the State Transparency in Tender Act.

Source: Janaagraha's research

Box 7: Integrated Billing System in Bhopal Nagar Nigam

Intervention: In June 2022, Bhopal Nagar Nigam launched an integrated billing system combining five municipal charges—Property Tax, Water Charges, Sewer Charges, SWM Charges, and Trade License Fees—into a single bill. Water connections were mapped to property IDs through field visits, ULG counters, and online self-linking via the BMC website.

Impact: Over 3 lakh out of 5.35 lakh properties now receive integrated bills. Property IDs are mandatory for new water connections. Bills are issued via SMS and can be paid through the BMC website or app. This has improved user charge recovery and reduced transaction costs by enabling citizens to clear multiple dues in one go.

भुगतान का विवरण / Payment Details

घाँ / Zone	लेन नं. 18	वार्ड / Ward	80 - सर्वधर्म कोला
नाम / Name	पादर विद्यामन	पता / Address	स.नं. 32, 33 दामशेड़ा ए सेक्टर सर्वधर्म कोला (दुध नूला)
कॉलोनी / Colony	दामशेड़ा	परीक्षेत्र / Circle	परीक्षेत्र नं. 4

कुल देय राशि / Total Payable Amount	102,578.00
अभी भुगतान की जा रही राशि / Amount Paying Now	102,578.00

संपत्ति भुगतान विवरण / Property Payment Details

View: Property Bill (Alakn) Full Pay Water Select WT Months: APR-2024 Clear

Select	PropConn Id	Fiscal Year	Property Tax	Water User Ch...	Water Onetl...	SWM Charges	Comm Licens...	Sewerage Cha...	Check Bounc...	Total
<input checked="" type="checkbox"/>	X	1000042851	2023-2024	25,707.00	0.00	0.00	13,225.00	0.00	0.00	38,932.00
<input checked="" type="checkbox"/>	X	1000042851	2024-2025	22,354.00	0.00	0.00	12,240.00	29,052.00	0.00	63,646.00

Source: Janaagraha's research

Box 8: AI Enabled Outdoor Advertisement Management in Pimpri Chinchwad Municipal Corporation (PCMC), Maharashtra

Outdoor advertisements have a potential of being of a major source of non-tax revenue for urban local governments. However, unregulated hoardings, manual monitoring, and outdated licensing processes often cause revenue leakage and weak enforcement in cities.

To address these challenges, PCMC adopted an AI-powered outdoor advertisement surveillance and licensing system. This digital intervention redefined how the city manages, monitors, and monetizes its outdoor media spaces.

Key Interventions:

1) AI Based Surveillance and Monitoring

- Deployment of AI-enabled Surveillance electric vehicles equipped with 8K 360° imaging and laser-based measurement tools.
- Cameras capture every hoarding in the city with pixel-level precision, enabling remote detection of illegal or oversized hoardings
- Integration of RFID and GIS tagging ensure that each licensed media asset is traceable and verifiable in real time.
- Eliminated field visits and manual verification, saving time and improving enforcement accuracy

2) Digital Licensing and Compliance

- Replaced manual paperwork with a fully digital, paperless workflow for application, approval, renewal, and monitoring.
- AI-driven validation automatically cross-verifies licensed sites with on-ground visuals, ensuring instant detection of violations.
- Automated notice generation and online processing have improved enforcement turnaround time

Impact: The initiative has produced tangible results within a short period. Illegal hoardings were drastically reduced through AI-based detection, and annual revenue leakage- previously estimated at INR 3 crore has been effectively plugged. Field visits have been largely eliminated due to 360° remote surveillance, while licensing and enforcement have become fully digital, transparent, and traceable. Overall, the city achieved a revenue augmentation of around INR 10 crore through improved compliance, monitoring, and better utilization of its outdoor advertisement spaces.

