

**UNITED NATIONS DEVELOPMENT PROGRAMME  
PROJECT OF THE GOVERNMENT OF INDIA**

**Project Document**

Sub-programme Budget Number: 00044242

Sub-programme Title: Capacity Building for Decentralized Urban Governance

Sub-programme Short Title: Urban Governance

Estimated Start Date: August 2005

Estimated End Date: December 31, 2007

Executing Agents: Ministry of Urban Development (MoUD)

Implementing Agent(s): Government Agencies, Civil Society, Media, Research and Training Institutions

Sub-programme Site: Cities in selected states

Programme Support Title: Capacity Building for Decentralization

Summary of UNDP and Cost Sharing: (as per attached budgets)		
UNDP	Approved Budget	Indicative Budget (pls see footnote 1)
TRAC (1 & 2)	\$ 3,000,000	3,000,000
TRAC (3)	\$ -	-
Other	\$ -	-
Cost Sharing:	\$ -	-
Government:	\$ -	-
Financial Institution	\$ -	-
Third Party	\$ -	-
Administrative and Operational Services:		
SOF 03	\$ -	-
SOF 07	\$ -	-
Other	\$ -	-
<b>Total</b>	<b>\$ 3,000,000</b>	<b>3,000,000</b>

Note: The official UN exchange rate for March 2005 is \$1 = Rs. 43.38

Approval Date:

**Project Description**

India's rapid urbanization clearly indicates an inescapably urban future. Cities are emerging as the engines of economic growth. Simultaneously, rising migration is fuelling urban poverty. In this background, it is critical to preserve and promote the economic and social viability of our towns. Cities, however, seem unprepared to contend with these emerging challenges.

The Constitution (seventy-fourth) Amendment Act and the Tenth Plan clearly stipulate the need for decentralized urban governance and the empowerment of cities as the third governmental tier. These goals equally resonate the UNDAF priorities of strengthening decentralization and promotion of gender equality. It is widely recognized that such empowerment is critical for the emergence of cities that are inclusive, transparent, pro-poor and gender-centric.

At the same time, cities also need to be efficient in equitable service delivery and ensure a decent quality of life for all their citizens. This they must do in partnership with city stakeholders allowing space and voice especially to the poor and women.

In the light of this background, the development objective of this project is to provide support to the financial and administrative empowerment of ULBs. It seeks to support the Government of India, State Governments, Cities and urban stakeholders to evolve suitable urban governance strategies, enhance institutional and human capacities and bring about good urban governance. It will do so by supporting the urban reform process pioneered by MoUD through financial and legislative initiatives.

The project will work with ULBs in sixteen Class-I medium sized cities (excluding corporations) in up to four states. Final selection of the states/cities will be done through a consultative process.

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UNDP's Core Resources are allocated on the basis of three-year roll-forward frameworks, covering the current year plus the next two years. Project budgets covering a longer time frame are thus indicative only, and subject to confirmation. The same would apply to Cost-Sharing Contributions, which are indicative until confirmed by respective donors. (Project documents however provide detailed budget information for both the 'Approved' and 'Indicative' Budgets).

**The deliverables of the project fit into two broad components:**


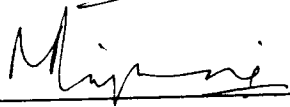
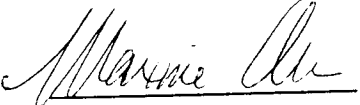
- Technical assistance in improving the financial processes of ULBs with the aim of improved credit worthiness and more efficient delivery of civic services.
- Capacity building of ULBs for improved financial management, gender-centric planning, equity, transparency and accountability with the aim of increased good urban governance.

These two broad components demand a whole range of strategic interventions. The project engages with some of the most pressing capacity needs and addresses them in the overall framework mandated by the Constitution (seventy-fourth) Amendment Act and the objectives and priorities articulated by the United Nations Development Assistance Framework (UNDAF) in partnership with key stakeholders.

**Some of the important and specific outputs of the project would be:**

- Accrual-based financial accounting and management are adopted by 16 ULBs.
- Credit rating by reputed credit-rating agency is obtained by at least 2 ULBs.
- Computerized inventory of assets with a view to optimizing asset utilization is achieved by at least 2 ULBs.
- Review and re-engineering of internal business processes with a view to improving service delivery, information sharing and grievance redressal is undertaken by 16 ULBs.
- Action plans for resource mobilization from the Gol reform package (such as National Urban Renewal Mission) are prepared by 16 ULBs.
- Capacities of elected representatives and officials to undertake better financial management; development and preparation of bankable/ public-private partnership projects; civic engagement and improved service delivery – are built in 16 ULBs.
- Budgets are analysed from gender, poverty and environment perspective and suitable recommendations made for 16 ULBs. Budgets are analysed from gender, poverty and environment perspective and suitable recommendations made for 16 ULBs.
- Mechanisms for regular government-citizen interaction for problem-solving and information-sharing are established in 16 ULBs.

The project shall attempt synergy at all times with its sister project on urban livelihoods and other UNDP projects as well as with other donors and agencies that have similar priorities and concerns.

<u>On behalf of:</u>	<u>Signature</u>	<u>Date</u>	<u>Name/Title</u>
Government		29.8.2005	M PRASAD, Jt. Secy. (FA)
Executing Agency		August 9, 2005	M. Rajamani Joint Secretary M/o Urban Development
UNDP		5-9-05	

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### **I. Background**

The Tenth Five-Year Plan and the (GoI)-UNDP Country Programme (2003-2007) share common concerns about urban poverty and the need to effect policy and institutional changes for good urban governance. While the enormous strides made by India in economic growth are widely recognized, they are tempered by factors regarding human development. Female literacy, child mortality and income disparities, environmental depletion and their impact on low-income livelihoods are issues that have not lost their relevance for focused attention. With more and more people, especially the poor, migrating to urban areas in search of sustenance, human development issues are increasingly emerging as the most vexed. But even greater urgencies appear to emerge in equipping urban India with the capabilities to face these daunting challenges. In the light of decentralized governance mandated by the Constitution, efficient, transparent urban local bodies (ULBs) with wholesome capacities that stand strengthened to address such issues are now palpably felt needs.

Some of the prescriptions on how to engage with these felt needs have already been underscored by the Constitution (Seventy-fourth) Amendment Act. This Act is decidedly the most far reaching legislation and a turning point for urban governance. Prior to its enactment, urban local governance was clearly not a constitutional obligation. The Indian Constitution slotted urban development as a state rather than a federal subject. States tightly controlled municipal bodies and ULBs enjoyed existence at the states' will.

