

## Annexure - 1

# Scope of Work for the Assignment

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### Preparing City Development Plans Scope of Work for local Contractor

#### Introduction

The NURM recognizes that a general **lack of accountability** of Municipal Corporations (MC) and other government agencies in the quality of service delivery is hampering economic growth and increased prosperity of urban citizens. In today's rapidly globalizing economy, Indian municipalities, especially the 60 strategically important ones now targeted by the NURM, ought to facilitate their current and future local businesses to thrive. In addition, and closely linked to facilitating economic growth, municipalities should endeavor to meet the challenges set by GOI in reducing poverty, by improving the livelihood of all its citizens.

A City Development Plan (CDP) is the MC's **corporate strategy** that presents both a **vision** of a desired future perspective for the city and the MC's organization, and **mission** statements on how the MC, together with other stakeholders, intends to work towards achieving their long-term vision in the next five years.

A CDP translates mission into actions and actions into outcomes. When a CDP is developed in close consultation with, and endorsed by all relevant local stakeholders, a MC and others who commit themselves to action can be held accountable for their mission statements, actions and expected outcomes.

The CDP will make economic development and improved quality of life the long-term objective for all of the actions defined in the plan. The full set of proposed regulations, tax policies, infrastructure and other local government program expenditures will be framed with long-term economic development and improved quality of life, especially for the poor, firmly in mind.

A CDP clearly defines how a MC will:

- **Serve its customers** (businesses and citizens), e.g. how it intends to guarantee basic level of urban services to all citizens, make urban planning responsive to emerging needs, become responsive to the needs of, and improve its services, to local businesses.
- **Run its business**, e.g. how it intends to manage public finance in a modern and transparent way, execute urban planning and governance in line with an established framework, become more responsive, cost and time efficient through integrating technology in their governance and service delivery processes.
- **Manage its resources**, e.g. how it intends to increase revenues and expand its tax base to allow for self-sustaining urban service delivery, improve its creditworthiness, but also how it intends to recruit and retain a skilled workforce.

#### CDP Preparation

The CDP preparation process can be divided into three phases.

##### Phase 1 - Define vision and mission statements (week 1-2)

In the first phase, after initial reconnaissance, the Contractor and MC management (both elected and appointed members) will discuss the city's strengths and weaknesses in facilitating economic growth and improved quality of life for all of its citizens. This one-day workshop will come up with an initial vision and a set of mission statements. After the workshop, the Contractor will conduct a first round of consultations with key stakeholders to verify conformity of the MC's mission

statements with the demands and expectations of a representative sample of local businesses, and civil society. In a second workshop, involving both the MC and the interviewed stakeholders, potential differences in expectations or additional service requirements are discussed and an initial vision and mission statements are agreed upon.

### **Phase 2 - Diagnostics for identifying priority actions to achieve missions (week 3-7)**

Three different activities will commence simultaneously at the start of second phase. The Contractor will initiate a second round of consultations with relevant stakeholders for each mission statement. These consultations will focus on identifying and defining actions needed to achieve a particular mission statement. In the mean time, the Contractor will start collecting and analyzing data required to rapidly assess the validity and relevance of proposed actions (e.g. demographics of affected areas, business information, level and quality of services). To obtain an insight in the MCs current financial situation, the Contractor will conduct a shadow credit rating to determine creditworthiness and to identify financial reforms required. The Contractor will also initiate a service performance and demand survey to get feedback on current service demands based on service coverage and perceived performance in service delivery. The combined findings of these three activities should result in a listing of priority actions that will be presented and discussed in a third workshop involving the MC and relevant stakeholders.

### **Phase 3 - Feasibility assessments and investment scheduling (week 8-12)**

The Contractor will start the third and final phase with consulting action stakeholders on the feasibility of the proposed actions. Feasibility will be determined in terms of most appropriate (technical and economic) solution, partners that are willing and able to contribute, and likely adverse social and environmental impacts. Special attention will be given to opportunities for public-private partnerships and community contracting. For actions deemed feasible, the Contractor will need to determine cost and suggested financing terms (e.g. private sector contribution, amount of viability gap financing). Since the CDP is a multi-year plan, feasible actions then need to be scheduled. The resultant City Investment Plan (CIP) will then be presented by the MC at a *town hall* meeting with all relevant stakeholders.