Source: Janaagraha's research

Annexure 4.1: Data discrepancies in data from DTI/ HUDD Dashboard

- i) Kamakhyanagar NAC in Dhenkanal in MCA- CB of FY 2023-24 was -20 lakhs and OB of FY 2024-25 was 3 lakhs. Wrong expenditure was booked under this scheme ID in FY 2023-24.
- ii) MUKTA: Puri Municipality- CB of FY 2023-24 was 22.72 crore and OB of FY 2024-25 was 24.99 crore
- iii) Unnati- Rourkela MC in Sundargarh- CB of FY 2020-21 was 4.46 crore and OB of FY 2021-22 was 7.24 crore. Increase of 2.78 crore.
- iv) In electric crematorium- OB in FY 2021-22 is understated by 12 lakhs and over stated by 9 lakhs in FY 2024-25
- v) Total of individual sub components not matching with SFC total

Annexure 4.2: Field visit Plan

Stakeholders consulted include officials in the Accounts Section, Works Section, and Sanitation Section.

S.No	ULG Name	ULG Type	RDC	Date of Visit
1	Bhubaneswar	Municipal Corporation	Central RDC	13th May
2	Dhamnagar	NAC	Central RDC	14th May
3	Baripada	Municipality	Central RDC	15th May
4	Baleswar	Municipality	Central RDC	16th May
5	Berhampur	Municipal Corporation	Southern RDC	22-23rd May
6	Hindol	NAC	Northern RDC	28th May
7	Rourkela	Municipal Corporation	Northern RDC	30-31st May

Annexure 4.3 List of Acts/ Policies/ Manuals/ Rules/ G.Os and Other references

Acts

- 1) Odisha Municipal Corporations Act, 2003 (upto the amendments in 2023)
- 2) Odisha Municipal Act,1950 (upto the amendments in 2023)
- 3) Odisha Local Fund Audit Act, 1948

Policies/ Manuals/ Rules/ G.Os

- 1) Odisha Municipal Accounting Manual
- 2) Odisha Local Fund Audit Manual
- 3) Odisha Municipal Accounts Rules, 2012

- 4) Odisha Municipal Rules, 1953 (up to the amendments in 2024)
- 5) Odisha Municipal Corporation Rules, 2004 (up to the amendments in 2024)
- 6) HUDD Notification no. 13211 dated 07.08.2020 on Guidelines on utilization of Devolution of funds recommended by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 7) HUDD Notification no. 13216 dated 07.08.2020 on Assignment of Taxes (out of SGST) by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 8) HUDD Notification no. 13221 dated 07.08.2020 on Grants in-aid for Sanitation and Solid Waste Management by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 9) HUDD Notification no. 13226 dated 07.08.2020 on Grants in-aid for provisions for safe drinking water by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 10) HUDD Notification no. 13232 dated 07.08.2020 on utilization of grants in-aid for creation of capital assets for revenue generation by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 11) HUDD Notification no. 13237 dated 07.08.2020 on utilization of grants in-aid for maintenance of capital assets by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 12) HUDD Notification no. 13242 dated 07.08.2020 on utilization of grants in-aid for provisions for establishment of water-testing laboratory at district-level by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 13) HUDD Notification no. 13247 dated 07.08.2020 on utilization of grants in-aid for development of water bodies by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 14) HUDD Notification no. 13252 dated 07.08.2020 on utilization of grants in-aid for development of crematorium by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 15) HUDD Notification no. 13262 dated 07.08.2020 on utilization of grants in-aid for storm water drainage by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 16) HUDD Notification no. 13267 dated 07.08.2020 on utilization of grants in-aid for development of infrastructure in new NACs by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)
- 17) HUDD Notification no. 13272 dated 07.08.2020 on utilization of grants in-aid for septage management by the 5th State Finance Commission to the ULGs for the period from 2020-21 to 2025-26 (6 years)

Other References:

- 18) Government of Odisha (2022): Audit Report of the Comptroller and Auditor General of India Performance Audit on Waste Management in Urban Areas for the year ended March 2021.
https://cag.gov.in/uploads/download_audit_report/2021/AR_PA_WMUA_3822_Press_ENGLISH-06389b99513da66.36402405.pdf
- 19) Comptroller and Auditor General of India: Performance Audit on the Efficacy of Implementation of the 74th CAA.
https://cag.gov.in/uploads/download_audit_report/2023/8.-Ch-5-Performance-audit-on-the-Efficacy-of-implementation-of-74th-Constitution-0651c2062a5c705.88651054.pdf
- 20) Comptroller and Auditor General of India (2024): Performance Audit on Storm Water Drainage and Sewerage Management Systems for the Municipal Corporations for the year ended March 2022. <https://cag.gov.in/ag1/odisha/en/audit-report/details/120933>
- 21) Comptroller and Auditor General of India (2024): Performance Audit on Storm Water Drainage and Sewerage Management Systems for the Municipal Corporations for the year ended March 2022. <https://cag.gov.in/ag1/odisha/en/audit-report/details/120933>
- 22) Comptroller and Auditor General of India (CAG) (2024) Compendium of Performance Audits on the Implementation of the 74th Constitutional Amendment Act, 1992: Landscape across India Volume I.
- 23) Comptroller and Auditor General of India (CAG). (2023). Performance Audit on Implementation of the 74th Constitutional Amendment in Odisha.
- 24) Government of Odisha, Housing & Urban Development Department (HUDD). State Urban Profile & ULB Structure.
- 25) Sixth Report of the Second Administrative Reforms Commission "Local Governance – An Inspiring Journey into the Future" (2007)
- 26) Odisha Municipal Corporation Act, 2003 (as amended).
- 27) Odisha Municipal Corporation (Amendment) Bill, 2018; Odisha Municipal Laws (Amendment) Bill, 2022.
- 28) Odisha State Election Commission (SEC). (2021). Election Reports and Notifications.
- 29) 5th Odisha State Finance Commission. (2019) REPORT OF THE FIFTH STATE FINANCE COMMISSION ODISHA, VOLUME I
- 30) Census of India. (2011). Provisional Population Totals – Urban Agglomerations and Cities.
- 31) <https://www.deccanherald.com/opinion/institutionalise-power-to-the-people-for-grassroots-democracy-3624938>
- 32) <http://www.mangalurucity.mrc.gov.in/en/government-notifications>
- 33) Janaagraha, 'A Critical Review of Decentralised Participatory Governance in Cities of Karnataka' (2024)
- 34) <https://prepp.in/news/e-492-urban-reform-incentive-fund--upsc-govt-schemes-notes>
- 35) <https://ksmart.lsgkerala.gov.in/ui/home/citizen/kswift-dashboard>

36) <https://www.punsmartcity.in/assets/ABD/Participatory%20Budget%20Plus%20%20PB+.pdf>

37) <https://indianexpress.com/article/cities/pune/centres-software-boost-to-simplify-and-popularise-citizen-participatory-budget-8070414/>

38) <https://www.pmc.gov.in/en/Budget2023-2024>

39) <https://meripanchayat.gov.in/homepage>

Annexure 4.4 SFC sub-components with year-wise release amounts

(INR crore)

SFC Sub-component	2020-21	2021-22	2022-23	2023-24	2024-25
Assignment - Salary, Establishment Cost, Sitting Fees & Honorarium	505.8	640.2	687.6	661.3	722.3
Devolution	302.5	262.2	302.2	305.1	305.1
Sanitation & solid waste management	62.8	63.1	69.9	63.3	63.3
Compensation and Assignment out of Motor Vehicle Tax for road infrastructure	65.3	70.8	76	82.9	89.6
Septage Management	2.9	8.3	0	8.3	8.3
Creation of Capital Assets for Revenue Generation	34.3	76.1	34.2	34.5	40.4
Development of Water bodies	20.8	0	19.6	20.8	20.8
Maintenance of Capital Assets	13.2	13.3	13.5	13.4	13.3
Storm Water Drainage	59.3	33.3	31.7	33.3	33.3
Maintenance of Primary School Building	0	4.6	8.6	4	4
Electric Crematorium	8	0.8	0	0	8.3
New NACs Infrastructures	2.5	2.5	2.5	3.5	3.5
Incentive Grants	0	0	0	0	10
Innovative Practices	0	0	4.2	4.2	4.2
Development of Civic Amenities at Konark NAC	6.7	6.7	6.7	6.7	6.7
Total	1,084.10	1,181.80	1,256.70	1,241.30	1,333.20