The cited Act, however, sought to change that dispensation. For the first time, the Indian Parliament took upon itself to push the agenda of urban self-governance in the country. It mandated that municipalities would have a life for five years, and would normally not be superceded. The Act provided for an independent State Election Commission for the superintendence and control of municipal elections. The Act also stipulated that seats shall be reserved for scheduled castes and scheduled tribes in proportion to their population in the municipal area. A revolutionary feature of the enactment was the mandatory provision of reserving one-third of every elected urban body for women representatives.

For the larger municipalities beyond a population of 300,000, wards committees were made mandatory. For the purposes of planning, a District Panning Committee had to be compulsorily constituted. In addition, for every metropolitan area, defined as an urban local body with more than a million population, a Metropolitan Planning Committee had to be formed. A State Finance Commission was also made mandatory, charged with the task of reviewing the financial position of municipalities and making recommendations for their financial health.

The most salutary results of the Amendment Act have been in the constitutional recognition of civic bodies as the third tier of governance. With due sensitivity towards building inclusive cities, space has been mandated for the poor, the marginalized and women as effective participants in all decision-making. During the past decade, elections to municipal bodies almost over the entire country have been held bringing about a whole new local political leadership. These have led to a perceptible climate-change in urban governance.

### **II. The Country Programme (2003-2007) and its Thematic Focus**

Promotion of gender equality and strengthening of decentralization are the agreed programme priorities between the United Nations System in India and the Government of India under the United Nations Development Assistance Framework (UNDAF). Interventions for the furtherance of these objectives are spelt out in four mutually reinforcing thematic areas. Cutting across all these themes, the perspectives of grassroots engagement, partnerships and participatory processes, multi-sectoral integrated programming and documentation and dissemination of initiatives underpin the entire gamut of activities in the Country Programme.

*Promotion of human development and gender equality.* In India, the state human development reports (SHDRs) have successfully promoted the concept of human development as a valid basis for development planning. The Country Programme proposes to build on this past initiative to create an interface at the state level between economic policy and social concerns. Strategies proposed include partnerships with research institutions, civil society organizations and individual experts to support state governments in synthesizing economic growth and equity and render the HDR process more consultative and broad-based.

*Capacity building for decentralization:* The broad strategies here include capacity enhancement of local bodies in local planning, in gender sensitivity, responsiveness, transparency, administrative efficiency and civil service reforms. Urban governance, in particular, is sought to be addressed through technical assistance to urban local bodies and promotion of partnerships with communities. A grassroots perspective of ICT for development will be explored to support the cited initiatives.

*Poverty eradication and sustainable livelihoods:* Past poverty reduction efforts through pilots shall be reinvigorated by rooting them in programmes within local institutions. Partnerships among local bodies, women's groups, civil society organizations and government agencies will allow the crafting of approaches to sustainable livelihoods. Strategies here would comprise developing gender-responsive models of support for traditional artisan communities, supporting production of status reports on poverty in India and sharing Indian best practice and drawing on international experience.

*Vulnerability reduction and environmental sustainability:* Reduction of community vulnerability to natural disasters and environmental degradation are the key activities under this theme. Strategies here would include drawing up disaster-preparedness plans and systems for early warning and recovery, developing community capacities in regard to disaster mitigation, strengthening national advocacy on global debates on environment and translating global environmental concerns into national projects and developmental challenges.

## **B: PROJECT BACKGROUND**

### **I. Development Context**

It would be a truism to state that economic growth contributes to urbanization. There is evidence to show that countries with high per capita income have high urbanization levels. While India's urbanization till date has been moderate, standing at 27.8 per cent as per Census 2001, it would be fair to expect that with economic liberalization and high rates of economic growth, urbanization in India would move apace. Much of this urban explosion would be fuelled by the urbanization of poverty. This would expose and exacerbate many of the weaknesses of our cities – their increasing inability to find resources and provide efficient and equitable services and sustain a decent quality of life. Abysmal conditions in sprawling slums, environmental degradation and vulnerability to diseases are already visible in metropolises.

The cited scenario begs interventions that buttress urban capacity, that make cities efficient and equitable, that retain them as powerhouses of economic growth. Cities must be characterized by transparency, accountability, quality civic participation and the ability to address issues that concern a wide spectrum of stakeholders. In brief, good urban governance is the key to urban well-being. In many ways, the Constitution (seventy-fourth) Amendment Act provides the framework within which issues of governance could be addressed. Prescriptions in regard to representation, functions, finance, poverty, environment and planning need implementation both in letter and in spirit.

The Ministry of Urban Development (MOUD) has already engaged with some of these vital issues. The urban reform schemes, Private Sector Participation Guidelines, the Model Municipal Law, the accounting reforms and municipal capacity building programmes, especially for women councilors, are examples of a pro-active stance by the Ministry to lead the process of urban change and incentivize such changes through municipal assistance packages. Additionally, based on a request from several State Governments and the MOUD, the Comptroller and Auditor General (C&AG) of India has prepared a Model National Municipal Accounting Manual based on which the State Governments can prepare state-level municipal accounting manuals according to their own requirements. There is a need, however, to impart urgency and pace to the reform process at the state and local levels and make changes happen on ground. Two gaps in this regard need to be bridged. ULBs require assistance in capacity building to walk the reform process and take advantage of the facilities set up by the Government; and they need demonstrated examples of successful initiatives. It is in the background of supporting and catalyzing these changes that this present project is crafted.

### **II. Issues to be addressed**

The ability of urban local bodies to meet the urban challenges depends in large measure on their ability to function as the empowered third tier of governance. It is quite evident that states should be assisted in effecting decentralized governance and in adopting the reform road highlighted by the Gol. Functional and financial devolution appear necessary to allow the kind of local empowerment that the Constitution envisages. At the same time, concomitant changes in policy and law and new institutional mechanisms should be put in place. Irrespective of the role of the states, however, ULBs must contend with several problems that they themselves

can solve. Inefficient tax collection, tardy service delivery, poor planning, fragmented information systems, non-transparent and inefficient accounting and financial management, low engagement with the private sector and low access to capital market, lack of IT-based municipal services and grievance redressal systems, and poor information flow are all issues that largely require local solutions.

The current cash based accounting system and its financial reporting by the ULBs is unable to show their true financial performance and position. Thus, the ULBs are unable to satisfy the information needs of both internal and external users. Therefore, there is an urgent need to reform the accounting, budgeting and auditing processes in the cities. Institutional reengineering and capacity-building assistance are consequently the need of the hour.

