



**MINISTRY OF URBAN DEVELOPMENT  
GOVERNMENT OF INDIA**

## **FINAL OPERATIONS DOCUMENT FOR URBAN TRANSPORT FUND IN HYDERABAD**



**DEVELOPING OPERATIONS DOCUMENTS FOR  
UNIFIED METROPOLITAN TRANSPORT AUTHORITY  
(UMTA) AND URBAN TRANSPORT FUND (UTF)  
PC1B1**

**MAY 2016**





The **Ministry of Urban Development** is the apex authority of Government of India at the national level to formulate policies, sponsor and support programmes, coordinate the activities of various Central Ministries, State Governments and other nodal authorities and monitor the programmes concerning all the issues of urban development in the country.



**Sustainable Urban Transport Project (SUTP)**, an initiative of the Ministry of Urban Development, launched in May 2010, is a sequel to adoption of National Urban Transport Policy (NUTP), 2006. SUTP aims at building capacity in Indian cities and pilot projects with the concept of “priority for moving people, not vehicles”. It is financed by Government of India/ participating States & Cities and aided by World Bank, GEF and UNDP. The project’s funding, about INR 17.5 billion, is used in building capacity in Transport planning pan India and demonstration of six projects in different cities. Under technical assistance component of SUTP to improve National, State and local capacity to implement NUTP, various guidance documents are being developed and this operations document is a part of the same.

**Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

## ACKNOWLEDGEMENT

National Urban Transport Policy (NUTP) of the Government of India (GoI) has been framed with the objective to work towards sustainable urban transport in Indian cities. Ministry of Urban Development (MoUD), GoI is undertaking the GEF-Sustainable Urban Transport Project (GEF-SUTP) with support of the Global Environment Facility (GEF), World Bank and UNDP to create a platform for working together with State/local governments towards implementation of NUTP.

The Project Management Unit (PMU), Project Management Consultant (PMC) and the Consultants express their deep gratitude to MoUD for entrusting the responsibility for development of operations document for Unified Metropolitan Transport Authority (UMTA) and Urban Transport Fund (UTF) as part of the GEF-SUTP.

The Consultants are grateful to Secretary (MoUD) and Additional Secretary (MoUD) for providing direction and guidance to the team time to time. The Consultants are also grateful to OSD (UT) & ex-officio Joint Secretary, and Director (UT – 1), MoUD for their useful suggestions, guidance and inputs during the course of development of the document.

The Consultants are grateful to Ms. Nupur Gupta (Task Team Leader World Bank), Mr. I. C Sharma, National Project Manager (PMU), Mr. Sudesh Kumar-Project Leader (PMC team) and the entire World Bank, PMU and PMC team for their unstinted support and untiring efforts in painstakingly reviewing this operations document and providing valuable suggestions and inputs during the course of development of the document.

The Consultants are also grateful to all the cities which participated in the workshops organized by MoUD as a part of this project. Their valuable suggestions have contributed immensely in the development of the document.

The Consultants also thank Hyderabad which was chosen for preparing city specific UMTA and UTF documents. The reviews and suggestions were very critical and have led to refining of the document from the city's perspective.

## TABLE OF CONTENTS

<b>1. INTRODUCTION</b> .....	<b>7</b>
1.1 THE URBAN TRANSPORT FUND.....	7
1.2 REFERENCE TO UMTA OPERATIONS DOCUMENT.....	11
1.3 PURPOSE & APPLICATION OF THE OPERATIONS DOCUMENT.....	11
1.4 LIMITATIONS OF THE OPERATIONS DOCUMENT.....	12
1.5 LAYOUT OF THE OPERATIONS DOCUMENT.....	12
<b>2. ROLES AND RESPONSIBILITIES</b> .....	<b>14</b>
2.1 FUND MANAGEMENT EXPERTS WITHIN THE UMTA.....	14
2.2 FUNCTIONS OF THE FUND MANAGEMENT EXPERTS.....	15
2.3 COMPOSITION OF THE FUND MANAGEMENT EXPERTS.....	16
2.4 DELEGATION OF POWERS.....	18
<b>3. GUIDELINES FOR COLLECTION AND DISBURSEMENT OF FUNDS</b> .....	<b>19</b>
3.1 MECHANISM FOR COLLECTION OF FUNDS.....	19
3.2 GUIDELINES FOR DISBURSEMENTS OF FUNDS.....	22
3.3 FUND FLOW MECHANISM.....	23
<b>4. GUIDELINES FOR TREASURY FUNCTIONS</b> .....	<b>26</b>
4.1 TREASURY FUNCTIONS POLICY.....	26
4.2 MANAGING BORROWINGS.....	26
4.3 MANAGING INVESTMENT.....	27
4.4 MANAGING CASH FLOW FORECASTING & MONITORING.....	27
4.5 TREASURY MANAGEMENT PROCEDURE.....	28
<b>5. ACCOUNTING &amp; BUDGETING PROCEDURES</b> .....	<b>30</b>
5.1 GUIDELINES FOR PREPARATION OF ACCOUNTS.....	30
5.2 GUIDELINES FOR PREPARATION OF BUDGETS.....	34
<b>6. MONITORING THE UTILIZATION OF FUNDS</b> .....	<b>38</b>
6.1 MONITORING ARRANGEMENTS.....	38
6.2 AUDIT ARRANGEMENTS.....	39
6.3 REPORTING.....	39
<b>ANNEXURE I: GUIDANCE NOTE ON RESOURCE MOBILIZATION</b> .....	<b>40</b>
<b>ANNEXURE II: SPECIFICATIONS OF FUND MANAGEMENT EXPERTS</b> .....	<b>63</b>
<b>ANNEXURE III: LETTER FOR AVAILING FINANCIAL ASSISTANCE</b> .....	<b>71</b>
<b>ANNEXURE IV: APPROVAL LETTER FOR FINANCIAL ASSISTANCE</b> .....	<b>72</b>
<b>ANNEXURE V: MEMORANDUM OF UNDERSTANDING</b> .....	<b>73</b>
<b>ANNEXURE VI: TRANSPORT FUNDING- INTERNATIONAL EXAMPLES</b> .....	<b>77</b>

## LIST OF EXHIBITS

Exhibit 1 Potential sources of UTF .....	8
Exhibit 2 Need for instituting a dedicated UTF .....	9
Exhibit 3 FMEs within UMTA .....	14
Exhibit 4 Fund management experts .....	17
Exhibit 5 Collection of funds from Central, State and Local Governments .....	19
Exhibit 6 Accounting for collection of funds .....	20
Exhibit 7 Process for disbursement of funds to implementing agencies.....	23
Exhibit 8 Proposal Approval before grant of financial assistance. ....	24
Exhibit 9 Fund flow mechanism to and from UTF .....	25
Exhibit 10 Estimation of excess revenues/expenditures .....	36
Exhibit 11 Monitoring of fund utilization.....	38
Exhibit 12 Key requirements for UTF funding .....	41
Exhibit 13 Potential sources of funding .....	42
Exhibit 14 Rate of charge for each class of vehicle .....	42
Exhibit 15 Rate of charge for Light Motor Vehicle .....	43
Exhibit 16 Amount of cess depending upon type of fuel .....	43
Exhibit 17 Amount of tax on each class of vehicle .....	45
Exhibit 18 Cess allocation from CRF .....	47
Exhibit 19 Mechanism for fund collection .....	52
Exhibit 20 Possible Utilization of UTF .....	57
Exhibit 21 Priority of fund utilization.....	60
Exhibit 22 Budgetary support in international cities.....	77
Exhibit 23 Pros and cons of government funding.....	78
Exhibit 24 Revenue from vehicle related charges .....	79
Exhibit 25 Pros and cons of vehicle related taxes in Indian context .....	79
Exhibit 26 Revenue from fare box collection .....	80
Exhibit 27 Pros and cons of fare box revenue in Indian context.....	80
Exhibit 28 Pros and cons of borrowings for public transport funding .....	81
Exhibit 29 Pros and cons of revenues from commercial sources .....	81
Exhibit 30 Sources of funding for California Transport .....	82
Exhibit 31 Funding public transport in Ile de France in 2008 .....	82

## LIST OF ABBREVIATIONS

BRT	Bus Rapid Transit
CAG	Comptroller and Auditor General
CEO	Chief Executive Officer
CFI	Consolidated Fund of India
CMP	Comprehensive Mobility Plan
CTS	Comprehensive Transportation Study
CPSE	Central Public Sector Enterprises
CRF	Central Road Fund
DPR	Detailed Project Report
ERP	Electronic Road Pricing
FME	Fund Management Expert
GAAP	Generally accepted accounting principles
GoI	Government of India
ICAI	Institute of Chartered Accountants of India
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
INR	Indian Rupee
ITS	Intelligent Transport Systems
JnNURM	Jawaharlal Nehru National Urban Renewal Mission
LAMATA	Lagos Metropolitan Area Transport Authority
LTA	Land Transport Authority
MBTA	Massachusetts Bay Transportation Authority
MoU	Memorandum of Understanding
MoUD	Ministry of Urban Development
MRT	Mass Rapid Transit
NIF	National Investment Fund
NREGS	National Rural Employment Guarantee Scheme
NUTP	National Urban Transport Policy
PPP	Public Private Partnership
PSB	Public Sector Bank
SPV	Special Purpose Vehicle
STU	State Transport Undertaking
T&TO	Transport & Traffic Officer
TfL	Transport for London
ULB	Urban Local Body
UMTA	Unified Metropolitan Transport Authority
UTF	Urban Transport Fund
VfM	Value for Money

# 1. INTRODUCTION

This chapter provides a general introduction to this operations document which covers various guidelines regarding the sources, utilisation and management of the Urban Transport Fund (UTF) for Hyderabad Unified Metropolitan Transport Authority (UMTA). The chapter offers an introduction to UTF in terms of its evolution, the rationale for its creation and highlights the applications and layout of this operations document. It sets the context for the need for instituting city-level UTFs within UMTAs in Indian cities, the objectives of UTF and then focuses on management of funds specifically for the UTF of Hyderabad UMTA.