Annexure 4.5: Data management practices

ULG Name	Accounts Section (AS)	Works Section (WS)
BeMC	Don't have clear database, no clear structure/process b/w AS and WS to maintain ongoing/committed work status. Accountant has prepared rough data. Preparing monthly Receipts & Expenditure Statement (R&E) but for primarily audit purpose and for the internal use of accounts section	Maintains an excel file for work status but difficult to have exact status of projects and funds. Fund source information is not included in WS files. Accountants maintains that. Action Plan for 2025-26 included all projects- ongoing from previous year, completed but due for payment, new work etc. Payment status not known.
Rourkela	Status of balance funds with ongoing projects and uncommitted funds. But not reliable as based on limited information of tenders, Work Orders etc.	Clear Status report of works of previous year-completed, ongoing, dropped etc with no. of projects and valuation. Prepared for a review meeting
Baripada Municipality	No updated database	No updated database
Balasure Municipality	It's a small ULG, so informally, coordination possible. No database as such.	
Hindol NAC	It's a small ULG, so informally, coordination possible. No database as such.	
Dhamnagar NAC	No updated database	List of projects with work order no.- ongoing and not started with total value of project. Details on how much payment has been made not included. More details in respective work files

Annexure 4.6: Legislative landscape on budgeting and expenditure processes in Odisha

S. No.	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Rules	Odisha Municipal Corporation Rules, 2004	Odisha Municipal Accounting Rules, 2004	Odisha Municipal Accounting Manual, 2004
Budgeting & Expenditure							
1	Statements that constitute Annual Budget	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	1. Budget Summary 2. Consolidated Budget Estimate 3. Major Account Head wise Budget 4. Summary of Field wise Budget 5. Summary of Function wise Budget [OMAM - Appendix]
2	Preparation of budget Calendar	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Yes [OMAM Volume IX, Para 1.4]

S. No.	Criteria	Odisha Municipal Act, 1950	Odisha Municipal Corporation Act, 2003	Odisha Municipal Rules	Odisha Municipal Corporation Rules, 2004	Odisha Municipal Accounting Rules, 2004	Odisha Municipal Accounting Manual, 2004
Budgeting & Expenditure							
3	Public Participation in Budget	Not Mentioned	Not Mentioned	Not Mentioned	Budget provision of the Corporation shall be made ward-wise. [Rule 28]	Not Mentioned	Decentralized planning with citizens' participation facilitates achieving this objective. [OMAM Volume IX, Para 1.1]
4	Budget Variance Report	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	The BVR should be prepared on a monthly basis or such periods as the State laws/Acts governing the ULG may define. [OMAM Volume IX 1.8]
5	Responsible for undertaking the budget monitoring review	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned
6	Provisions for Budgetary Control	When a budget estimate has been finally approved by the State Government, the municipality shall not incur expenditure under any of the heads of the budget estimate in excess of the amount provided under that head without making provision for such excess [Section 110]	Expenditure cannot exceed budget grants unless through supplementary budget [Section 142-144]	Not Mentioned	Not Mentioned	No expenditure shall be committed by issue of sanction order/ work order without there being sufficient Budget provision for such expenditure. If sufficient Budget provision is not there, then the Executive Officer shall not issue the sanction order/ work order. In case expenditure is required the Executive Officer or Accounts Officer shall seek additional budget provision/ re appropriation and only after sufficient Budget provision has been made, he/ she shall issue the Sanction Order or Work Order. [OMAR Rule 105]	No expenditure shall be incurred unless backed by a budget. 2. Any expenditure prior to being incurred must be identified to its budget head for allocation of money. 3. Any expenditure prior to being incurred should be backed by appropriate sanctions (administrative / technical) [OMAM Volume IX 1.7]
7	Preparation of Expenditure Plan	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned	Not Mentioned

Annexure 5.1 Snapshots of Fixed Assets Register by RMC (details of different Fixed Assets, namely, Land, Ground, Park, Building, Road and Drain).