Equity and gender concerns deserve particular attention for good urban governance. Women and marginalized groups should have space and voice in city matters through wide, decentralized sharing and stakeholder consultations. These consultations should be in the areas of joint needs assessment, micro planning and implementation. These initiatives would build a strong, vibrant civic society and sensitized and responsive ULBs.

Even though the Constitution has provided the 'gender platform' by mandating that all ULBs must necessarily have one-third representation of women, the results of such political space in terms of gender-sensitive development, the integration of gender perspectives in city budgets and municipal sensitization to gender issues have not been subjected to comprehensive analysis. It would be important to study these and use the results to devise frameworks for enhanced gender-centric interventions.

The challenges of urbanization cannot be met unless the civil service in the municipalities is equipped to understand and face those challenges. In the absence of fresh inputs to municipal personnel, their capacities are found eroded, and their ability to cope with the complexities of city life weakened. There is therefore an imperative need to see that they are equipped with tools of engagement with the private sector and newer methods of accounting and book keeping. They need to be convinced about the advantages of transparency and civic engagement, and in such and other areas exposure to best practices initiated in the country is bound to have salubrious impact on municipal functioning.

The aforesaid discussion raises issues of capacity building, of participatory processes and networks, of demonstration initiatives and of documentation and dissemination. This project addresses these concerns and aims at catalyzing solutions through pro-active support to the Tenth Plan objectives and MoUD's initiatives.

### **III. Indicators of national priority, government strategy and programmes**

The project priorities reflect those of the National Government. The Tenth Five-Year Plan quite clearly stipulates that urban governance should progressively be managed at the local level and attempts would have to be made to exhort states to incrementally shed their present primary role of regulators to that of enablers of institutions of self-government. The primary role of the state should be in laying down urban policy, in devising urban strategies for implementing policy with an overriding concern for equitable growth of cities as far as possible through distribution of growth and opportunities of wealth creation. The Plan simultaneously stresses the need to build municipal capacities and the ability to deliver a decent quality of life.

The Tenth Five Year Plan states that, "Good governance is one of the most crucial factors required if the targets of the Tenth Plan are to be achieved." In the urban arena (chapter 6, section on urban governance), the Plan envisages that urban local bodies should be responsive and accountable to the community and should develop standards of service comparable to the best. They should constantly improve their capabilities in resource raising, service provision, and poverty alleviation.

As cited earlier, the Ministry of Urban Development has already taken several reform initiatives and laid a road map for states and cities to follow. Some of these are briefly discussed below:

The MoUD has set up urban reform schemes to provide the transitional and transaction costs of restructuring urban civic services. These funds will focus on management issues in cities, on building effective service delivery strategies and municipal accountability, on enhancing fiscal and environmental sustainability and on strengthening the capacity of civic administration and its leadership.

The Model Municipal Law framed by Government of India recognizes the need to reduce diverse municipal legislation in the country, and even within states, and bring some amount of standardization in municipal law. But

more importantly, it seeks to inject good governance principles, greater autonomy for the municipal bodies, better accountability and tools for wider public private partnerships. This background work allows states to examine their municipal laws in the context of the model and make suitable changes.

MoUD has also put in enormous efforts to modernize municipal accounting and move cities from the single-entry cash-based system to double-entry accrual-based accounting system for greater transparency and ability to borrow from the market. MoUD has been working with the C&AG's office to develop a model national accounting manual, which will be provided by the MoUD to all the State Governments based on which State Governments will develop customized state-specific municipal accounting manuals. Credit rating of several ULBs has already happened, and the Government has incentivized borrowing from the market by allowing tax exemption for municipal bonds.

#### **IV. Assessment of previous programmes – main lessons learnt**

UNDP has been supporting a project on capacity building of urban local bodies in two states (Uttar Pradesh and Uttaranchal) under CCF-1. The project, which has now ended, aimed at promoting principles of good urban governance in six municipalities through participatory development of report cards, joint capacity development of councilors, officials and the Regional Centre for Urban and Environmental Studies, and larger civic-citizen interface through stakeholder consultations. In the course of the project, it became apparent that if the ULBs were to be able to provide the services ascribed to them and function as institutions of good governance, more attention needed to be paid to raising resources for improved service delivery and strengthening their overall resource base. To help the ULBs improve service delivery in areas such as waste, water and sewerage management, small-scale training initiatives in the area of public-private partnerships were attempted based on capacity building of councilors through study tours to model cities in India as well as in other countries.

Based on an assessment of the implementation of the project at this final stage, it is apparent that certain strategic and institutional issues have affected the impact of the project. The strategy primarily focused on capacity building in the area of good governance and on strengthening the interface with civil society. It lacked substantial focus on strengthening the financial processes and the resource base of ULBs that is so hugely critical for local empowerment. Since the ability to provide good governance is fundamentally dependent on the technical and financial capacities of ULBs, training and awareness building on the principles of good governance cannot stand in isolation. Any strategy therefore needs to focus on both areas. Also, due to critical administrative issues, the implementing agency's coordinating and facilitating role has not been very satisfactory.

Based on the experiences from the first urban governance project, this project will focus on capacity building and empowerment of ULBs for effective delivery of civic services through skill-building programmes on developing city action plans, creating interface with para-statal, ensuring use of ICTs etc. But most importantly, it will at the same time address the limited resource base of ULBs by building their technical skills for revenue generation and financial management. By building the capacity of ULBs to carry out functions mandated under the 74th Amendment, while at the same time strengthening the necessary resource base to do so, this project targets the weakness of the previous project and aims to secure and strengthen the impact of the activities under this project. As opposed to the previous project, this project will also address gender sensitive planning and budgeting, and it will work in close collaboration with state governments to strengthen the devolution process. Lastly, as Lead Agencies for the implementation, coordination and facilitation of this project, only such autonomous organizations that will have the competence to act as a strong bridge between policy makers and ULBs will be chosen.

Over the years several other programme initiatives have been essayed by national and international organizations. One of the prominent ones has been the Local Initiative for Urban Environment (LIFE) supported by UNDP to promote local dialogue and practical action to improve the living conditions of the poor. UNDP/UN-Habitat's Urban Management Programme (UMP) has focused on city consultations in the thematic areas of urban poverty, urban environment and participatory urban governance with a cross cutting theme of gender. In its present phase the Programme has moved towards knowledge management and is planning a phase centred on localizing UN's Millennium Development Goals.

UN-Habitat's Sustainable Cities Programme (SCP) is geared towards the development of sustainable environment through stakeholder participation. It follows the Environmental Planning and Management (EPM) process that combines a logical, holistic and participatory mechanism for institutionalizing environmental action at the city level for sustainability. In India, the SCP worked on the Sustainable Chennai Project and is currently operating in two smaller cities of Maharashtra.