## 1.1 THE URBAN TRANSPORT FUND

The following section highlights the rationale and requirement for instituting the UTF at the city-level and throws light on the core objectives of the UTF.

### 1.1.1 Requirement for instituting a city-level UTF

Efficient urban transport serves as a lifeline to any dynamic and growing urban area. It is important that growth and development of urban transport happen commensurately with growth in population, area and economic activities in the urban area. However, development of an urban transport system is costly, requiring large amounts of investment. The 12<sup>th</sup> Five Year Plan envisages an investment of over INR 3 lakh crore in urban transport, broadly divided into the following components: street network – new areas, street network – upgrade, public transport, parking, institutions and capacity building, non-motorized transport and Intermediate para-transit system projects, innovation, research, development and pilot projects. Generating funds to achieve such investments is a formidable challenge faced by many Indian states / cities.

There could be mainly four categories of funding sources for UTF viz. collection from public authorities, direct beneficiaries, indirect beneficiaries and other sources of funds. The following paragraphs describe such different and indicative sources of funds collected through various authorities and users.

- **Public authorities** - The Central and State Governments are the main players involved in the funding of urban transport through budgetary allocations. This funding is mostly for infrastructure development and often for the operation of the system through the payment of subsidies or in the form of direct operation of systems through city specific agencies.
- **Direct beneficiaries** - Direct beneficiaries include commuters who use the transport services, businesses gaining benefit from the assets created, and advertisers who may be able to generate revenue by utilising the space on rolling stock, stations, bus stops etc.
- **Indirect beneficiaries** - Indirect beneficiaries refer to those people or bodies which benefit from the presence of a transport system and the accessibility that it provides, without necessarily being direct users. Such indirect beneficiaries include all other users who experience less congestion on the roads due to other users using the public transport, land owners in the influence zone, etc.
- **Other sources** – Other sources include borrowings and contributions from the private sector.

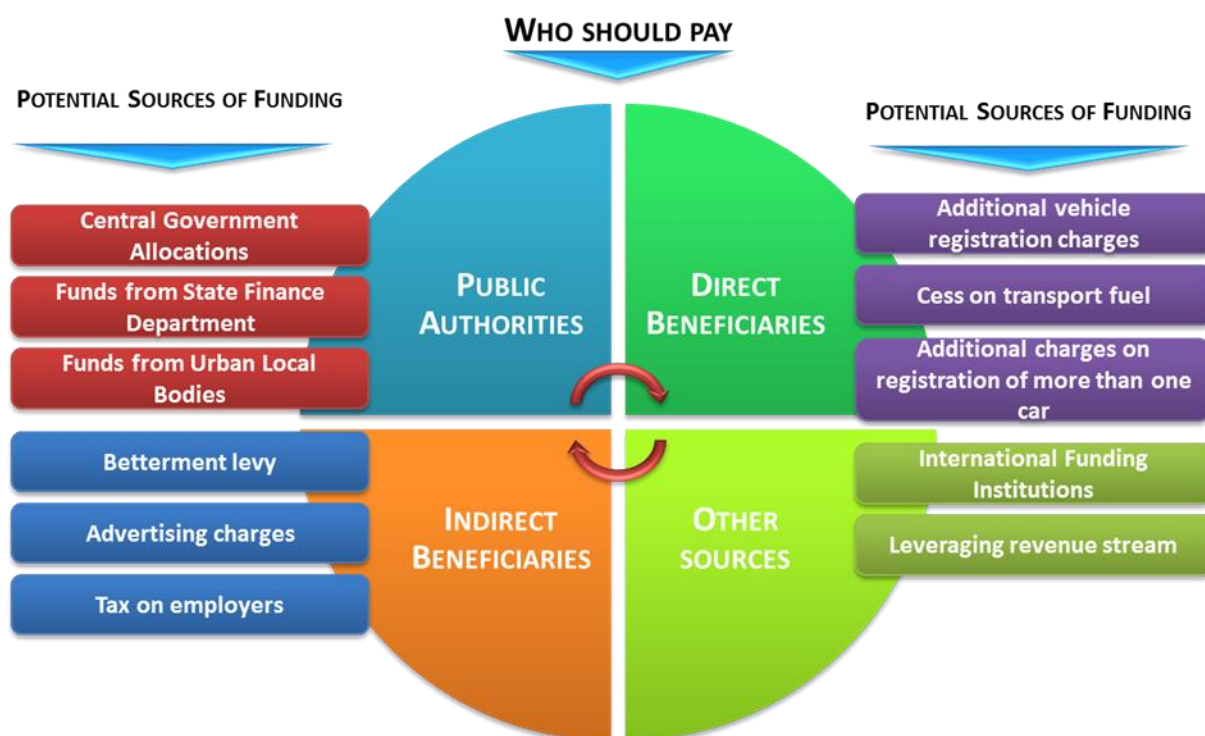
There are certain limitations attached to the aforementioned sources of funds, which are highlighted below:

- Only some cities have been able to explore indirect sources of funding such as green tax and betterment levy;

- Direct sources provide for limited financial coverage since public transport is subsidised heavily;
- Funds from public authorities, i.e. budgetary allocations from state and Central Government are volatile due to conflicting demands on the general exchequer because of socio-economic pressure; hence, this source of funding may not be sufficient and sustainable to address the funding requirements.

In light of the above constraints on financing urban transport, it is evident that most State Governments and local bodies do not have the requisite financial strength to fund capital intensive projects relating to urban transport. The potential sources of UTF are displayed in Exhibit 1.

Exhibit 1 Potential sources of UTF



The funding requirements of the urban transport sector, therefore, place a substantial financial burden on the government, as a result of which there is a need for innovative and alternative methods of financing. In order to address these issues, there is a need to have a fund which:

- Is dedicated exclusively to urban transport system of a city, which ensures a minimum annual allowance for the sector that is not subject to change;
- Provides sustainable sources of funding for urban transport activities.

### Surat: First Indian city to set up UTF

Surat is the **first city** in India to have set up a dedicated urban transport fund. Lack of public transport system in the city led to a phenomenal increase in the usage of personal vehicles. To reverse this trend, the city government has recently finalized a CMP, an important component of which is urban transport. To meet the humungous budgetary needs and the objective of NUTP, the Surat Municipal Corporation has set up a dedicated urban transport fund. The fund has been created through budgetary allocations and its revenue components include vehicle tax, parking charges, and license fee for advertisement rights.

This has also been highlighted by the National Urban Transport Policy (NUTP) 2006, which emphasizes that in order to address urban transport problems, huge capital investments are required for which a dedicated fund should be set up, having revenues specifically for use in development of urban transport.

The main rationale for having a fund dedicated to urban transport is to ensure transparency and accountability for the monies collected or allocated for urban transport. A stable flow of funds allows more consistent planning and efficient execution of urban transport development, maintenance and operations. The NUTP has also suggested some potential revenue sources for such UTFs, which include a supplement to the petrol and diesel taxes, a betterment levy on land owners, and tax on employers etc. A guidance note on resource mobilization and utilization has been suggested in *Annexure I* of this operations document. The need for instituting a dedicated UTF is depicted in Exhibit 2.

In this document, a case is made for instituting city-specific UTFs, which will make funds available for development of urban transport in the city in which they are created. The following points illustrate the necessity of setting up a dedicated financing mechanism in the form of UTF at the city level:

1) **Requirement of a dedicated fund where revenues dedicated for urban transport are deposited**

There is a need to have a dedicated mechanism where all earmarked sources of funds intended for use in development of urban transport at the city level are deposited. The rationale for having such a fund is to provide transparency for all the monies raised or provided for purposes pertaining to urban transport. A dedicated fund, established by law, to receive revenues exclusively marked for urban transport will help ensure that these revenues are used for the intended purpose.

