

Mr. Manjunath Raju
Chairman, Standing Committee on
Taxation & Finance, BBMP

22 July 2011

Dear Sir,

Subject: Our suggestions for BBMP Budget 2011-12

1. BBMP owes Rs 6,000 cr for bogus works. The audit done by the state government after concerns were raised in BBMP about the arrears in payments to contractors and other related issues, has revealed that non-existent projects worth Rs 1,500 crore and Rs 2,000 crore were approved respectively during 2008-09 and Rs 2009-10 across all eight BBMP zones.

The city corporation owes Rs 6,000 crore to the contractors for works that were taken up in gross violation of the rules over the past two years. Works worth Rs 3,500 crore were over and above the budget outlay for the respective years. Some of the irregularities: works were passed without the commissioner's approval or the council's sanction; some works allotted through secret tendering; some works were allotted without calling tenders; many works taken up only on paper. There were cases wherein work was allotted to lay roads where Metro work was going on. In many of the disputed tenders, details of the works was not mentioned. The tender included just the number of works to be taken up in an area. To add to it, the work allotted was more than that mentioned in the tender. The administrator, who was in charge of the BBMP before the council was elected, had refused to approve these works. BBMP Commissioner Siddaiah recently ordered an inquiry into these irregularities. This state of the BBMP budget calls for serious enquiry into the maladministration and a change in the process of budget-making and monitoring.

2. BBMP budget needs to be inclusive: The topmost priority for BBMP's budget should be to make the budget deliver inclusive growth to stem the grotesque disparities marring the city's growth profile. The Comprehensive Development Plan (CDP) for the city developed under JNNURM also recognizes that "despite rapid economic growth, urban poverty is still widespread and large sections of the urban population lack employment, earn very low incomes and have inadequate access to proper housing, infrastructure and services. According to the CDP: Urban poor communities in Bangalore are characterized by poor sanitation with over 50 per cent of the households without latrine or drainage; high illiteracy rates which are three times as high as in non-slum areas; higher infant and child mortality rates than the urban averages; high initial enrollment in primary education, but a high drop-out rate (20-50 per cent) in particular among the girls

The CDP reiterates that "the planning and development framework should be inclusive of slums and informal settlements". This will mean prioritising basic needs fulfilment of everyone and making the city slum-free.

3. Policy guidelines for BBMP's budget-making: With an intention to provide a framework for managing expenditure consistent with revenue by formulating the

budget realistically and minimizing deviations, the Karnataka Local Fund Authorities Fiscal Responsibilities Act was passed in 2003.

3.1 Medium-term Fiscal Plan: Though the Rules under the Act are yet to be framed to bring the Act into force, BBMP has prepared a Medium-Term Fiscal Plan in 2008-09, as mandated under Section 3 of the KLFAFR Act, and even placed it on its website. **This Medium-Term Fiscal Plan is a rolling plan for four years for the period 2009 to 2013 and it states that it should be the source document for the preparation of the annual budget.**

3.2 Priority to human welfare: The KLFAFRA also fosters expenditure policies that improve human welfare and address the prime needs of the citizens, such as water supply, education, public health, solid waste management, etc. In tune with the KLFAFRA mandate, the MTFP recognises that it is its responsibility to provide Basic Services to the Urban Poor (BSUP) in the 325 slums in BBMP area and a decent livelihood.

3.3 Internal earmarking of funds for EWS/LIG: It recognises that under commitments made to the Centre under JNNURM, Urban Local Bodies are required to adopt a “whole slum” and “whole city” approach and earmark funds in their budgets specifically for services delivery to the urban poor, such as water supply and sanitation, improved housing at affordable prices and also existing universal services of the government in the areas of health, education and social security. It recalls that it is mandatory to allocate at-least 18% of the total capital outlay for the welfare of SC, ST and other weaker sections and that this also is non-lapsable. These are to be linked to corresponding performance indicators.

3.4 Ensuring transparency: The KLFAFR Act also mandates ensuring transparency at all stages and in this regard requires participation of local citizens’ associations in the preparation of the annual budget and also in its review and evaluation through social audit. It suggests that LFA must hold at least two meetings with citizens’ associations in the preparation of the budget.

3.5 Contestation between road-infrastructure and BSUP: The MTFP analyses the trends in expenditure of BBMP in the last five years and notes that in 2008-09, the highest amount was spent on road-related infrastructure which was about six times the amount spent on welfare (23,869.53 as against 3,873.11, presumably lakhs). But, despite the wholesome rhetoric, while estimating future expenditures for the medium term, it accepts the ‘Comprehensive Traffic and Transportation Plan for Bengaluru’ (CTTP) Plan which requires Rs. 46,944 crore of which Rs. 31,377 crore is proposed for phase – I (2007-12).