Under the GOI-UNDP's Economic Reforms Programme, action research has been undertaken on streamlining municipal accounting and financial management, pricing of municipal services and infrastructure, debt financing of municipal infrastructure, regulatory framework for private sector participation in municipal infrastructure, credit appraisal of municipal corporations and reform of the property tax systems. The results of these studies will feed into the present project.

Other bilateral agencies have also been working on a number of urban projects. DFID for instance, has supported a statewide programme for improvement of urban governance in 32 towns of Andhra Pradesh. USAID, through its FIRE programme has supported the Government of India in its efforts to strengthen domestic capital markets to enable them to serve as an efficient source of development finance.

The above programmes have had their individual areas of emphasis, some on urban poverty, others on financial reforms and yet others on participatory processes. Experiences garnered have shown that participatory approaches lead to a greater role by civil society in civic decision-making, reduce reliance on government and promote empowerment. They have also shown that it is possible to access capital markets and that is not possible to achieve sustainability of cities without adequately addressing urban governance.

While these initiatives are laudable, there has been a clear lack of emphasis in the area of capacity building and a whole host of governance issues have been left unattended. Devolution and empowerment of local governance, technical and financial capacity of ULBs, inclusive and gender-centric planning, a closer emphasis on equipping both councilors and municipal officials in their jobs, municipal transparency and accountability are all huge gaps. These make amply clear that a great deal remains undone in the area of holistic governance and that capacity building interventions continue to be a crying need. It is the endeavour of this project to attend to these gaps and bridge them.

## **V. Reasons for UNDP development cooperation**

UNDP embodies political neutrality and UN values. Its long presence in the country and ongoing dialogue with stakeholders - state, civil society, private sector and donors - makes it a trusted partner. With capacity development as its mandate, UNDP is in a unique position to provide support to the national government in achieving good urban governance. As cited earlier, there is a clear recognition in the national government documents that governance is the most critical factor in poverty reduction. Increasingly there is growing demand for policy, technical and programme advice in support of good urban governance. Because of its strengths, UNDP can play a pivotal role in several governance areas through support in different forms.

UNDP brings international experience in the field of governance and urban development, especially in the areas of urban poverty and state-city-community interface that can be shared with the national government. The Government of India has endorsed UNDP's regional programme, the Urban Governance Initiative (TUGI) that aims at promoting good urban governance.

Additionally, the UNDAF themes of gender and decentralization are agreed priorities of the UN and Government of India. UNDP is committed to take this forward and this project would be the most important in pushing these objectives in the urban arena. In this context UNDP would also draw advisory services from its global facility, the Oslo Governance Centre in the area of democratic governance.

By working in the area of good urban governance, UNDP would support the Government in line with their priorities. The Ministry of Urban Development & Poverty Alleviation partnered with UN Habitat to launch the Good Urban Governance Campaign in September 2001 where UNDP also played a critical role. The Ministry agreed on Recommendations for an Action Plan on Good Urban Governance. In the interests of good urban governance in this country, it would be imperative to take its key elements forward.

## **C: THE PROJECT**

### **I. Project Strategy**

It is proposed to work in close collaboration with the, MoUD, States and ULBs, and additionally enlist the support of key stakeholders – civil society organizations, communities, urban local bodies, parastatals, international agencies and the private sector. Given the magnitude of the urban problem, it is imperative that all actors network for stronger impact.



The project proposes to assist the urban reform process pioneered by MoUD through various incentive funds, accounting reforms and the Model Municipal Law. Given the current weakened state of their financial management and accounting capabilities, few cities could be considered “creditworthy” by potential project financiers. Beyond the need for bankable projects lies the need to improve municipal financial management and accounting practices.

The project would propose to work in four states and sixteen Class-I medium sized cities (excluding corporations) and would focus on two broad project components:

**Technical assistance in improving the financial processes of ULBs with the aim of improved credit worthiness and more efficient delivery of civic services.**

The strategy towards financial strengthening would provide technical assistance towards i) improved skills for financial management and revenue generation leading to improved credit worthiness; and ii) introduction of information technology and business process reengineering in the municipal processes. Such activities would include:

- **Adoption of an accrual-based accounting system:** The current cash-based accounting system and the financial reporting by the ULBs is unable to show their true financial performance and financial position. Consequently, the ULBs are unable to satisfy the information needs of both internal and external users. Moreover, accurate and transparent financial statements show managements’ accountability towards citizens. Thus, accountability and transparency are the cornerstones of improved municipal accounting systems. Therefore, there is an urgent need to reform the accounting, financial management, budgeting and auditing in the cities. The double entry accrual-based system of accounting can overcome these shortcomings.
- **Adoption of information technology and business process reengineering in the municipal processes:** To ensure a high impact of introducing information technology, while at the same time reducing the rigor of the reforms undertaken in the business processes, the project will target not mere injection of technology into the existing processes but rather actual *transformation of the processes*. Since, the organizational structures and processes of ULBs are quite conventional, introduction of reforms and tools of modern technology is likely to meet with resistance in the majority of cases. In order to achieve tangible benefits, it is therefore necessary to formulate and adopt an appropriate conflict resolution and change management strategy coupled with adequate training and skill development.

**Capacity building of ULBs for improved financial management, gender-centric planning and budgeting, equity, transparency and accountability leading to good urban governance.**

Capacity building to institutionalize, sustain and replicate successful activities at all levels is also the core of the project and underpins our training activities. Training provided under the project will be closely related to achieving project goals and will be of a practical and hands-on nature.

The project, in consultation with Gol/State Governments and other partners, will work through an urban management-training network in the selected states. The project will provide support in developing training modules and training of municipal officials and elected representatives by supporting the conduction of seminars/workshops, courses on efficient service delivery, project development and financial management. The capacity building activities are meant to improve the ULBs’ capacity to implement and institutionalize accounting reforms, financial management reforms, internal control procedures and audit mechanisms. Capacity building will be a continuous, flexible and responsive process involving all the officials.

Initiatives to sensitize elected representatives (including women representatives) and officials of the urban local bodies to the skewed impact of urban problems on women and iniquitous access of urban services by women will be undertaken and their capacity for gender-sensitive planning and budgeting will be strengthened. Components of such capacity building would focus on the right to information, transparency and accountability. A beginning has already been made by civil society organizations in urban areas to use right to information as a mode of social audit of public expenditure. Such an approach contributes to active participation of urban communities in decision making on issues that affect their living conditions as well as better utilization of public money. Information technology tools will be used to facilitate dissemination of information in a citizen-friendly manner, and media will play a crucial role in profiling urban issues.