2) **Raising funds from the market and external funding institutions**

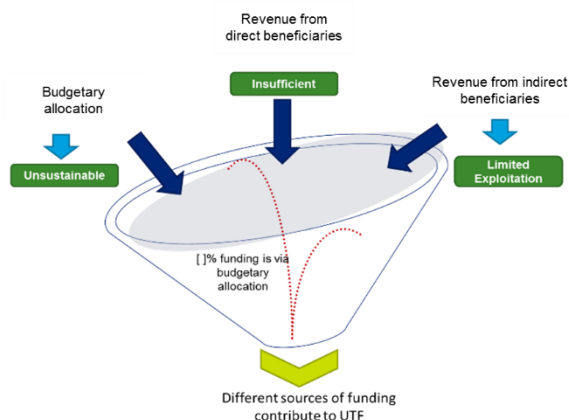
A majority of the urban transport projects such as development of complete public bus systems, BRT, urban rail projects, etc. are capital intensive and require ongoing funding for operations, routine maintenance and asset management. Generally, funding for such projects is arranged through commercial borrowings and loans from international lending agencies such as the World Bank, Asian Development Bank, Department for International Development, and Japan International Cooperation Agency etc.

A fund with an assured revenue stream dedicated to the development of the urban transport system would facilitate the process of raising funds from the market and international funding institutions. The stream of revenue could be potentially utilized for debt servicing. For the same reason, the UTF could also raise funds from the open market by floating bonds.

3) **Requirement of a revolving fund**

A UTF can act as a revolving fund by providing soft loans to implementing agencies for development of urban transport infrastructure for new or expanded services within the city.

Exhibit 2 Need for instituting a dedicated UTF



#### 4) Requirement of a fund to provide targeted subsidies for public transport

Fare structures can significantly influence the demand for urban transport services. By reducing fares, a public transport mode can be made more favourable as compared to private transport. However, setting lower fares for public transport necessitates providing a subsidy to the service provider and a dedicated source of revenue is required to enable this.

#### 5) Requirement of providing financial strength to the UMTA

The overall aim of UMTA is to act as an umbrella body that promotes public transport in urban areas through implementation of policies and the formulation of programmes, rules and regulations related to urban transport. Setting up a UTF to be allocated and managed by the city-level UMTA would enable the authority to allocate funds to various agencies in the metropolitan area / state / cluster and provide it with the necessary financial strength to undertake various urban transport related activities.

#### 6) Fund mobilization at the metropolitan area

Revenue generation at the metropolitan level is fast emerging as a new mechanism to finance urban transport in many cities across the world. Historically in India, resources have been mobilized at the central and state level.—A move towards city level revenue generation reflects devolution of urban transport financing as well as decision-making. As conventional sources of transport revenue fall insufficient in the face of rising demand for transport in urban areas, the interest in new and innovative sources of transport funding has increased. This makes a case for developing a city-level funding mechanism like UTF, which is dedicated towards augmenting urban transport revenues and allocating them in the most efficient manner.

### 1.1.2 Objectives of UTF

This section introduces the objectives of the UTF that would be set up with the UMTA. The main objectives of the UTF are to:

#### 1) Provide sufficient urban transport funding by tapping innovative funding sources

For a variety of reasons, public transport fares may not cover the complete cost of providing the necessary public transport infrastructure, facilities, equipment, operations and maintenance. This can ultimately lead to poor maintenance, inadequate investments, and restricted levels of service if nothing is done. An important objective of a dedicated UTF, thus, is to provide funding for urban transport activities in excess of those provided by users and other beneficiaries of urban transport systems. This calls for identification of other sources of revenue such as green tax, additional cess on transport vehicles, cess on transport fuels, tax from employers etc. that could be used to support public transport. This would reduce the financial burden on the public sector at all levels and may even leave a surplus for meeting wider urban transport needs.

#### 2) Provide dedicated and sustainable funding for urban transport

Presently, the urban transport sector lacks dedicated and sustainable sources of funding. The financial resource allocation forms a part of the overall government budget and is subject to change with changing political agenda. In an effort to meet social and political obligations, funding needs for urban transport sector are often neglected. Therefore, the basic consideration while creating UTF is that there should be a dedicated, predictable, continuous and sustainable sources of funding for the UTF. The creation of a dedicated UTF is an important reform proposed in the NUTP to make transport investments sustainable.

### **3) Ensure efficient planning and management of urban transport funds through effective supervision**

In view of the huge requirement of funding in urban transport and limited availability of funds, the need to efficiently plan and manage the available funds becomes critical. Efficient fund management necessitates the creation of a professional body responsible for overseeing the collection, utilisation and management of the fund, within the structure of the UMTA. An important objective of UTF is to undertake efficient planning to estimate the funding requirements, available funds, efficient utilization of funds and effective management of available funds.

### **4) Ensure transparency and accountability in fund management through clear policies and procedures**

An important objective of having a UTF is to ensure that there is transparency in collection, management and disbursement of funds. Another aspect of this objective is to achieve accountability for money collected or allocated towards urban transport. Accountability requires that policies on allocation of UTF funds are clear and well documented. Allocation of funds should be done on a priority basis, taking into account the cost effectiveness and the justification behind various proposals regarding the utilization of funds. There should be priorities for allocation of funds to different types of expenditure, i.e. recurring and capital expenditure and for different modes of transport, i.e. bus, metro, non-motorised transport, roadway maintenance, etc. In this context, it is imperative to formulate clear policies and procedures for allocation of funds from the UTF.

### **5) Leveraging UTF revenue for raising funds from the market**

A predictable revenue stream for the UTF can be leveraged to generate funding for capital investments from the market by way of various types of borrowing such as issuance of bond, market borrowings, loan assistance from International Financial Institutions (IFIs) and even private investment etc.

## **1.2 REFERENCE TO UMTA OPERATIONS DOCUMENT**

This document should be read together with the Hyderabad UMTA operations document as there are a number of common provisions which would be applicable to UTF as well.

## **1.3 PURPOSE & APPLICATION OF THE OPERATIONS DOCUMENT**

While an UMTA for Hyderabad Metropolitan Area was constituted through the HMDA Act in 2008, the UMTA does not have its own dedicated fund in place. The HMDA Act, 2008 specifies that an escrow account would be maintained in HMDA for funding the administrative expenses of UMTA and for conducting research, studies and training in the fields of traffic and transportation. The sources of funding for this account would be a fixed percentage of all traffic and transportation project costs and development charges collected by ULBs in Hyderabad Metropolitan Area. However, given the scope and functions of Hyderabad UMTA, there is a need for a dedicated fund. The absence of a continuous and certain flow of funds is acting as an impediment for the UMTA in achieving this objective. Given this context, amendments have been proposed in the UMTA chapter of the HMDA Act, 2008. The amendment proposes the formation of a dedicated UTF for Hyderabad UMTA.

This operations document elaborates on the form and structure of Hyderabad UMTA's UTF. It highlights both the sources and utilization of funds by the city and State Governments. The purpose of this document is to act as a handbook for setting up a fully functional UTF in

Hyderabad. It is envisaged to provide operational guidelines and procedures for setting up, operating and managing this UTF. This includes inter alia the following:

- Guidelines for collection of funds from different identified sources
- Guidelines for utilisation of funds from UTF
- Guidelines for prioritisation of utilisation
- Responsibilities of Fund Management Experts
- Fund flow mechanism
- Monitoring of fund utilisations, and
- Other miscellaneous guidelines

The urban transport requirements vary from city to city in India. Though there are some common challenges in urban transport development and operation in India, each city has its own specific context. In most urban areas, there will be a limited number of common sources for funding. Some of these sources will be unique to a particular urban area. Other aspects of UTF, such as utilization of funds, institutional arrangement, prioritization of fund utilization etc. could also differ across different urban areas. As a result, one operations document may not encompass all urban areas. The Hyderabad UTF operations document is thus developed to provide operational guidelines and procedures for setting up, operationalization and management of UTF specific to Hyderabad UMTA.

## 1.4 LIMITATIONS OF THE OPERATIONS DOCUMENT

Even though this operations document is customized for the case of Hyderabad, taking into account its characteristics, it may be revised, keeping in mind the modifications in the sources of funds. Further, this operations document spells out the process Hyderabad may follow to set up and operate a UTF within its UMTA. The operations document is expected to be used by policymakers/officials from agencies in Hyderabad and the Government of Telangana, for deciding the most suitable funding mechanism that Hyderabad UMTA should adopt. It is assumed that the user of this document has a good understanding of the Hyderabad's transport system.