However, it does not venture to estimate the cost of providing 2.5 lakh houses for the slum-dwellers in the 325 slums in BBMP limits, merely stating that “a huge amount needs to be spent in this sector to make the city slum-free”. It however states that out of the total requirement of about 31,000 crores for Bangalore’s development, there is a gap of Rs. 6,066 crore in BBMP. It remains to be seen how this contestation between roads and BSUP will be resolved.

4. Inadequacies of current BBMP Budget: The maiden budget presented by the elected BBMP appears to flout all the Acts and guidelines that have been issued for making budget preparation more realistic. In the absence of a pre-budget paper making an analysis and assessment of short- and long-term needs, setting out the priorities and the estimated costs for the same and the fiscal and expenditure reforms that have been undertaken to bring about fiscal health, it becomes difficult to analyse the efficacy of the budget.

4.1 Over-estimation of receipts: The budget has repeated the errors of over-estimation of revenue receipts. What is the basis for fixing the revenue receipts at Rs. 8,497.97 crore? Have they adhered to the Medium-Term Fiscal Plan while making these projections? The revenue projections made in the MTFP for 2010-11 is only Rs. 4,315.63 crore including borrowings. What has been projected is almost double this figure. There is a difference of Rs. 3,900 crore between the revenue from confirmed sources (Rs. 4,597) and the anticipated receipts. Revenues from Sakrama and grants from state government are not definite. This difference will have to be met by loans.

4.2 Increased debt-servicing: This has led to severe stress on the fiscal position of BBMP with the organization having to resort to loans to bridge the gap resulting in increase in the amount spent on debt servicing. The Medium-Term Fiscal plan already speaks of the fiscal stress that BBMP is under due to the huge debt-servicing required. As per the MTFP, the revenue of 26 revenue circles in core areas is already escrowed against loans.

4.3 Over-inclusion of projects: There has also been the practice of including every conceivable project into the budget, under pressure from individual councillors, even on the day the budget is being presented. So a whole number of projects are included which will never see the light of day as the money for them simply does not exist. These go more to provide false assurances to citizens.

4.4 Democratic process by-passed: So which projects actually get undertaken depends on who cries loudest after the budget is finalised and put aside. Hence the decision on what gets finally sanctioned and what gets left out completely bypasses the democratic process of budget making. The prioritisation for basic needs gets lost in this faulty process.

4.5 A Budget Control Cell was supposed to be set up to make more realistic projections of the revenue and expenditure while doing budgetary exercise. Was this ever set up? Hence one can safely say that this is a budget which is meant to provide false assurances to the public.

An expenditure management committee has to be set up to review the status of expenditure and also to examine the new expenditure proposals in various fields from time to time. Any un-budgeted expenditure must be allowed only after ensuring the sources on the receipt side or savings on the expenditure side.

4.6 Low budgeting for basic needs: The details of the anticipated capital works to be undertaken for Rs. 1,000 crore are presumably for road works. As against this, the total for welfare, education and health together is only Rs. 742.08 crore. The amount for BSUP is only 44.80 crores which is almost the same as that for the approach road to the airport (Rs. 40 crore) and the widening of Bellary and Jayamahal roads (Rs. 44 crore).

4.7 Low budgeting for SC/ST SCP: Since more than Rs. 300 crore had remained unutilised under the SC/ST Sub-Plan last year, this amount should have been carried over to this year and an additional amount of 22.75% of this year's budget (after making the necessary deductions) allocated for the SC/ST Sub-Plan. But an amount of only Rs. 477.05 crore has been set apart which would be definitely far less than the amount required to be earmarked. This is a gross injustice being perpetuated year after year on this lowest section of the population. There can be

no doubt that this budget will only callously continue the skewed development priorities against which there has been so much growing outrage.

4.8 Wasteful expenditure: While the MTFP calls for curbing of wasteful expenditure, 20,000 bicycles are being distributed without conditionalities. Is this a development programme for bicycle manufacturers?

4.9 Non-utilisation of budgeted funds: But a glaring hurdle is that, even if amounts are budgeted for this, these amounts are never utilized or are diverted for other uses or simply lapse as has been brought to light repeatedly in the case of the amounts reserved under the Sub-Plan for SC/STs. This happens because BBMP has been over-estimating the expected revenues by up to 40% over the last ten years making the budgets illusory. The prioritisation for basic needs gets lost in this undemocratic and faulty process.

5. An alternative budget for BBMP: Attention needs to be given to change the development paradigm. It has become customary to measure so-called 'development' in terms of the fly-overs and expressways built without any indicators or outcomes to say how this constitutes development. Efforts have been made by CIVIC, Citizens' Action Forum and KKNSS to come up with alternative budgets with stress on social infrastructure rather than on roads.

5.1 Social infrastructure and human development: So much is talked about 'infrastructure' but this never seems to mean essential social infrastructure. A shift towards social infrastructure and human development is imperative in line with the expanded functions assigned to local bodies by the 74th CA, such as slum upgradation and urban poverty alleviation.