As the concept of good governance is dynamic and constantly evolving, it is critical that strategies are periodically reviewed and new ones developed. Cities that have demonstrated the ability to successfully apply good governance practices in various areas would serve as 'models', to be emulated by other local governments. Information sharing between partners and among peers at city level will be an area of activity. To achieve this objective, the project will use local media to inform and involve target communities of eminent importance.

An illustrative list of capacity building and training support activities follow:

- Conduct rapid training needs assessments to identify areas that need improvement including use of credit rating services as a management improvement tool;
- Conduct sensitization workshops for elected councilors (including women councilors) on the evolving role of ULBs;
- Support urban management training network institutions with process documentation of various support initiatives in financial management leading to improved credit worthiness of ULBs and development of training modules and training programs for municipal officials;
- Develop and conduct practical, hands-on training/workshops for the selected ULBs to institute improved accounting systems and financial management practices, internal controls, audits and an efficient management information system (MIS) thereby leading to transparency and accountability in ULBs;
- Train and build capacity of identified ULB officials to achieve conflict resolution and change management strategies for implementing the business process reengineering (BPR) of the core business processes;
- Train and build capacity of these municipal governments in development and preparation of commercially viable 'bankable' projects and service delivery management systems capable of attracting market based financing including municipal bonds, in accessing project development resources from central and state schemes and agencies and to use local resources for urban service delivery;
- Train and build the capacity of municipal governments in gender-centric and participatory service delivery system design and management;
- Train and build the capacity of councilors and ULB officials in gender-sensitive planning and budgeting;
- Train ULB officials to adopt and use efficient environment management tools, e.g. environmental mapping/workbooks; environmental status reports; city infrastructure priority studies; rapid assessment reports; environment management plans;
- Support the formation of a multi-stakeholder platform for identification of wider devolution and decentralization of municipal decision-making;
- Support the documentation and dissemination for upscaling and replication of the knowledge gained through the implementation of the above activities and best national and international urban practices.

The two project components above constitute a comprehensive technical assistance and capacity building programme that focuses on providing technical support and training to urban local bodies, including wards committees, in areas of urban planning, municipal governance, municipal accounting and financial management and resource mobilization. These interventions would inject important tools in the project cities, enhance ability to raise resources, and improve service delivery. These reformed ULBs will be models which could later be widely replicated. City Action Plans for such cities would be prepared and will be posed for mobilization of resources from Gol's incentive funds. Interfaces will be created between parastatals and ULBs to develop mechanisms of synergy.

Working closely with community groups and civil society organizations, the project will advocate principles of good urban governance to make municipal bodies more participatory, transparent, accountable and responsive to the marginalized. In all such efforts, gender would be a central concern in keeping with UNDAF and Gol priorities. In relation to equity, ICT-based municipal services have a major role to play in taking transparent urban administration to the doorsteps of ordinary citizens. There are now several initiatives that demonstrate the role ICT can play in improving urban governance. Saukaryam in Vishakhapatnam (Andhra Pradesh) is an important example of the application of ICT for improved delivery of urban services and citizen-state relationship. The project shall build on these good lessons learned and demonstrate improved access to information and services through Citizens' Charters, urban kiosks and an effective grievance redressal mechanism.

By the end of the Project, the following specific deliverables would have been achieved in four states and sixteen ULBs in Class-I medium sized cities (excluding corporations):

<p><b>A. Technical assistance towards financial strengthening:</b></p> <p>1. Accounting, financial management and information technology</p> <p>2. Credit Rating and municipal bonds</p> <p>3. Asset Valuation</p> <p>4. Action Plans</p>	<ul style="list-style-type: none"> <li>• Four state-specific accounting and financial management manuals and companion training manuals based on the C&amp;AG's national accounting manual internalized.</li> <li>• Capacities of select ULBs enhanced by improving financial management, consequently improving the delivery of municipal services, improved access to information, transparency and accountability through conflict resolution and change management strategies coupled with business process reengineering (BPR).</li> <li>• The selected ULBs would have completely switched over to a computerized accrual-based accounting system and IT enabled municipal services.</li> <li>• The selected ULBs would have had themselves credit-rated with the ability to issue municipal bonds.</li> <li>• The selected ULBs would have erected and adopted an asset valuation system and a phased programme for asset utilization and management.</li> <li>• The selected States and ULBs would have intimately understood the funds/schemes initiated by the GoI;</li> <li>• The selected ULBs would have made city action plans based on participatory needs assessment, and would have successfully written applications for accessing MoUD's urban schemes.</li> </ul>
<p><b>B. ULB Capacity built:</b></p> <p>5. Training Modules</p> <p>6. Gender budgeting</p> <p>7. Transparency</p> <p>8. Documentation</p>	<ul style="list-style-type: none"> <li>• Training modules on financial management, BPR, development and preparation of bankable projects, and good urban governance developed and used in training workshops and as part of the curriculum of state training institutions.</li> <li>• ULB's capacity developed to have the perspective and capacity to look at the issues that specifically concern women and provision for them in the budget.</li> <li>• ULB's capacity developed to adopt and put in place business procedures to give effect to Citizen's Charter, Report Cards and citizens' right to information.</li> <li>• Knowledge gained through implementing financial management reforms documented and disseminated for upscaling and replication.</li> </ul>

**Linkages:** Good urban governance and urban livelihood issues are related. Hence, synergy would be sought with the UNDP-supported project on Urban Livelihoods. The project on Access to Information will also inform the present project. Such linkages will demonstrate how joint action on reorientation of district administration and capacity building of urban local bodies and communities can achieve responsive district governance.

## II. Project Results and Resources Framework

**Strategic Resource Framework (SRF) Outcome: Capacities of ULBs and their administrations strengthened for efficient service delivery and equity.**