## 1.5 LAYOUT OF THE OPERATIONS DOCUMENT

This operations document is structured as follows:

- **Chapter 1** provides an introduction to this operations document involving how the concept of UTF has evolved, initiatives taken in the past relating to UTF, requirements and objectives of UTF, the relation of UTF with UMTA and of this UTF operations document with the Hyderabad UMTA operations document, key definitions, objectives and layout of this operations document.
- **Chapter 2** deals with the aspects relating to functions and powers of the Fund Management Experts (FMEs) in managing the UTF.
- **Chapter 3** discusses the guidelines for collection and disbursement of funds, which are integral to smooth management of the UTF. It also proposes the fund flow mechanism.
- **Chapter 4** outlines the guidelines for undertaking treasury functions comprising of the processes, systems, internal controls and practices relating to the way the UMTA manages its revenues, expenses, assets, liabilities and contingencies.

- **Chapter 5** discusses the general accounting policies and principals that would need to be followed for efficient management of the UTF.
- **Chapter 6** includes guidelines for monitoring and reporting of projects and activities funded by the UTF.

## 2. ROLES AND RESPONSIBILITIES

The Hyderabad UMTA is an agency responsible for the overall coordination of urban transport in the Hyderabad Metropolitan Area. It is envisaged that the function of management of the UTF should be carried out by dedicated experts known as Fund Management Experts (FMEs), under the overall guidance of Hyderabad UMTA Governing Board. This chapter and the next, provide guidelines on activities involved in management of the UTF. This chapter particularly focuses on the functions and powers of the FMEs.

### 2.1 FUND MANAGEMENT EXPERTS WITHIN THE UMTA

In order to perform the multiplicity of functions assigned to the Hyderabad UMTA, its organizational setup is proposed to consist of six types of function-based experts, as depicted in Exhibit 3. Each of the experts will have their own roles and responsibilities in discharging the functions assigned to them, and would be expected to work in coordination with the others, in order to ensure smooth and harmonious functioning of the UMTA. The roles and responsibilities of each of these experts have been detailed in *Chapter 3 of the Hyderabad UMTA operations document*.

Exhibit 3 FMEs within UMTA



The FMEs are envisaged to manage all financial matters pertaining to the Hyderabad UMTA, including collection & disbursement of funds. They would also be responsible for monitoring the expenditures of the implementing agencies on a selective basis, which have been granted funds from the UTF. The subsequent sections highlight the key functions of the FMEs.

## 2.2 FUNCTIONS OF THE FUND MANAGEMENT EXPERTS

The FMEs are envisaged to administer and manage the UTF in accordance with its objectives. Management of UTF encompasses sub-functions of administering the collection, allocation and disbursement processes, accounting for the receipts and disbursements and all aspects related thereto. Broadly, the FMEs would be responsible for carrying out the following functions:

- a) **Collection & disbursement function:** This function includes managing fund collection and disbursement of UTF. For collection of the funds from the specified sources, Hyderabad UMTA should follow requisite processes which ensure that all funds as stipulated in the UMTA chapter of the HMDA Act, 2008, are collected and correspond to the stipulated amounts. Similarly, funds collected shall be disbursed for the intended purpose.
- b) **Treasury management function:** The treasury management function primarily encompasses management of funds held by the UTF. In an ideal world, resources that are mobilized by the UTF are expected to pass through its accounts and immediately disbursed to implementing agencies. However, experience suggests that for various reasons, funds may accumulate and would need to be invested prudently. Likewise, potential deficits are expected to arise, principally at the beginning of each financial year and at the quarter points, when large disbursements to implementing agencies may be required against a more steady inflow of funds from various sources. The fund management plan will forecast such surpluses and deficits and make arrangements for providing short term fund support to the UTF.
- c) **Accounting & budgeting:** This function includes general accounting, budgetary policies and other procedures that the UTF may follow. The objective is to ensure that the accounting and internal control procedures adopted and the records & accounts maintained by the UTF are adequate.
- d) **Monitoring of UTF expenditure:** This function includes overseeing fund utilisation by implementing agencies on a selective basis. This would inter alia involve soliciting the fund utilisation statements, the financial statements of the implementing agencies, details of other funds raised / borrowed etc. This is to ensure that funds comply in terms of utilization and priority with the purpose for which they were originally allocated in the Transport Investment Programme (*refer to Chapter 4 of Hyderabad UMTA operations document*). The implementing agencies which will undergo monitoring by the FMEs may be prioritized by the Hyderabad UMTA Governing Board on the basis of a specific mechanism that the Governing Board deems fit.

### List of the overall functions of FMEs:

Based on the above functional categories, the following is a list of functions the FMEs would be expected to perform:

- Collection of funds (receiving all revenues envisaged under UTF)
- Disbursement of funds for meeting Hyderabad UMTA's needs and to implementing agencies
- Resource mobilization & fund management include the preparation of a Fund Flow Statement which shows inflow and outflow on a monthly basis and works out net surplus/deficit and investing/borrowing net surplus/deficit as per the investment/borrowing policy of the Governing Board;
- Raising funds by borrowing or raising money necessary for the due discharge of its

functions

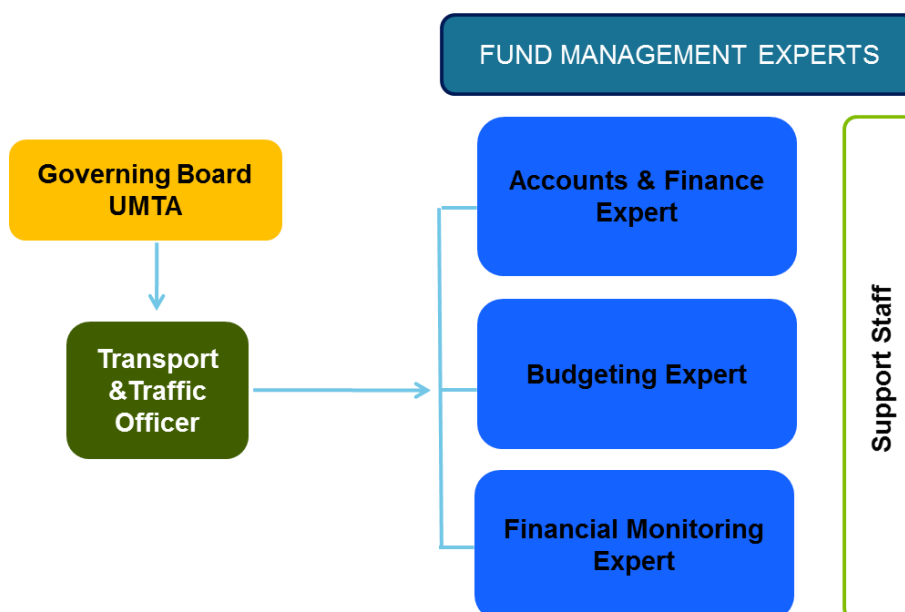
- Maintenance of all financial records and accounts of Hyderabad UMTA
- Preparation of annual reports and financial statements of Hyderabad UMTA
- Provide inputs in preparation of annual UTF budget
- Monitoring of fund utilisation by implementing agencies on a selective basis
- Submission of annual financial reports
- Assistance in preparation of Transport Investment Programme
- Maintenance of loan accounts for the purpose of implementation of urban transport projects
- Tax matters including planning and other related aspects
- Preparation of a fund management plan to expedite the treasury management function

### 2.3 COMPOSITION OF THE FUND MANAGEMENT EXPERTS

The Fund Management Experts would be responsible for overall management of the UTF in accordance with the decisions of the Hyderabad UMTA Governing Board. These experts would be required to ensure that all resources committed for the UTF have actually been collected and deposited into the designated bank account. They would further be responsible for the actual accounts, and for keeping records of all transactions made through the UTF and prepare necessary financial reports as required by the Hyderabad UMTA Governing Board. They would also be the responsible for ensuring that all disbursements made from the UTF to the implementing agencies comply with the Multi-Year Programme. The FMEs would also be required to render advice and assistance to the Hyderabad UMTA Governing Board related to financial matters so that it may discharge its functions properly. They would have the overall responsibility for implementing the decisions of the Hyderabad UMTA Governing Board pertaining to the UTF and exercising all powers and discharging all duties delegated to them by the Governing Board.

Considering the functions of FMEs, it is envisaged that the team will comprise of three key experts, who would be assisted by support staff. It is proposed that the UMTA Governing Board shall determine the appointment and terms & conditions for employment of these experts. The suggestive Fund Management Experts are provided in Exhibit 4.

Exhibit 4 Fund management experts



The roles and responsibilities of staffs of FMEs are provided below. Detailed specifications of the staff have been provided in *Annexure II*.

The Fund Management Experts would include the following:

- Accounts & Finance Expert
- Budgeting Expert
- Financial Monitoring Expert

These experts shall be responsible for carrying out all activities and fulfilling all responsibilities related to their portfolio, i.e. Accounts & Finance Expert shall be responsible for all accounting and financing activities, Budgeting & Expert shall be responsible for all activities related to budgeting such as providing inputs to the UMTA Governing Board in preparing forecasted and actual budgets, financial obligations for Multi-Year Programming etc. and Financial Monitoring Expert would be responsible for all aspects related to monitoring the fund utilization.

