

## ANNEXURE-2

### URBAN INSTITUTIONAL, FINANCIAL, REGULATORY, AND OPERATIONAL REFORM AGENDA

		Agartala	Kohima	Aizawl	Shillong	Gangtok
<b>A</b>	<b>Institutional</b>					
	<b>Implement 74<sup>th</sup> Constitutional Amendment (CA) - Objective: Implementing decentralization measures through establishing and strengthening elected ULBs</b>	Within six months of 1 <sup>st</sup> tranche approval develop and submit a plan approved by the SEC containing (i) a <b>situational assessment</b> , (ii) a time-bound <b>MC capacity development and resource program</b> and (iii) a time-bound <b>action plan for devolving further functions in a phased manner to ULBs</b> in line with 74 <sup>th</sup> CAA and JNNURM <sup>1</sup>				
		Within six months of 1 <sup>st</sup> tranche approval, develop and submit an administrative, organizational, operational development strategy and plan approved by the SEC for AMC including (a) finalization/clarification of the jurisdictions, mandate, and power of zones/wards and their logistical requirements, (b) organizational structure of AMC (considering also the	Within six months of 1 <sup>st</sup> tranche approval, develop and submit an action plan approved by the SEC to gradually transfer to KMC responsibility and resources for urban functions and to build necessary capacities, including developing administrative, organizational, and financial systems,	Within six months of 1 <sup>st</sup> tranche approval establish an administrative arm, including an acting CEO, accounting and engineering units. Transfer/reallocate staff as necessary.  Within one year of tranche approval organizes elections. Review the role of village councils and develop a plan to integrate them within the new Aizawl ULB structure e.g., as sub-municipal units	Within two years of 1 <sup>st</sup> tranche approval, install an elected urban local body in the Shillong Municipal Board Area.  Within one year of 1 <sup>st</sup> tranche approval, commence a public debate, involving all stakeholders, on the need for an urban governance set up for the Greater Shillong area.  Within four years of 1 <sup>st</sup>	Within six months of 1 <sup>st</sup> tranche approval establish an administrative arm, including an acting CEO, accounting and engineering units. Transfer/reallocate staff as necessary.  Within one year of tranche approval organizes elections.

<sup>1</sup> Depending on the level of municipalization in each city, the following activities may need to be considered in the preparation of the action plans: (1) Formation of Core Group/ Task Force for carrying out reform and constitution of Municipalities; (2) Framing the Rules under Municipal Act for day-to-day administration; (3) Issuance of an executive order for constituting a municipality; (4) Agreeing on general principles of demarcating municipal boundaries and wards; (5) Making amendment in Municipality Act as per 74th CAA; (6) Issuance of Government orders/Notification of Transfer of functions listed under 12th Schedule of 74th CAA; (7) Framing Rules for Ward Delimitation; (8) Conduct Municipal Election; (9) Agreeing on a proposed staffing and reporting structure and manpower requirements and recommend to State Finance Commission; (10) Constitute State Finance Commission and its recommendation implemented; (11) Send recommendations to the State Finance Commission for allocation of municipal budgets; (12) Fixing of cadre strength and responsibilities for various levels of officers; (13) Recruitment of officers and staff with appropriate skills and qualification or transfer from state line departments; (14) Imparting of short term training to newly recruited staff and officers and transferred staff towards municipal council's operations; (15) Complete transfer of functions to municipal council and (16) Transfer of assets to municipal council.

		Agartala	Kohima	Aizawl	Shillong	Gangtok
		expansion of boundaries of AMC), its political and administrative wings, departments, sections, and their job descriptions, (c) asset management and operation systems development, (d) personnel management and staff augmentation/development.	and staffing. Develop a plan approved by the SEC to carefully integrate the traditional systems, e.g., panchayats and gaon buras into the KMC and the ward set up		tranche approval, finalize the urban governance arrangements for the Greater Shillong area and integrate the traditional governance structures into the urban governance framework	
Within 3 years of 1 <sup>st</sup> tranche approval and prior to Tranche 3 approval (expected end 2011), all States must have (i) substantially <b>devolved functions</b> to their respective capital cities (for no less than those sectors supported under the Investment Program but also expected in other areas), (ii) adequately <b>staffed</b> engineering, administrative and financial sections of the ULBs, and allocated sufficient budget to initiate activities in 'young' ULBs and (iii) <b>transferred assets</b> associated with these functions.						
<b>B</b>	<b>Service Delivery</b>					
	<b>Reforms for Efficient and Financially Sustainable Water Supply and Sewerage Service Providers</b>	Restructure PHED and create one single city circle headed by a superintending engineer with control over city water and sewerage operations as well as separate accounting and balance sheet within one year of 1 <sup>st</sup> tranche approval for WSS subprojects.	Restructure PHED/KMC and create one single circle for Kohima headed by a superintending engineer with control over city water and sewerage operations as well as separate accounting and balance sheet within one year of 1 <sup>st</sup> tranche approval for WSS subprojects.	Restructure PHED and create one single circle for Aizawl headed by a superintending engineer with control over city water and sewerage operations as well as separate accounting and balance sheet within one year of 1 <sup>st</sup> tranche approval for WSS subprojects.	Restructure PHED/SMB and create one single circle for Shillong headed by a superintending engineer to control over city water/ sewerage operations as well as separate accounting and balance sheet within one year of 1 <sup>st</sup> tranche approval for WSS subprojects.	Restructure PHED and create one single circle for Gangtok headed by a superintending engineer to control over city water and sewerage operations as well as separate accounting and balance sheet within one year of 1 <sup>st</sup> tranche approval for WSS subprojects.
		Issue order to use double entry accounting, asset inventory and asset management in the circle within two years of 1 <sup>st</sup> tranche approval for WSS subprojects	Issue order to use double entry accounting, asset inventory and asset management in the circle within three years of 1 <sup>st</sup> tranche approval for WSS subprojects.	Issue order to use double entry accounting, asset inventory and asset management in the circle within three years of 1 <sup>st</sup> tranche approval for WSS subprojects.	Issue order to use double entry accounting, asset inventory and asset management in the circle within two years of 1 <sup>st</sup> tranche approval for WSS subprojects.	Issue order to use double entry accounting, asset inventory and asset management in the Circle within three years of 1 <sup>st</sup> tranche approval for WSS subprojects.