### Project Development Outcome 1: Financial strength of identified ULBs built

Baseline	Intended Outputs	Activities
<p>The financial status of ULBs is weak because ULB accounting is cash-based preventing transparency and market access and because valuation of assets are absent hindering optimum utilization of assets and financial buoyancy.</p>	<ul style="list-style-type: none"> <li>• Accrual-based financial accounting and management are adopted by 16 ULBs.</li> <li>• Credit rating by reputed credit-rating agency is obtained by at least 2 ULBs.</li> <li>• Computerized inventory of assets with a view to optimizing asset utilization is achieved by at least 2 ULBs.</li> </ul>	<p>&gt;Consultations with States, ULBs, MOUD, C&amp;AG, ICAI and other experts.</p> <p>&gt; Implementation plans based on municipal accounting and financial management manuals prepared.</p> <p>&gt; Adoption of accrual based accounting system.</p> <p>&gt;Technical support given to ULBs to increase local revenues, develop MIS, internal controls</p>

		and audit mechanisms. > Development of asset valuation and management system. > Technical support given to the ULBs for them to Internalize the valuation system and have themselves credit rated.
Potential for IT based municipal services grossly unutilized.	<ul style="list-style-type: none"> <li>Review and re-engineering of internal business processes with a view to improving service delivery, information sharing and grievance redressal is undertaken by 16 ULBs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Successful BPR examples studied.</li> <li>&gt; Core business processes reengineered.</li> <li>&gt; Preparation of plans in identified ULBs for computerization of processes.</li> <li>&gt; Technical support given for the preparation of IT applications for information and services.</li> <li>&gt; Plans for improved financial management implemented.</li> </ul>
Inadequate ability of ULBs to raise own resources as well as response to MoUD's reform package.	<ul style="list-style-type: none"> <li>Action plans for resource mobilization from the Gol reform package (such as National Urban Renewal Mission) are prepared by 16 ULBs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Technical support for preparation of Action Plans/ proposals provided.</li> <li>&gt; Resource mobilization proposals posed to Government</li> <li>&gt; Resources for urban reform mobilized.</li> </ul>

### Project Development Outcome 2: Capacities of identified ULBs and urban administrators built

Baseline	Intended Outputs	Activities
ULB elected representatives and urban managers have inadequate understanding of issues of financial management, internal controls, audit mechanisms, MIS, conflict resolution, change management, BPR, development and preparation of bankable projects, good urban governance and efficient delivery of services.	<ul style="list-style-type: none"> <li>Capacities of elected representatives and officials to undertake better financial management; development and preparation of bankable/ public-private partnership projects; civic engagement and improved service delivery – are built in 16 ULBs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Initial consultations with ULB stakeholders.</li> <li>&gt; Training needs assessed.</li> <li>&gt; Urban management training network identified and supported.</li> <li>&gt; Capacity building programmes designed.</li> <li>&gt; Actual training conducted.</li> <li>&gt; Training evaluation conducted.</li> </ul>
Gender sensitive, pro-poor and environment friendly perspectives not adequately integrated in budgeting processes of ULBs.	<ul style="list-style-type: none"> <li>Budgets are analysed from gender, poverty and environment perspective and suitable recommendations made for 16 ULBs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Core groups constituted.</li> <li>&gt; Perspective building interactions organized.</li> <li>&gt; Capacities of ULB officials to prepare gendered, pro-poor and environment sensitive budgets enhanced.</li> <li>&gt; On ground Action Plans prepared and implemented to make gender/poverty/ environment budgeting a part of municipal budgeting.</li> </ul>
Citizens participation in local governance hampered due to limited transparency and accountability in ULBs as well as highly restricted information flow to citizens.	<ul style="list-style-type: none"> <li>Mechanisms for regular government-citizen interaction for problem-solving and information-sharing are established in 16 ULBs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Increase capabilities in identified ULBs towards multi-stakeholder interaction on transparency and accountability mechanisms and on information flow.</li> <li>&gt; ULB trained in right to information and the necessary processes in this regard.</li> <li>&gt; ULBs trained in the preparation and adoption of Citizens' Charters and institutionalization of public monitoring mechanisms.</li> </ul>

### III. Sustainability

The project is primarily designed to address the core issue of good urban governance through capacity building, research, communications and advocacy, networking, mainstreaming gender and ICT, and partnerships with civil society, government institutions, elected representatives, private sector, and other donors. The enhancement of multiple capacities and the embedding of principles of good urban governance in policies and programmes will ensure that the project objectives are clothed in *institutional sustainability*.

The tentative funding by UNDP for the project is US\$ 3 million and this shall cater to soft interventions. No capital investment is envisaged. The project would be working with existing institutions of government and civil society already engaged in urban governance and shall continue to do so even after the project ends. The project activities and UNDP's financial support are for providing the benefits of perspective and strategic assistance. As many other donors have similar focus and commitments, cost sharing with them will increase *financial sustainability*. The strategy would be to withdraw gradually with a follow up action plan with donor support. This approach is appropriate since the impact of capacity building may require longer-term association. There is good likelihood that successful project demonstrations may find sustainability through heightened plan allocation by Government for such activities.

### IV. Equity Considerations (Social, Gender and Environmental)

The project rests on strong foundations of equity, with a focus on low-income communities and women. It aims at building an urban community where citizens can have equal voice and access to services irrespective of income levels, social group or gender. The project activities - be it creating awareness about right to information or building capacity of urban local bodies or setting up ICT kiosks - consciously build on equity considerations. Specific strategies will target capacity building of councilors in using a gender-perspective in the planning and budgeting processes.

### V. Mainstreaming UNDAF Focus Areas

The Government of India has identified *promotion of gender equality and strengthening decentralization* as the two priority goals for coordinated action by the UN System in India under the UN Development Assistance Framework (UNDAF). As the UNDAF is a central pillar of the GOI/UNDP Country Programme (2003-2007), all UNDP-supported projects are required to mainstream strategies towards achieving these goals.

This project will address the UNDAF goals by strengthening the capacities of ULBs to provide responsive, open, transparent and accountable governance resulting in better service delivery across the board. It will do so by supporting the Government of India, State Governments, Cities and urban stakeholders to evolve suitable and participatory urban governance plans and strategies and enhance institutional and human capacities of the ULBs. This will be based on strategies providing technical assistance to improve the financial processes of ULBs with the aim of improved credit worthiness and more efficient delivery of civic services and providing capacity building of ULBs for more gender-centric planning and budgeting, equity, transparency and accountability with the aim of overall improved urban governance.

### VI. Risk Analysis

Risk	Risk rating (High/Medium/Low)	Risk Minimization Measures
<b>Risk of outputs failing to translate into outcomes (e.g., complex policy environment, local ownership)</b>		
Lack of support from the Central and State governments to the urban local bodies under the project initiatives.	Low	ULBs are a state subject and disinterest of state governments may jeopardize all efforts towards good urban governance. The risk perception is low since most State Governments have passed conformity legislation and are taking steps for their implementation. The project will work closely with Central and State Governments to create early ownership to minimize risk.