These experts should coordinate with one another and with other officials in Hyderabad UMTA in fulfilling their responsibilities and assisting other officials in doing so.

Besides these, the experts shall provide assistance in:

- Carrying out all activities in the management of UTF funds, including the appointment of support staff,
- Assist in implementing decisions of the Governing Board and the T&TO,
- Ensure compliance with applicable laws and financial practice.

### Support staff

There should also be appointed full time junior executive staff at different levels to assist the FMEs in carrying out their activities. The purpose of the junior executive staff is to render assistance to the FMEs so that they may discharge their functions properly.

The Governing Board, along with the T&TO should decide and finalise the number of employees including FMEs and support staff with necessary qualifications, for managing the UTF.

## 2.4 DELEGATION OF POWERS

The delegation of power shall be exercised in conjunction with delegation of power provided under the HMDA Act, 2008.

### **Limits of financial authority**

In order to ensure the authorization of revenue and expenditure for resource mobilization is correct, there is a need to detail the limits of financial authority that each employee managing the UTF can exercise. The limits of financial authority for the FMEs, should be specifically delegated by a resolution of the Hyderabad UMTA Governing Board and conveyed to them in writing, signed by the T&TO.

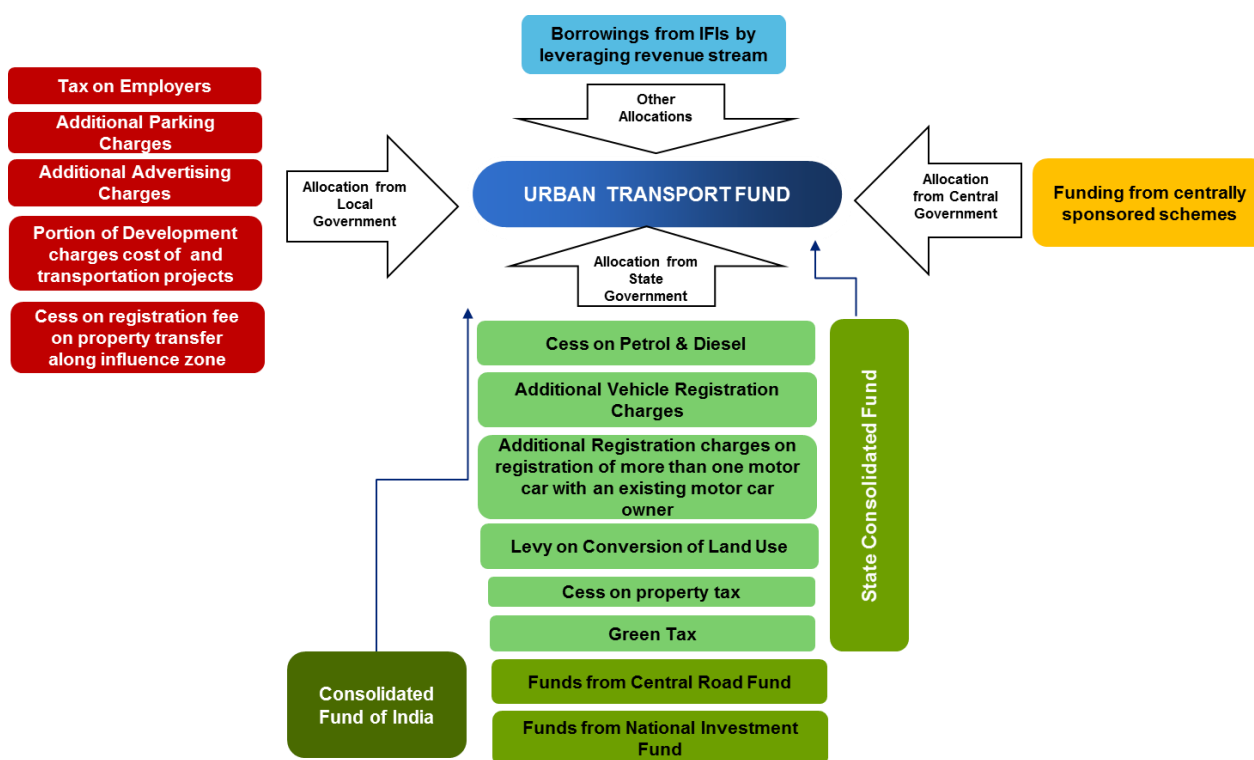
With the above background on the functions of the FMEs in managing the UTF, and delegation of powers, the next chapter discusses the procedures for collection and disbursement of UTF funds.

### 3. GUIDELINES FOR COLLECTION AND DISBURSEMENT OF FUNDS

This chapter lays down the guidelines for collection and disbursement of UTF funds. Various users charges/taxes suggested in the *Annexure I* of this operations document will be collected by the respective government department and the proceeds should be paid into the Telangana state consolidated fund and then transferred to the UTF. Any grants received from the Government of India (Central Government) such as those of the 13<sup>th</sup> Finance Commission may be routed through state consolidated fund and allocation of funds from Central Government schemes may directly go to UTF or through Urban Local bodies. However, proceeds from borrowings made by the UMTA may be directly deposited into the UTF account. The receipts from the suggested sources of revenue for the UTF will be transferred to the UTF account on at least a monthly basis.

The adjoining exhibit describes the broad sources of UTF funds, segregated at the central-level, state-level and local-level, among other allocations. The following sections specify the guidelines for carrying out the collection and disbursement processes and ensuring that all stipulated amounts from these sources are collected as well the disbursed as planned. Exhibit 5 depicts the collection of funds from central, state and local governments.

Exhibit 5 Collection of funds from Central, State and Local Governments



#### 3.1 MECHANISM FOR COLLECTION OF FUNDS

The FMEs will need to coordinate with all three levels of government (municipal, state and central) for the funds that are to be deposited into the UTF from each of these sources. A majority of the funds that are collected by various state-level departments are recorded in the Government of Telangana account under different heads and sub-heads. These accounts fall under the consolidated fund of Telangana that is managed by the Finance Department, Government of Telangana, through its treasury.

Following steps should be carried out for preparation of note and sending to the concerned

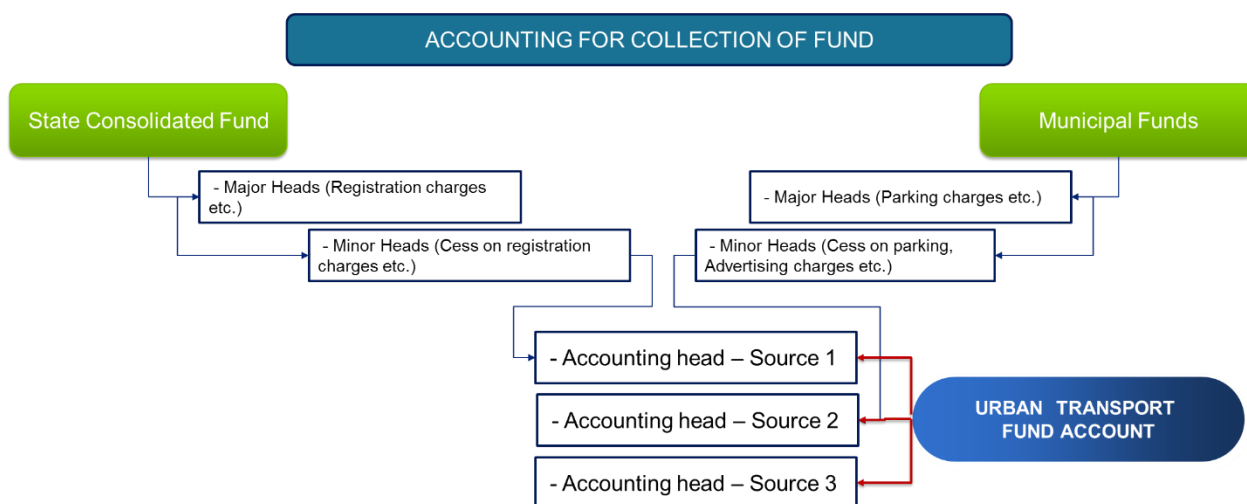
departments / agencies:

1. Hyderabad UMTA, through the FMEs, should communicate with the Finance Department, Government of Telangana, Greater Hyderabad Municipal Corporation, State Level Nodal Authority (to receive funding from Central Government schemes) and any other agency and send a note covering the requirement of funds. This note should be prepared by the Accounts & Finance Expert.
2. The Finance Department, Government of Telangana/ Greater Hyderabad Municipal Corporation/ concerned entity, would review the note and carry out its internal process of approval. The department may request UMTA for further information in which case UMTA, through FMEs, should provide any such additional information and make necessary modifications in the note.
3. The Finance Department, Government of Telangana / Greater Hyderabad Municipal Corporation would then transfer the funds from the different heads / sub-heads to the Hyderabad UMTA.