REGISTER OF IMMOVABLE PROPERTY															
Description of the Structure: Land/Ground/Park													Form ACNT-30 (See rule-71(1)(b))		
Location of the Structure:															
Survey No. of the land on which Structure is located:															
Dimensions of the Structure:															
Area of land on which constructed (sq. mtr.):															
Title documents available:															
Sl. No.	Date of acquisition /construction /improvement	Payment Order No.	Ref. No. of Cash Book/Journal Book / Ledger where entry is recorded/ULB ID	Ref. No. of Register of Land	Cost of acquisition/construction / improvement (Rs.) (please specify incidental cost separately)	To whom paid/Name of the contractor	Purpose of Expenditure	Source of Funds	Specify how land is being currently used	Date of Disposal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realized (Rs.)	Initials of the Authorized Officer	Remarks
1	01/04/12		1427		38,94,308		Being Opening Balance Sheet Inserted		Land						
2	31/03/14		2304		5,29,758		station road (balance portion) in Ward No.-14		Ground						
3	25/06/14		767		3,53,363		Imprvt of Open Space/Play Ground at D/10 & D/11 in ward no.-4		Ground						
4	20/08/14		1193		7,56,000		Development of Play Ground at RPL Campus, Rkl		Ground						
5	13/02/15		2860		98,909		Imprvt of krgan field, Ward no-19		Ground						
6	07/07/15		1129		8,67,795		Development of Play field at Civil Township at G3 and T4 Block		Ground						
7	24/09/15		1561		16,45,743		Imprvt of Open Space/Play Ground at D-10 & D-11, Ward no.-4		Ground						
8	24/09/15		1567		6,46,637		Imprvt of Open Space/Play Ground at D-10 & D-11, Ward no.-4		Ground						
9	16/10/15		1781		7,21,029		Development of Play field at Civil Township, G3 & J4 Block		Ground						
10	24/10/16		250		10,81,380		being development of play field		Ground						
11	10/06/12		41		7,511		Const. of park/drain and culvert L2/308, S2M/72,C2L2/123,L2/43 and HIG/8 at wn-33 to Rudra Narayan Saho		Park						
12	31/03/13		1383		9,43,620		being const of park		Park						
13	27/04/13		274		26,880		being const of park		Park						
14	04/07/13		403		2,33,995		Improvement of open space/park by the side of L/167, ph-1 at Chhend colony, in ward No.32		Park						

REGISTER OF IMMOVABLE PROPERTY															
Description of the Structure: Building													Form ACNT-30 (See rule-71(1)(b))		
Location of the Structure:															
Survey No. of the land on which Structure is located:															
Dimensions of the Structure:															
Area of land on which constructed (sq. mtr.):															
Title documents available:															
Sl. No.	Date of acquisition /construction /improvement	Payment Order No.	Ref. No. of Cash Book/Journal Book / Ledger where entry is recorded/ULB ID	Ref. No. of Register of Land	Cost of acquisition/construction / improvement (Rs.) (please specify incidental cost separately)	To whom paid/Name of the contractor	Purpose of Expenditure	Source of Funds	Specify how land is being currently used	Date of Disposal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realized (Rs.)	Initials of the Authorized Officer	Remarks
1	01/04/12		1427		3,33,26,516		Being Opening Balance Sheet Inserted		Office Building						
2	01/04/12		1431		78,89,476				Office Building						
3	16/07/12		313		4,27,347		Const. of New Office Building, Ph-III		Office Building						
4	22/08/12		91		4,97,123		Const of Office Building to Golak prasad Mohapatra		Office Building						
5	22/09/12		108		19,24,621		Const. of New Office Building ph-IV to Golak prasad Mohapatra		Office Building						
6	11/10/12		122		9,26,106		const of new office building ph-IV To Golak prasad mohapatra contractor		Office Building						
7	16/11/12		321		7,22,000		Const. of New Office Building, Ph-III		Office Building						
8	15/01/13		157		17,09,235		Const. of New Office building for internal wiring, boundary wall and site development To Golak Pras		Office Building						
9	16/02/13		203		6,84,407		const of new office building ph-IV		Office Building						
10	31/03/13		1383		12,66,402		Assets wrongly treated as expenditure now rectified for the period 2012-2013		Office Building						
11	01/04/13		245		7,12,300		Const of New Office Building for internal Electrification		Office Building						
12	06/06/13		384		4,18,776		Construction of New Office Building (ph-III)		Office Building						
13	07/06/13		391		86,161		Furnishing of council hall of New Office Building		Office Building						
14	04/07/13		402		10,86,550		Const. of New Office building for internal wiring, boundary wall and site development		Office Building						
15	30/09/13		3268		8,75,774				Office Building						
16	30/09/13		3268		1,47,901				Office Building						
17	03/10/13		709		17,89,220				Office Building						