The following activities need to be conducted by CDP Contractor

## **Phase 1 - Define vision and mission statements (week 1-2)**

### **Step 1.1 Reconnaissance**

Before starting their assignment with the MC, the Contractor will spend their first week with reconnaissance activities, including:

- Seeking guidance from state government in delineating the urban agglomeration of which the selected MC is part.
- Obtaining base maps, and available secondary data on the city's demographics (e.g. population size and growth rates, age groupings, poverty levels, income, gender, religion). Similar data are required from other cities that could serve as a valid referent.
- Identifying key stakeholders for economic development and quality of life improvements, such as other (semi-) government service providers, local chamber of commerce, influential business owners, NGOs, CBOs, religious organizations, and financial institutions.
- Field reconnaissance to determine main physical features of economic growth areas (e.g. industrial/science parks, commercial centers, inner-city, educational centers), slums and other underserved areas. If land use maps are available, determine actual land uses especially in urban fringe areas.
- Identifying the city's strengths and weaknesses in relation to economic growth and improved quality of life.

### **Step 1.2 Kick-off workshop with MC**

The Contractor will start their assignment with the MC by organizing a one day kick-off workshop. This workshop should be attended by municipal decision makers and representatives from other agencies (e.g. Water Supply and Sewerage Board, Urban Development Authority) responsible for servicing economic growth and quality of life.

The Contractor will:

- Explain the purpose of the CDP, the ownership of the plan, and the need for establishing or strengthening partnerships to leverage the MC's role in facilitating economic growth and improving quality of life.
- Present and discuss their preliminary findings of strengths and weaknesses.
- Coordinate breakout sessions to deliberate how the MC, and their stakeholders could alleviate weaknesses and contribute to the city's strengths.
- Help determine a long-term vision for the city that aims to build upon the city's economic potentials and the challenge of providing all citizens (especially the poor) with the best possible urban services.
- Help determine key focus areas for the MC's involvement in achieving this long-term vision, either by themselves or in partnership with other agencies. For each of these key focus areas a mission statement will be drafted that details how, within a particular focus area (e.g. transportation, basic services), the MC intends to contribute towards economic growth and improved quality of life.
- Identify other stakeholders (e.g. business organizations, universities, NGOs, CBOs) for each of these key focus areas.

### **Step 1.3 First round consultations with stakeholders**

In the second week of the assignment, the Contractor will consult selected stakeholders, who, through personal interviews, would be able to:

- Articulate priority needs they see necessary for further economic growth and improving quality of life (including their own).
- Comment upon the MC's intended focus areas, especially on what they expect of these (providing feedback on the draft mission statements)

The Contractor will compare the findings of the stakeholder consultations with the draft mission statements of the MC to identify additional priorities not mentioned by the MC and to identify discrepancies between the services proposed by the MC and what the stakeholders' perception of such services (e.g. MC wants 24/7 piped water supply for its current customers while stakeholders want piped water supply for all citizens).

The stakeholder consultation findings will need to be summarized in a hand-out document and presentation for a second workshop.

### **Step 1.4 Second workshop to define vision/mission statements**

By the end of the second week, the Contractor will facilitate a workshop at the MC office, involving MC officials and the interviewed stakeholders. The workshop will:

- Start with a plenary session in which the Contractor present the findings of their comparison of MC mission statements and the perceived service needs of the stakeholders. The aim of the plenary session is to reach an initial consensus on the main focus areas.
- Continue with breakout sessions to determine the scope for each focus area, resulting in agreed upon mission statements.
- Further detailing the mission statements by identifying major actions required to overcome impediments or build upon opportunities for economic growth and/or improved quality of life.

- Where possible, identify and map areas that require major actions (e.g. accessibility of a particular industrial area, revitalization of the inner-city, slum upgrading areas).
- Identify stakeholders for each mission statement; relevant MC and other agency officials, business and civil society groups that have a stake in a particular mission and the major actions identified.

## **Phase 2 - Identifying priority actions to achieve missions (week 3-7)**

### **Step 2.1 Consultations with mission stakeholders to identify actions**

Throughout the second phase, the Contractor will consult mission stakeholders to understand demands, expectations for service delivery, willingness to contribute and pay, etc. It is important to ensure that most of these consultations are held at the offices of the MC with MC officials present, preferably taking charge. Whenever necessary, the Contractor will conduct field visits and organize group consultations with action area residents and local businesses. The aim of the mission stakeholder consultations is to:

- Ensure that priority needs are addressed in the actions proposed for each mission statement.
- Establish a sense of ownership among stakeholders, and instill, among the stakeholders, a perception of responsiveness by the MC.
- Obtain qualitative information on proposed actions.
- Ensure that diverse perspectives on the city's development are incorporated in the CDP process from the beginning.