### Collection of funds from the State Finance Department

In order to collect funds from the state consolidated fund i.e. Finance Department, Government of Telangana, UMTA should prepare and send a note to the Finance Department. The note will cover the details of the respective sources of funds as per the provisions of the UMTA chapter of the HMDA Act, 2008. After the Finance Department reviews the note, the funds will be transferred to the UTF subject to the compliance of its internal processes regarding allocation of funds during this period, the Accounts & Finance Expert should continuously coordinate with the Finance Department, Government of Telangana to ensure that all funds in stipulated amounts have been received.

Exhibit 6 Accounting for collection of funds



The Finance Department, Government of Telangana may transfer the amounts in different tranches as per its policies. “Accounts & Finance Expert” should keep record of the amounts to be received and amounts actually received at all times. Exhibit 6 presents the accounting for collection of funds.

### Collection of funds from the Local Government/ ULBs

A requisite note seeking UTF allocations will be sent to Greater Hyderabad Municipal Corporation and other Urban Local Bodies indicating the sources of fund dedicated for UTF. The funds would be transferred after such agencies have reviewed the note and carried out their internal processes

for allocation of funds. During this period, the “Accounts & Finance Expert” should continuously coordinate with the different agencies to ensure that all funds in stipulated amounts have been received. The funds may be transferred in different tranches.

### **Collection of funds from the Central Governments allocations**

The development of urban transport has been given priority by most Central Government ministries and there are a number of schemes that allocate funds for it. These funds could be transferred to or aligned with the UTF.

While some of the Central Government budgetary allocations may be dedicated for UTF and can be routed through state consolidated fund, other allocations from centrally sponsored schemes may directly be allocated to UTF if they are intended to be used for urban transport. The requisite letter for availing UTF funding should be submitted to Finance Department, Government of Telangana for Central Government allocations for urban transport. A separate mechanism should be followed to access fund from centrally sponsored schemes.

### **Collection of funds from lending institutions**

The UMTA may also, after obtaining approval from the Government of Telangana and in accordance with the provisions of the UMTA chapter of the HMDA Act, 2008, and the rules made under the Act, borrow money by issue of bonds or long-term borrowing from either domestic or international financial institutions as it may deem appropriate.

The Government of Telangana shall provide a guarantee in such manner as it deems fit, provided such borrowings have been made with its prior approval. The Government of Telangana shall also prescribe the means of repayment of the principal and interest on such borrowings.

The IFIs usually provide funding to/through the governments. Therefore, for availing funding from the IFIs, support from either the Government of Telangana or the Central Government would be required. The process for allocation of fund may vary depending on the agreement of the World Bank with state/Central Government.

### **Collection of cheques/ Electronic fund transfers and direct deposits**

The Hyderabad UMTA Governing Board shall define the procedures and protocols for fund receipt and payments in the form of cheques/ electronic transfers and direct deposits or transfers, and the FMEs should ensure compliance with the same. The following are suggestive procedures that may be followed in case the funds are received in the form of cheques by the UTF:

1. Whenever a cheque is received by the UMTA, it shall be checked by the FMEs to verify that it is properly addressed to the Hyderabad UTF and that the amount is correct. The cheque shall be stamped on the reverse with the date of receipt and details of each cheque shall be entered in a register that records: date and amount of cheque, drawer / payee / client / agent, cheque number and particulars of payment.
2. For every such payment a serially numbered receipt shall be issued bearing the same particulars as the register;
3. Any cheque that is not crossed and endorsed to the account of the payee shall be so crossed immediately upon receipt;
4. Cheques shall be banked promptly and the banking details entered into the cheque register;
5. Payment details shall be entered into the accounts of the UTF ensuring that each payment is allocated to the correct revenue account and time period month in accordance with the remittance advice;

6. For each payment, there shall be a remittance advice that states the name of the collection agent or other debtor, the account reference and the period to which the payment relates;
7. Any payment received that cannot be allocated against an account shall be recorded in an unallocated cash account until a remittance advice is received or generated;
8. At the end of each month, the Accounts & Finance Expert shall review the unallocated cash account and ensure that all appropriate measures have been taken to allocate payments to accounts.

When funds are deposited directly to the UTF bank account, the following procedure may be followed:

1. The Accounts & Finance Expert shall order statements at the end of every month in respect for each bank account of the UTF and these statements shall be inspected to identify funds deposited directly to the accounts;
2. Where direct deposits cannot be identified, the Accounts & Finance Expert shall demand copies of related deposit slips from the bank;
3. The Accounts & Finance Expert shall then request a remittance advice from the depositing party;
4. If no such remittance advice is received within a reasonable period of time, and if the account details are known, the Accounts & Finance Expert shall generate a remittance advice and send it to the depositing party by a means that records receipt;

Any deposit that cannot be allocated against an account shall be recorded in the unallocated cash account and treated as defined in collection of cheques.

### 3.2 GUIDELINES FOR DISBURSEMENTS OF FUNDS

The funds will be disbursed from the UTF for meeting UMTA's operating expenses and to the implementing agencies for the projects approved under the Multi-Year Programme. The funds will be disbursed only for goods and services forming part of the approved annual budget and Multi-Year Programme and according to the policies and procedures established by the Hyderabad UMTA Governing Board. In case a request for funds is made for a project not originally included in UMTA's annual budget, special approval of the UMTA Governing Board may be required. Such a project will need to comply with the CTS, and be a part of the Multi-Year Programme.

The strategic decisions regarding the extent of these expenses will be approved by the UMTA Governing Board on a regular basis.

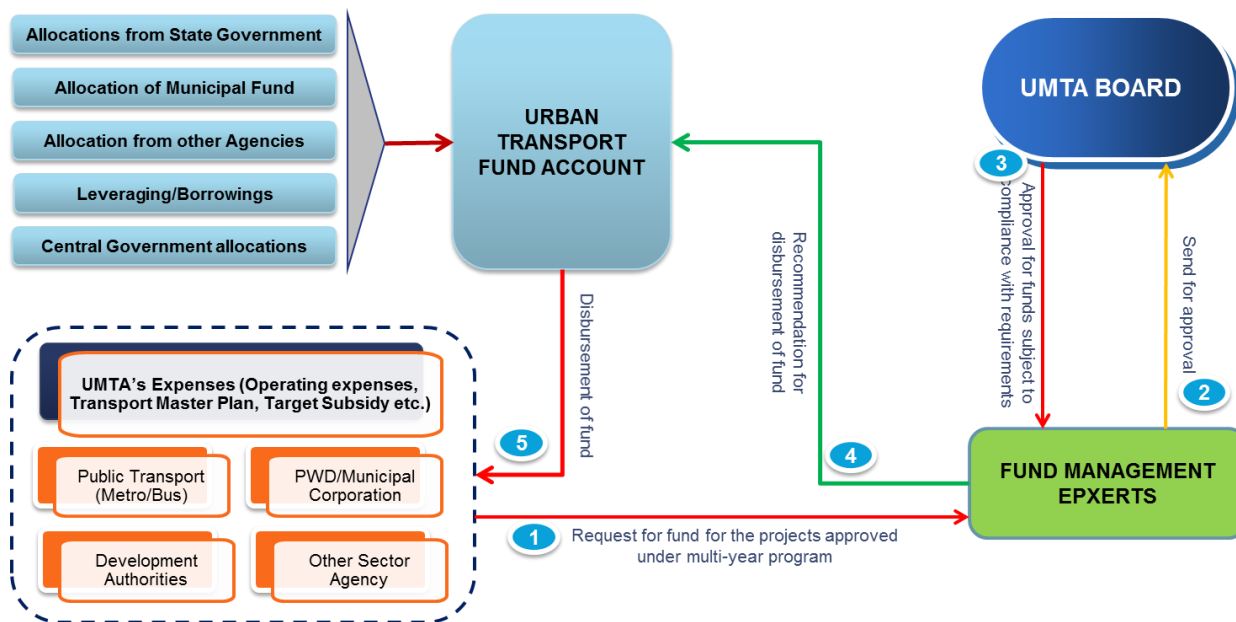
#### Disbursements for UMTA's operations

These disbursements would be made for day-to-day operations of the UMTA. All authorizations for such requirements would be made by the Accounts & Finance Expert, upon requests from other experts in UMTA.

#### Disbursement to the implementing agencies

The implementing agencies will send a request to UMTA for availing financial assistance. An indicative format of the letter for availing such assistance is given in *Annexure III*. The UMTA Governing Board will review and approve the request, subject to compliance with requirements, and issue an approval letter as per the format specified in *Annexure IV*. It will then issue a direction to the Accounts & Finance Expert for disbursement of the approved funds. The amount will then be transferred from the UTF account to the concerned implementing agency. The process for disbursement of funds to implementing agencies is depicted in Exhibit 7.