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		Develop performance improvement plans within one year of 1 <sup>st</sup> tranche approval and start implementing them.				
		Within two years of 2 <sup>nd</sup> tranche approval for WSS subprojects, commence evaluation of various options of financially self sustainable, efficient and commercially operated water and sewerage agency and start consultations with stakeholders including ADB on options available.				
		Within 1 year of 2 <sup>nd</sup> tranche approval, and based on the results of the PSP study, conduct consultations and develop a plan and proposals for components with potential for PSP.				
		Within four years of tranche approval or water subprojects, approve appropriate arrangements for regulating the water service providers				
	<b>Improved Operational Efficiency</b>	Prior to first tranche approval, issue Government Order to implement a UFW reduction program, as well as a bulk and consumer metering program, and commence implementation within 3 months of 1st tranche approval;				
	<b>Regulatory Compliance</b>	In cities receiving funds from the MFF for subprojects in the sewerage and sanitation sector, the States will approve, within six months of tranche approval (generally 3 <sup>rd</sup> ), regulations to (a) enforce those household with access to a sewerage pipeline to connect to the sewerage system within one year of network completion; (b) enforce all households not to discharge their sanitary waste without treatment and maintain their septic tanks in specified levels of efficiency; (c) require new buildings to obtain a sanitary waste discharge permit; and (d) enforce generators of large quantities of wastes such as industries not to discharge their wastes without treatment and to maintain their discharges at specified levels of efficiency.				
		In cities receiving funds from the Facility for subprojects in the solid waste management sector, the States will approve, at the latest by the commencement of civil works, regulations regarding (a) the discharge of solid wastes; (b) the separation of wastes and disposal of hazardous wastes; (c) the installation of improved procedures for vehicle routing, asset control and staff management; and (d) establishment of operations and maintenance procedures.				
<b>C</b>	<b>Financial</b>					
	<b>Municipal Financial Management</b>	Within 2 years of 1 <sup>st</sup> tranche approval for Agartala and Shillong, and within 2 years of 2 <sup>nd</sup> tranche approval for Aizawl, Gangtok and Kohima, cities will have completed migration to an accrual based double entry accounting system. <sup>2</sup>				
	<b>Property Tax Improvements</b>	Within 18 months of 1 <sup>st</sup> tranche approval, Agartala will have implemented property tax reforms, including preparation of GIS based property mapping, unit area based and self assessment based property tax system; whilst Shillong will have updated its system and retrained staff. Within 18 months of 2 <sup>nd</sup> tranche approval, Aizawl, Gangtok and Kohima will have introduced property tax, following the unit area based and self assessment based property tax system. Within 3 years of 1 <sup>st</sup> tranche approval for Agartala and Shillong, and 3 years of 2 <sup>nd</sup> tranche approval for Aizawl, Gangtok and Kohima, collection efficiency should be no less than 60%, and 85% one year later.				

	<b>Agartala</b>	<b>Kohima</b>	<b>Aizawl</b>	<b>Shillong</b>	<b>Gangtok</b>
<b>Introduction and Rationalization of User Charges</b>	Within 1 year of 1 <sup>st</sup> tranche approval, develop (with guidance from Supplementary Appendix O plan) and submit a Financial Action Plan to ensure improved utility financial performance.				
	In line with JNNURM's MOA, within 1 year of 3rd tranche approval, implement solid waste collection charges to generate sufficient revenues to meet 100% of the cost that is incurred in undertaking O&M of existing and project-created SWM assets and services				
	In line with JNNURM's MOA, within 1 year of 3rd tranche approval, implement volumetric water charges with regular adjustments to tariffs to generate sufficient revenues to meet 100% of the cost that is incurred in undertaking O&M of existing and project-created water and sewerage assets.				

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<sup>2</sup>This will include, amongst other, (1) Completion and adoption of accounting manual, (2) passing of GO/Legislation/Modification of Municipal Finance rules for migrating to double entry accounting system, (3) Training of personnel, (4) Undertaking of Business process re-engineering, (5) Valuation of assets and liabilities, (6) Drawing up of opening balance sheet, and (7) Drawing up of opening balance sheet.