### **Step 2.2 Data collection and (scenario) analysis**

In order to rapidly assess the validity of proposed actions, the Contractor will collect and analyze relevant data, such as:

- Demographics of affected areas (e.g. population densities, income groups).
- Business information (e.g. number of businesses by industry, number and type of employees) of affected areas. Specific attention needs to be given to characteristics of informal sector activities.
- Physical features, such as proneness to flooding, accessibility (e.g. traffic congestions, availability of public transport, distance and time required to reach area from major traffic nodal points), etc.

The Contractor will collect and analyze city-wide data required for performing a **shadow credit rating**. A shadow credit rating will provide insight in the MC's current performance and financial management practices, and will provide an opinion on the ability of the MC to meet its financial commitments on a timely basis (creditworthiness). The rating analysis will also provide useful insight in what needs to be done to improve creditworthiness. The Contractor will:

- Analyze the city's economic base to determine potential for enhancing revenue-generation by the MC. Key factors will include population and projected growth rates, levels of commercial and industrial activity, characteristics of the tax base, per capita income levels, and other indicators of economic activity such as the number of vehicles registered or requests for telephone connections.
- Analyze the MC's receipts (e.g. tax and non-tax revenue, state grants) and expenditures for the past 5 years to determine overall surplus or deficit of the revenue account. Examine service related expenditures— water supply, sewerage, education, public health, public safety, etc.—and head-wise expenditures—wages and salaries, operating expenses, repairs, maintenance and debt-servicing. Construct a debt profile, considering sources, tenure, interest rates and repayment schedules for all outstanding debts of the municipality.
- Evaluate mandatory and discretionary services of the MC. Determine operating efficiency of core services as well as the organizational arrangements for delivery, existing infrastructure and level of revenue expenditure on these services. Indicate future trends

- based on a comparison of budgeted and actual outlays, projects undertaken, relative management performance, and service augmentation in relation to standard norms.
- Analyze the MC's managerial capacity, by reviewing the organizational structure; administrative systems and procedures; project management skills of the MC's management; the level of control exercised on expenditure; management of political forces; and initiative taken to enhance resources and improve collection mechanisms, etc.
  - Analyze existing Detailed Project Reports (DPR) in view of improvements envisioned by the project; project cost; means of funding; and the effect of debt funding on the debt service coverage of the MC.

### **Step 2.3 Service Performance and Demand Survey**

To obtain further insight regarding the community's perception of needs and quality of existing services, the Contractor will design and conduct a survey with stratified random sample of the city's community. The Contractor will:

- Determine the sample population and the criteria for stratification to ensure adequate coverage of the diversity of stakeholder groups in the city. Special attention should be given to the inclusion of the urban poor and women.
- Design an appropriate questionnaire that covers the focus areas in terms of access to services and quality thereof; and expected service levels
- Recruit and train surveyors and manage their survey work.
- Process and analyze survey results and summarize major findings to justify demand for priority actions.

The findings of the survey may warrant further data collection.

### **Step 2.4 Third workshop to determine priority actions**

By the end of the seventh week, the Contractor will organize a third workshop involving government and mission stakeholders. The workshop will:

- Start with a plenary session in which the Contractor presents the findings of the consultations, data analysis and survey.
- Continue with breakout sessions to identify and agree upon priority actions (projects and reforms) for each of the mission statements.
- Further detail the priority actions in terms of resources required, responsibilities and stakeholder involvement, identification of potential road blocks and suggestions to overcome these, practical implications, preliminary funding requirements and responsibilities, additional requirements and pre-requisites for successfully accomplishing priority actions.
- Determine additional action stakeholders where required.

## **Phase 3 - Feasibility assessments and investment scheduling (week 8-12)**

### **Step 3.1 Consultations with action stakeholders**

During the course of the third phase, the Contractor may be required to carry out additional consultations with action stakeholders to determine feasibility, cost, willingness/ability to contribute.