Exhibit 7 Process for disbursement of funds to implementing agencies



“Accounts & Finance Expert” will be responsible for overseeing the disbursement process. He/she will be responsible for overseeing that fund disbursements are made upon achievement of a defined milestones / deliverables. Moreover, he/she will ensure that there are no slippages vis-à-vis expected timelines. He/she will also oversee expenses and with the help of the support staff, ensure that respective accounts have been credited / debited in relation to expenses.

### 3.3 FUND FLOW MECHANISM

UMTA is envisaged to have a dedicated bank account in a public sector bank, or a commercial bank. This dedicated account shall serve as the UTF and will be managed by the FMEs of UMTA.

The details of the bank branch and bank account should be provided to the Finance Department, Government of Telangana (Treasury Section), Urban Local Bodies and any other agencies with which UMTA is envisaged to have any financial transactions.

All the revenues to the UTF shall be deposited in this bank account and all the expenses and disbursements of UMTA shall be made from this account. The financial transactions should be carried out by the designated staff of UMTA as per the delegation of powers.

The FMEs should also keep a record of the Bank Name, Branch Details, Bank Accounts Numbers and other relevant details (such as Indian Financial System Codes etc.) of all the implementing agencies, contractors, consultants and service providers etc. to be able to conduct any financial transaction when required.

All payments to implementing agencies, contractors, consultants and other works or service providers shall be by Bank transfer / cheques / demand drafts or other means as approved by the UMTA Governing Board.

The “Accounts & Finance Expert” shall be responsible for managing this account. He/ she shall be responsible for maintaining inter alia following documents:

- certified payment certificates from implementing agencies
- delegation of payment authority from the Governing Board
- records of electronic transfers

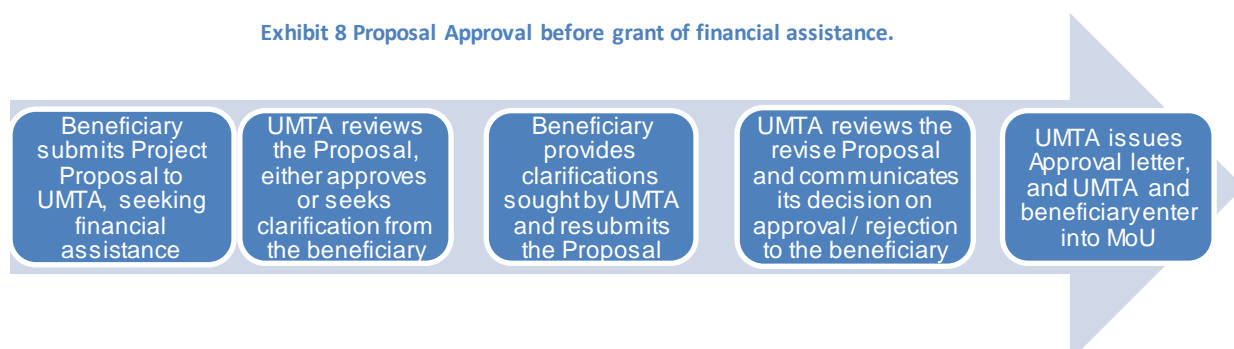
- bank transfer advices
- creditors' reconciliation report
- bank reconciliation statement.

## Procedure for fund flow to and from the UTF

For efficient collection and utilization of UTF, it is essential that the procedure for flow of funds is well-defined. Where any financial assistance is being sought from UTF by a beneficiary (Implementing Agency) for undertaking any urban transport project, the following procedure would need to be adhered to:

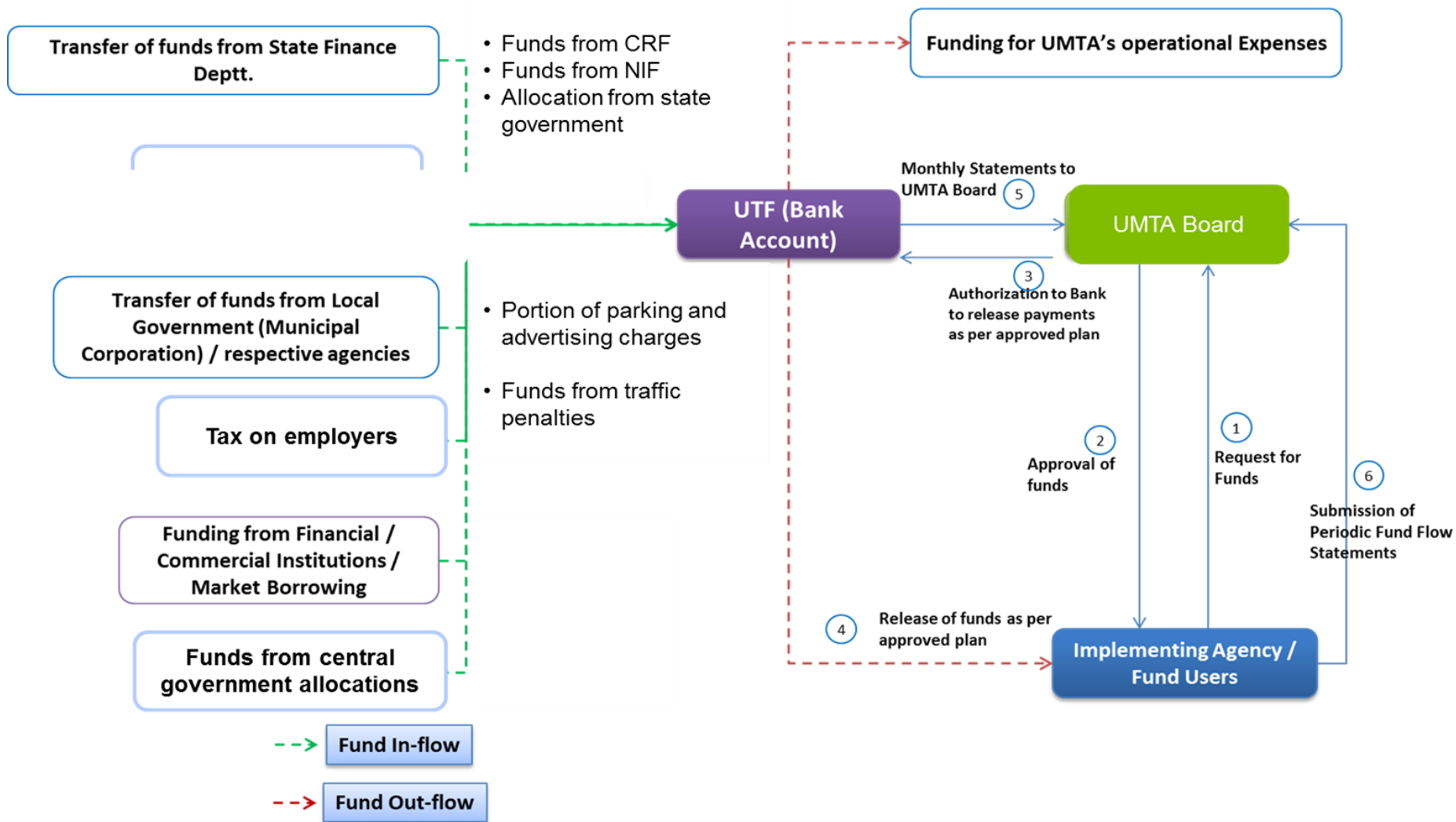
- The beneficiary seeking financial assistance shall submit a Project Proposal to UMTA for availing financial assistance, clearly highlighting the purpose, aim and objective, milestones for completion if any, for the project. This project should have been included in the list of projects in the Multi-Year Programme. The format for the letter for availing financial assistance from UTF is set out in *Annexure III*.
- UMTA shall review, appraise and scrutinize the proposal submitted by the beneficiary.
- UMTA/ shall within the lapse of [ ] days from the date of receipt of the proposal, either approve the proposal or seek clarification/ modifications from the beneficiary.
- The beneficiary within [ ] days of receipt of clarification/ modifications sought by UMTA shall provide the necessary clarifications/ modify and resubmit the proposal for approval of UMTA.
- Upon receipt of the revised proposal, UMTA shall review, appraise and scrutinize the same and may decide to approve the proposal.
- In any case, UMTA shall communicate in writing its decision on the approval of the proposal to the beneficiary.
- Upon approval of the proposal, UMTA shall issue to the beneficiary an Approval Letter as per the format set out in *Annexure IV*.
- Within [ ] days from the date of receipt of the Approval Letter, the beneficiary and UMTA shall enter into a Memorandum of Understanding (MoU) for availing financial assistance from UTF. An indicative format of the MoU is set out as *Annexure V*.

Exhibit 8 Proposal Approval before grant of financial assistance.



With reference to the sources of funds highlighted in the *Annexure I*, the following fund flow mechanism could be adopted for collection and disbursement of funds. Exhibit 8 depicts the proposal approval process before a grant of financial assistance. Exhibit 9 highlights the fund flow mechanism to and from UTF.