REGISTER OF IMMOVABLE PROPERTY															
Description of the Structure: Road											Form AONT-30 (See rule-711)				
Location of the Structure:															
Survey No. of the land on which Structure is located:															
Dimensions of the Structure:															
Area of land on which constructed (sq. mtr.):															
Title documents available:															
Sl. No.	Date of acquisition / construction / improvement	Payment Order No.	Ref. No. of Cash Book/Journal Book / Ledger where entry is recorded/AUB ID	Ref. No. of Register of Land	Cost of acquisition/construction / improvement (Rs.) (Please specify incidental cost separately)	To whom paid/Name of the contractor	Purpose of Expenditure	Source of Funds	Specify how land is being currently used	Date of Disposal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realised (Rs.)	Initials of the Authorized Officer	Remarks
1	01/04/12			1427	20,74,00,922		Being Opening Balance Sheet inserted		Concrete Roads						
2	01/04/12			1431	50,16,04,053		Entering Accumulated Depreciation of O&S		Concrete Roads						
3	10/05/12			694	6,23,619		Construction of C.C.Road and drain at Kool Bank area in Ward No.5,RD		Concrete Roads						
4	15/06/12			48	3,83,379		Renovation of boundary wall and cast of concrete reqd at 731/771 BAWAN,WN-32 TR (bus ch terminal)		Concrete Roads						Page 37
5	17/07/12			60	1,19,845		Construction of c c road and drain in w n - 13 To B C Dhal		Concrete Roads						
6	14/01/13			651	17,91,497		Imp of road from employment exchange to singhasini temple of w-No 17 & 18		Concrete Roads						
7	30/01/13			653	17,77,536		Impv. of road connecting Main road to Mahlab road via Sastri Chowk,wn-4		Concrete Roads						
8	30/01/13			1404	2,18,518		Liability of govt dues w/off again created		Concrete Roads						
9	31/03/13			1383	37,18,670		Assets wrongly treated as expenditure now rectified for the period 2012-2013		Concrete Roads						
10	10/05/13			294	1,50,339		Const of road and grill fixing at Court premises		Concrete Roads						
11	14/05/13			299	5,72,820		Const. of foot path and drain at D/Block,wn-28		Concrete Roads						
12	09/07/13			498	5,00,000		Const of C.C. Road and Drain at in-14		Concrete Roads						
13	11/07/13			513	8,05,744		Improvement of road from A-1 to A-242 at Kadhagar		Concrete Roads						
14	11/07/13			514	3,27,476		Improvement of road and drain from C-441 to C-450.		Concrete Roads						
15	11/07/13			515	3,64,376		Improvement of road and drain from C-540 to C-553		Concrete Roads						
16	11/07/13			516	2,37,279		Improvement of road and drain from C-723 to C-732		Concrete Roads						
17	15/07/13			517	4,16,279		Improvement of CC road & Drain at near Mahila Samiti		Concrete Roads						



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