Advocacy measures may fail to bring about desired impact in devolution policy.	Medium	Devolution to ULBs is a major outcome towards which the project is making a contribution through advocacy. The issue is closely linked to the complex policy issue of Centre-State fiscal relations and overall State fiscal health. For risk mitigation, the project will involve political leaders, elected representatives, other development partners, opinion leaders, and senior decision makers for joint advocacy.
<b>Risk of outputs not being produced (e.g., constraints in partnership strategy, counterpart support, complex management arrangements etc).</b>		
Lack of interest of partner institutions to implement the project.	Low	Since the project would work in a partnership mode, lack of interest, conviction about project activities by partners can adversely impact outputs. To minimize risk, due care in the selection of cities, partners will be taken through a methodical prior assessment.
Complex management arrangements.	Low	Management arrangements shall provide logical space for flexibility. Use of sub-contract modality and direct payments based on authorization by Executing Agency (MoUD) will considerably minimize the risk arising out of complex management arrangements. PMB will provide overall guidance to the project and Standing Committee chaired by NPD will be authorized to release funds. For simplicity, no release of funds through State budget is envisaged.

## VII. Partnerships

The project aims at promoting good urban governance through a cohesive partnership with actors in the field of urban governance. The project will work with the following partners:

- Central Government (MoUD);
- Planning Commission;
- Select State Governments/State-level institutions and parastatals;
- ULBs in identified States;
- Political leaders, civil society organizations and the media;
- Private sector;
- Donors and Regional Programmes such as UMP, USAID, DFID and Cities Alliance.

## VIII. Geographical coverage

The project proposes to work in 16 Class-I medium-sized cities in four states. The key objective in the selection of states and cities would be to effectively contribute to build their capacity to implement financial management reforms leading to increased creditworthiness. The project will work with select State Governments/State-level institutions and parastatals to increase their ability to support financial management reforms. The project will also collaborate with GoI, other donor agencies and regional programmes to enable a critical mass of urban local bodies benefit from the project inputs through a cascading impact across ULBs in the country.

The project recommends that the Project Management Board may assume this vital responsibility of state and city selection and may shortlist this as one of the very first subjects for a decision. The selection process may, inter alia, bear in mind some of the following parameters:

- Commitment levels of the states/cities to project initiatives;
- Availability of local partner institutions (including NGOs, CBOs and the media);
- Potential to complement and leverage other donor agency programmes;

- Leadership at state and city levels;
- Decentralization, governance and gender initiatives within the cities;
- Select small municipal bodies;
- Linkages with the Urban Livelihoods Project and Access to Information project.

## **D: IMPLEMENTATION ARRANGEMENTS, ROLES AND RESPONSIBILITIES OF PROJECT PARTIES**

### **I. Prior Obligations and Pre-requisites**

The Ministry of Urban Development will closely monitor the implementation of the project and provide necessary inputs, substantive and managerial, for successful implementation. As the clearinghouse of urban governance policies and programmes, it is expected that the Ministry would facilitate linkages with other on going as well as planned externally supported/centrally sponsored projects on urban governance.

The State Governments identified under this project will ensure effective implementation of the project activities in their respective States and also contribute to components that influence the national policy. The State Governments will put in place adequate implementation arrangements and meet the salaries of staff involved in the project.

The State Governments will also ensure convergence of this project with other schemes being implemented in the States by advising on selection of cities, sharing experience (including evaluation studies and lessons learned, if any) of working with other schemes and providing a common experience sharing such as a State Level Advisory Committee.

UNDP assistance will be provided subject to the satisfactory fulfillment of the above pre-requisites. If anticipated fulfillment of one or more pre-requisites fails to materialize, UNDP may, at its discretion, either suspend or terminate its assistance.

### **II. Implementation Arrangements – Institutional Mechanisms and Monitoring**

#### The Government Aid Coordinating Agency

The Department of Economic Affairs (DEA) in the Ministry of Finance, the Government aid-coordinating agency, will be responsible for the overall coordination of the Country Programme activities. In order to guide and support the Executing Agency towards meeting the Country Programme goals, DEA will participate in the programme Management Board. DEA will also catalyze consultations on broader development cooperation issues emerging out of different programmes supported by UNDP as well as those assisted by other agencies. As a part of its overall mandate of resource mobilization, DEA in collaboration with other government departments and UNDP will assist in raising additional resources for Project objectives.

#### National Executing Agency

In line with the National Execution Guidelines (July 1998) issued by the DEA, Ministry of Finance and the UNDP corporate procedures as outlined in its Programming Manual (May 2000), the project will be executed nationally. The MoUD will be the Executing Agency for the project, and will be responsible for its overall management, achievement of planned results and the use of UNDP funds. The Department will designate a senior level official of the rank of Joint Secretary as the National Project Director (NPD) to coordinate project execution.

#### UNDP Country Office

UNDP will provide substantive support for achieving the project objectives. Towards this it will participate actively in project management through the Project Management Board, Project Standing Committee and the State Coordination / Advisory Committee etc. UNDP will help bring in international experience in concerned spheres through its Regional Bureau (RBAP), Bureau for Development Policy (BDP), the Urban Governance Initiative (TUGI) and Public-Private Partnerships for Urban Environment (PPPUE). UNDP will also facilitate collaboration with UN System partners and provide support to Government for mobilizing additional resources in support of project objectives.

At the request of the Executing/Implementing Agency(s), UNDP will also provide support (termed as UNDP Country Office support services) for sub-contracting the user groups and for monitoring and evaluation. Country Office support may be provided in other areas also as agreed between UNDP and the Executing

Agency/Implementing Agency(s). Such support activities will be carried out in accordance with UNDP rules and regulations.

Implementing Agency

Implementing Agencies will be identified in consultation with Central and State Governments. UN Agencies may be contracted as Implementing Agencies where unique technical sector expertise or specific management capacity and access to international networks are required.

Programme Management Board (PMB)

The PMB will be chaired by the Secretary and will be represented by other stakeholders (including DEA, UNDP, Planning Commission and Implementing Agencies). PMB will provide oversight and cross-sectoral linkages at the senior policy-making level. The functions of the PMB will be in line with NEX Guidelines.

Project Standing Committee (PSC)

The PSC will be headed by the NPD and its functions will be in accordance with NEX Guidelines. Its members would be representatives of implementing agencies, DEA and UNDP.

State-level Implementation Arrangements

A State-level Steering Committee will be chaired by the Secretary State Urban Development Department and its members shall comprise representatives of the MoUD, UNDP, State Government, municipalities, communities and identified local NGOs. This Committee will oversee implementation and coordination of the Project in the State. If the State already has a structure that can serve the implementation objectives of the project, then that arrangement would be suitably adapted for the purposes of the project.

City-level Implementation Arrangement

The Chief Executive will chair a city-level Steering Committee and its members shall comprise representatives of city-based implementation agencies, private sector organizations, NGOs, CBOs, training institutions and experts working on urban issues. Representatives from the state and UNDP would also participate.