5.1.1 Land for housing slum-dwellers: KKNSS estimated that Rs. 13,377.25 crore are required for additional land required for housing 5.5 lakh urban poor families, housing them, doubling BBMP's current health and education infrastructure and providing cheap credit for the slum-dwellers. JNNURM guidelines call for earmarking of up to 25% land and houses in housing projects for EWS/LIG.

5.1.2 Migrants' colonies: 17,000 homeless migrants are living on pavements, as per a recent survey. One migrant workers' social rental housing colony (or night shelters in each ward, as mandated by the SC now) to house about 150 families would need about Rs. 600 crore at the rate of 150 houses per ward at Rs. 2 lakh per house. This would rid the city of its unsightly and unhealthy sheds and plastic tents.

5.1.3 Day-care centres for children: Another important component is the creation of day-care centres for children between 0-6. Currently, these children are left under the care of elder siblings or play dangerously at construction sites. UNESCO was planning to convert Early Childhood Care and Development into a human right at an international meet. If one anganwadi at least is to be created for every 400 of the 15 lakh population in slums, as per the SC ruling, an additional 3,188 anganwadis are needed which would cost Rs. 95.64 crore at the rate of Rs. 3 lakh per anganwadi.

5.1.4 Livelihood space for informal sector: The urban poor need, not just housing, but space and sheds for carrying on their livelihoods, hawking zones and food courts, parking space for vending carts, affordable kiosks for licensed vending are also needed. A micro-credit

organization, vocational training centre, workers' facilitation centre, are also needed on per population basis to complete the social infrastructure.

5.2 Urban employment guarantee: A fund for an urban employment guarantee scheme, recognizing insecure livelihood of the urban poor and a scheme for social security are other needs. All this can be made into a five-year plan for the city, and every ward, for inclusive growth of the city.

All this could be spread over the medium-term of five years.

6. Overall policy re-orientation needed: The Millennium Development Goals (MDGs) need to serve as the overarching goal towards which other aspects of governance are directed. The MDGs ought to be the concrete policy strategies aimed at realising human rights. They should serve as the minimal benchmarks, with indicators for judging the realization of international human rights. Every aspect of governance needs to be judged according to its contribution to the attainment of the MDGs. For human rights and development to receive the kind of attention they deserve in all aspects of governance, there is a need for some kind of normative hierarchy in law, that places human rights and human development above every other norm.

6.1 Performance Management System: There is a need to collect city /ward-level base-line data to serve as the basis for a Performance Management System (PMS) to measure genuine development. The Directorate of Municipal Administration (DMA) in Karnataka has already made a beginning in this direction by developing data collection templates, setting targets and evolving 65 indicators for measuring service delivery effectiveness of usual municipal functions such as water supply and sewerage, solid waste management, property tax, etc.

6.2 Social Infrastructure Index: It is necessary to go beyond this to bring about the necessary focus on social development as well. A ward Social Infrastructure Index needs to be created based on the number and status of schools, hospitals, anganwadis, workers' facilitation centers, etc.

6.3 Human Development Index: Data is also needed to create a ward Human Development Index (HDI) based on life expectancy, literacy and income levels. Further statistics required are on the BPL population, the homeless and slum-dwellers, IMR, MMR, malnourishment and nutrition status, SCs/STs, children in and out of school, numbers of wage-employed, self-employed & unemployed persons, eligibility lists for old-age, widow, physically-challenged pensions, etc.

6.4 The Asha Kiran Mahiti of the DMA has taken a major step by mapping 3,400 notified and non-notified slums all over Karnataka and has the socio-economic data-base of each and every one of the six lakh slum households across Karnataka. Based on this, one needs to generate the social indicators, evolve plans and set targets for improvement in each of them and measure and audit outcomes periodically. Involving citizens in each of these processes through the ward committees and neighbourhood area sabhas is imperative, if inclusive growth and not mere GDP growth is to happen.

Hoping you will consider these suggestions while formulating the budget for 2011-12

Thanking you.

Yours sincerely,

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Salient features of the KLFAFR Act

1. Mandates a Medium Term Fiscal Plan for Local Fund Authorities (LFA)
2. Lays down principles for financial management.
3. Ensures transparency in fiscal management at the local level.
4. Ensures proper procedure for preparation, submission and audit of the accounts.
5. Ensures proper scrutiny and adherence to the audit report.
6. Lays down measures for transparency and measures to ensure compliance to this Act (principles of financial management)
7. Publication of financial document and annual report.

As per sec-3 of the Act, the MTFP OF LFA shall include the following:

1. The Medium term fiscal objectives of the LFA.
2. An evaluation of the performance of the fiscal indicators in the previous years against the targets set.
3. Performance in the present year.
4. a statement of recent trends and the future prospects for growth and development.
5. The fiscal priorities of the LFA in that financial year.
6. The policies of LFA relating to expenditure, borrowing and other liabilities and all such activities which have an impact on the budget.
7. An evaluation of how current policy of the LFA in conformity with the financial management principles.
8. Clear linkage of physical and financial targets.
9. It shall be the source document for preparation of annual budgets.