The Contractor will pay specific attention to potential public-private partnerships and community contracting opportunities that would improve the efficiency in the delivery of public services as well as enhance the local economic environment. For public-private partnerships the Contractor will discuss, among others, the following potential partnership types:

- Development of Build-Own-Operate and Build-Operate-Transfers Schemes for public utilities, infrastructure and facilities;
- Creation and operation of business incubators, wholesale and retail markets, and micro-enterprise premises;

- Redevelopment of derelict sites, disused buildings owned by the MC, abandoned industrial sites and impoverished districts such as inner-cities;
- Granting of concessions for the operation of public services or facilities;
- Out-sourcing of public services;
- Creation of industrial, business and technology parks; and,
- Establishment or further strengthening of research and technology centers in cooperation with local academic institutions and local business clusters;

### **Step 3.2 Project costing and determination of funding sources**

The Contractor will conduct an intensive search for types and sources of financing for priority projects and reforms from internal resources, state and central governments, local financial institutions, donors, and through public-private partnerships identified in the previous step. For each of the priority actions, the Contractor will:

- Prepare a *term sheet* that outlines preliminary budgets, financing assumptions, responsibilities for implementation and financing.
- Determine risks and suggest risk management measures for debt financing of commercially viable projects.
- Determine other prerequisites that will have to be met by the government for the private sector to agree to participate/co-invest.
- Structure the financing, ensuring maximum leverage of local financial resources, through GOI viability gap financing, private sector investments,
- Add resulting debt payment schedules to existing debt repayments and review resulting cash flows.

### **Step 3.3 Scheduling of priority actions and developing a City Investment Plan**

Based on the availability of resources, logical sequencing of actions and potential for immediate implementation, the Contractor will determine a proposed scheduling of priority actions. The investment schedule will be presented in a **City Investment Plan (CIP)** that lays out the cost and revenue estimates of all priority projects in the next five years. The preparation of the CIP is a reiterative process requiring adjustments to individual projects and reforms as well as changes in scheduling to make the whole package work financially. The CIP will:

- Consolidate funds mobilization requirements for the entire package.
- Estimate debt and equity servicing requirements for the package.
- Present the cash flow implications of all the above in relation to the municipal budget.
- Sort the projects into smaller, inter-related packages for approaching funding/lending agencies including GOI under the NURM, particularly in cases where there is a viability gap.
- Define conceptual options for packaging one or more projects for being taken up on a Public-Private Partnership models such as BOO/ BOT.

### **Step 3.4 Fourth workshop on priority action and investment plan**

By the end of the twelfth week, the Contractor will organize a fourth workshop involving government and all relevant stakeholders. The workshop, which constitutes the culmination of the CDP preparation exercise, will:

- Start with a plenary session in which the head of the Municipal Corporation will present the entire City Development Plan, organized under the heads of Vision, Mission Statements and City Investment Plan.
- Continue with breakout sessions to discuss implementation issues related to the City Investment Plan.
- Further discuss stakeholder involvement in monitoring and facilitating the implementation of the City Investment Plan; institutional arrangements for stakeholder involvement and a process for reviewing and revising the CDP periodically.

The fourth workshop will seek an endorsement of the City Development Plan from the stakeholder group present.

### Step 3.5 Final CDP document

Following the fourth and final workshop, the Contractor will finalize the CDP document incorporating the feedback from the workshop. This document will be submitted to the MC, who will then take further action for submission to the state government and to the GOI under the NURM. The Contractor will also provide the MC with a summary of the CDP for publication and wider dissemination by the MC, particularly to participating stakeholders.

### Deliverables

The Contractor will prepare the following deliverables:

- Handouts and workshop summaries for each of the four workshops
- Report presenting their consultation findings
- Report presenting their survey findings
- Shadow credit rating report
- Draft and final City Development Plan(s), including City Investment Plan(s)

### Duration

The Contractor will submit a final CDP within three months after mobilization.

### Staffing

The Contractor will mobilize the following professionals:

- Team Leader/Urban Management Specialist (full-time)
- Urban Economist (full-time)
- Municipal Finance Specialist (part-time)
- Utility Management Specialist (part-time)
- Short-term Specialist(s), if required
- Support Staff

### Work Plan

CDP Activities	1	2	3	4	5	6	7	8	9	10	11	12
Reconnaissance	■											
Kick-off workshop with MC		●										
First round consultations with stakeholders		■										
Second workshop to define vision/mission			●									
Consultations with mission stakeholders to identify actions			■									
Data collection and (scenario) analysis			■									
Performance/Demand Survey & analysis			■									
Third workshop to determine priority actions							●					
Consultations with action stakeholders to determine feasibility								■				
Project costing and determination of funding sources									■			
Scheduling of (priority) actions											■	
Fourth workshop on priority action and investment plan												●