For specific activities and inputs, private sector organizations, NGOs, training institutions and urban experts that have established credentials in such specific delivery areas would be identified and engaged through a transparent selection process to assist the ULBs in the design and implementation of deliverables.

**Deliverables and Implementation Arrangements**

<p><b>A. Technical Assistance towards financial strengthening</b></p> <ol style="list-style-type: none"> <li>1. Accounting System, financial management and adoption of information technology</li> <li>2. Credit Rating and Municipal Bonds</li> <li>3. Asset Valuation</li> <li>4. Action Plans for MoUD’s reform package</li> </ol>	<ul style="list-style-type: none"> <li>• These deliverables would be implemented in partnership with credit rating agencies, C&amp;AG, ICAI, financial institutions, consultants, firms and experts in the area of accounting, financial management, urban plan preparation, asset valuation and information technology.</li> </ul>
<p><b>B. ULB Capacity</b></p> <ol style="list-style-type: none"> <li>5. Training modules</li> <li>6. Gender Budgeting</li> <li>7. Transparency</li> <li>8. Documentation</li> </ol>	<ul style="list-style-type: none"> <li>• These deliverables would be implemented in partnership with training institutions, non-government organizations, urban experts and academic bodies that have comprehensive training, advocacy and documentation experience.</li> </ul>

**III. Funds Flow Arrangements and Financial Management**

The funds flow arrangements under the project will be guided by the GOI NEX Guidelines and UNDP procedures for national execution. Funds shall be advanced to projects on a quarterly basis based on annual work plan. A



Financial Report in the prescribed format reflecting the expenditure in the previous quarter, the balances at hand and estimated funds requirement for the next quarter will be submitted by the Implementing Agency to the Executing Agency for their verification and counter signature and onward transmission to UNDP. The quarterly Financial Reports should be submitted to UNDP within 15 days of the close of the quarter.

UNDP will also make direct payments to suppliers of goods and services (if required) and to consultants, domestic or international, on receipt of request for direct payment from the Executing Agency. In case of direct payments to the Implementing Agencies, it will be ensured that the funds thus received are properly reflected in the budgets and accounts of the recipient institutions.

The Implementing Agency(s) shall maintain separate bank account in order to receive and disburse UNDP funds. Separate books of accounts on cash basis of accounting shall also be maintained in order to ensure accurate reporting of expenditures and providing a clear audit trail. Suitable guidelines on financial management will be issued by UNDP separately.

#### **IV: Audit**

As per the GOI NEX Guidelines, the project shall be subject to audit in accordance with UNDP procedures. In order to meet the UNDP requirement of covering 90% of the annual NEX expenditure under audit, an annual audit plan will be drawn up in consultation with DEA. The project shall be informed of the audit requirements by January of the following year. The audit covering annual calendar-year expenditure will focus on the following parameters: (a) financial accounting, documenting and reporting; (b) monitoring, evaluation and reporting; (c) use and control of non-expendable reporting; and (d) UNDP Country Office support.

The auditor shall be appointed in consultation with DEA. In line with the UN Audit Board requirements for submitting the final audit reports by 30<sup>th</sup> April, the field visits will be carried out by the auditors in February/March. Detailed instructions on audit will be circulated by UNDP separately.

### **E: MONITORING & EVALUATION, COMMUNICATION & ADVOCACY**

#### **I. Monitoring and Evaluation**

A system of concurrent monitoring of the project to track outputs and outcomes (rather than financial expenditure and activities) will be established and mid-course corrections carried out if necessary. The monitoring processes will be participatory.

For effective and results-oriented project implementation, the Programme Management Board or Project Standing Committee shall complement the cited monitoring process with evaluation(s) as and when necessary. In general, UNDP prefers outcome evaluation, that is, evaluation of a cluster of projects contributing to a given outcome rather than individual project evaluation. A detailed M & E strategy will be chalked out at the beginning of the project.

#### **II. Communication and Advocacy**

The project strategy attaches importance to communication and advocacy for policy impact and visibility to issues of good urban governance. Case studies, assessments and desk reviews will be commissioned and lessons learned and best practices collected. The outcome of this research and knowledge generation will be widely shared with urban stakeholders, policy makers, academia, civil society organizations and media. Moreover, multiple workshops will be organized to discuss the key findings and recommendations and influence national and state policy in the urban area. Information technology tools will be used to facilitate dissemination of information in a citizen-friendly manner and media will play a crucial role in profiling urban issues.

### **F: PROJECT BUDGET**

#### **I. UNDP contributions**

UNDP plans to contribute US\$ 3 million for this project out of core resources. Efforts will be made to mobilize additional resources from other donors who have similar priorities and see value in the project for upscaling, deepening and widening of project activities. Such an expansion in the project will be subject to the agreement of the Executing Agency through the National Project Director (NPD). In the event of additional resources not forthcoming, the project activities will be restricted to the extent of UNDP's core resources.

## II. Government contributions

The Government of India's contribution will be in the form of time given by the NPD and other officers of Ministry of Urban Development and the State Governments. Required office accommodation, local transportation, support staff, information and other facilities required will also be provided by the Government as counterpart contribution.

The Implementing Agencies for the project will contribute in the form of all necessary human and other resources to ensure successful implementation of the project.

### Budget

S.No	Outcome/Output/Activity	Budget (US \$)
A	Pilot Initiatives in identified ULBs,( financial management)	1,600,000
B	Development of project proposals for available urban schemes	500,000
C	Capacity building of ULBs/Urban Managers	450,000
D	Documentation/Dissemination/Advocacy	100,000
E	Multi-Stakeholder Consultation	100,000
F	Project Management Personnel	100,000
G	Monitoring & Evaluation	100,000
H	Sundries	50,000
	<b>TOTAL</b>	<b>3,000,000</b>

## G: LEGAL CONTEXT

Revisions may be made to this document with the signature of the UNDP Resident Representative UNDP only, provided he or she is assured that the other signatories of the sub-programme document have no objection to the proposed changes:

(a) Revisions in, or addition of, any of the Annexes of the sub-programme document with the exception of a Standard Legal text for non-SBAA countries which may not be altered and agreement to which is a precondition for UNDP assistance

(b) Revisions that do not involve significant changes in the immediate objectives/outputs of the sub-programme activities but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation.

(c) Mandatory annual revisions, which rephrase the delivery of, agreed project inputs or increased experts or other costs due to inflation

The Executing Agency shall at all times, ensure compliance with the NEX guideline annexed hereto and also comply with the requirements contained in the UNDP procedures for national execution (April 1998) to the extent they do not conflict with the said NEX Guidelines or extant rules and provisions of GOI.