Exhibit 9 Fund flow mechanism to and from UTF



## 4. GUIDELINES FOR TREASURY FUNCTIONS

---

Treasury functions comprise of the processes, systems, internal controls and practices relating to the way the FMEs manage the revenues, expenses, assets, liabilities and contingencies of the UTF. It also includes its systems for managing risk and monitoring its financial and operational performance, including budget performance and reporting on these functions, both internally and externally.

This also involves day-to-day cash management of funds including making projections for revenues, commitments, and disbursements. Based on cash-flow projections, the UMTA Governing Board will have to decide how to handle short-term borrowing and what to do with any cash surpluses.

This chapter records the policies and procedures for borrowing/investment by the UMTA Governing Board so that:

- Governing Board's policies and procedures for borrowing/investment are available to all finance staff when considering the need for borrowing/investment and when managing borrowing/investment.
- Borrowing/investment is done with the full knowledge of the resulting liability and the ability for repayment.

### 4.1 TREASURY FUNCTIONS POLICY

In the delivery of treasury functions, there is an expectation that optimal benefit will be achieved for the revenues it receives through various sources and that these funds will be used prudently and effectively to further the UMTA's priorities and targets. The overall aim of the treasury functions should be:

- To maximize UTF's liquidity and to ensure that funds are disbursed to implementing agencies as planned.
- To minimize the operational and financial risks faced by the UTF.
- To be responsible for raising any funds either from the market or by borrowings, in the event that the UMTA falls short of funds in expediting its functions
- To be responsible for parking any surplus funds available with the authority.

### 4.2 MANAGING BORROWINGS

The UMTA Governing Board can borrow funds using either a working capital loan or capital loan, any such borrowing is vetted closely by the FMEs and requires approval from the Governing Board before any loan is proposed. The UMTA Governing Board may, after obtaining approval from the Government of Telangana, borrow money by issue of bonds or long-term borrowing from either domestic or international financial institutions as it may deem appropriate for discharging all or any of its functions. The Government of Telangana shall provide a guarantees in a manner it deems fit, provided such borrowings have been made with its prior approval. The Government of Telangana shall also prescribe the means of repayment of the principal and interest on such borrowings.

The Government of Telangana may make advances to the UTF in order to meet a deficit or any part thereof and such advances shall be made on such terms and conditions, whether as to repayment or otherwise, as the Government may determine, provided that such advances shall be repaid from the income of the UTF in the next financial year. Borrowing should be the last resort.

Notwithstanding anything contained in this section, the Governing Board may borrow, temporarily by way of overdraft or otherwise, up to [ ] per cent of the current year's Approved Annual Budget. All staff members are to comply with the following performance standards:

- All borrowing shall be in accordance with the UMTA Governing Board's debt management strategy and financing plan
- All borrowing shall be approved by the UMTA Governing Board and the Finance Department, Government of Telangana.

### 4.3 MANAGING INVESTMENT

The aim of managing investment is to ensure that there is sufficient flexibility, both to maximise the return on investments with the UTF at any time and to allow sufficient funds to remain for day to day cash requirements. These investments need to be safe and liquid, so that they can be realised quickly to ensure a competitive return on surplus cash balances (taking account of the cost of administering this function). All cash balances should remain in a comparatively liquid form and all investments should be realisable and have a maturity not exceeding three months.

The Fund Management Experts need to manage investment of balances in the Fund to ensure that the Fund receives interest on all monies not immediately required for payments. Since the UTF should maintain only a small cash surplus, the funds should be invested in short-term securities like interest-bearing savings accounts and the overnight money market if it is approved by the Governing Board. Investment of Fund money shall be restricted to:

- (a) Government Securities
- (b) Central & State Government bonds
- (c) Treasury Bills issued by the Reserve Bank of India
- (d) Interest bearing savings accounts with Government or private commercial banks\*
- (e) Term deposits with Government or private commercial banks\*

Investment in stocks, shares, bonds or similar instruments is not permitted.

\* The Governing Board shall have at least [ ]% of funds with Government commercial banks. This means that at any time up to [ ]% of the Fund balance may be invested with private commercial banks that have been carrying on banking business in [name of state] for more than [ ] years.

Not more than [ ]% of the total amount invested at any time is to be with any one bank. This does not include money in the Governing Board's current accounts.

### 4.4 MANAGING CASH FLOW FORECASTING & MONITORING

The FMEs would prepare an annual long term cash flow forecast at the beginning of the financial year which would estimate annual receipts and payments in accordance with plans. This forecast plan would be updated daily with short term receipt and payment information. Daily cash surplus balances reports, informed by the cash flow forecasting, would be prepared and monitored to highlight the requirements of borrowings and opportunities for investment on that day.

The FMEs will monitor and analyse cash flow variances between actual and plan on a monthly basis, in order to:

- Allow appropriate action to be taken to maintain or improve the cash position at any one time.
- Provide a level of stability to the cash flow forecast and improve the accountability of treasury management staff, by having a positive influence on behaviour and performance.

The cash flow projections would be used to inform the level of investment or borrowings that can be placed with the appropriate instrument and for what time period (weekly, fortnightly or monthly). The Budgeting Expert should obtain appropriate authorisation of the proposed investment/borrowings (or a proposal to rollover an investment/borrowing) in accordance with the limits approved by the UMTA Governing Board.

#### 4.5 TREASURY MANAGEMENT PROCEDURE

The role of the treasury function is to improve the liquidity position of the UTF, to mitigate and manage risk and ensure a competitive return with an acceptable risk profile. In order to ensure that the FMEs undertake treasury activities in a controlled manner and to ensure that UTF is not exposed to undue operational risks, a number of overall high-level controls will be put in place, including:

- The documentation of treasury management policy itself and the operational processes within the Treasury Management function.
- Clearly defined roles and responsibilities associated with treasury management activities.
- Separation of duties between those who transact and those who record treasury activities in the accounting records.
- Confirmation and checking of transactions by the Financial Monitoring.
- All transactions are recorded electronically and are supported by instruction/confirmation.
- All payment instructions / confirmations will require two authorised signatories, in accordance with approved bank and investment mandates.
- Mandates will be regularly reviewed and sent to all counterparties.
- Inclusion of treasury management activities within the scope of review by internal audit and external audit.

The Accounts & Finance Expert shall regularly prepare a cash flow forecast for revenue and expenditure of the Fund, and shall identify the profile of Fund balances not immediately required to meet forecast expenditure.

The Budgeting Expert shall also regularly monitor the Governing Board's investments/borrowings and take these into account when considering new investments/ borrowings.

Time to time, as necessary to ensure that that the Fund receives interest on all monies not immediately required for payments, the Accounts & Finance Expert shall prepare an investment proposal showing for each investment:

- amount to be invested/borrowed
- type of investment/borrowings
- duration of investment/borrowings

For investments/borrowings proposed with commercial banks, the Accounts & Finance Expert shall obtain quotes from three banks and propose the most advantageous duration and interest rate compatible with the policies. The proposal shall be accompanied by an analysis of all the investments/borrowings of the UMTA Governing Board.

### 4.5.1 Reporting of treasury activities

The regular reporting of treasury activities is crucial in allowing all relevant parties to be aware of transactions undertaken, to appreciate the UTF financial position and assess the on-going appropriateness of treasury objectives.

The treasury function would prepare and circulate treasury reports, so that relevant parties have the information necessary for their roles, and so that treasury activities remain transparent. These include:

- A daily report of all movements to and from all accounts and investments, showing the maturity dates and values of all investments/borrowings.
- A monthly report showing actual cash flow for the period to date (analyzed into months) and forecasts of cash receipts and payments for the remainder of the financial year (analyzed into months). The T&TO shall include this cash flow analysis in the monthly report to the Governing Board in the subsequent meetings.

## 5. ACCOUNTING & BUDGETING PROCEDURES

This chapter records general accounting, budgetary policies and any other procedures that the Hyderabad UMTA may follow during operationalization. The objective is to ensure that the accounting and internal control procedures adopted by the UMTA, and the records & accounts kept by the UTF, are precise. The principles and systems of accounting, along with day-to-day cash management and staff responsibilities have been covered. Furthermore, budgetary policies as well as development and procedural guidelines have been discussed.

### 5.1 GUIDELINES FOR PREPARATION OF ACCOUNTS

#### 5.1.1 Accounting principles

The accounting policies of UTF shall be in conformity with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI). Key documents to which the accounting policies apply include:

- Annual Financial Statements
- Monthly and Quarterly Financial Reports

#### Accounting system

It is recommended that UMTA adopts double entry accrual accounting since this system is widely accepted and allows efficient financial management;

The principal merits of accrual accounting are that it allows better financial management and external accountability by:

- Presenting expenditure in any period, matched with revenues earned and also on the basis of obligations incurred in that period; and
- Separately recording – as capital assets – expenditure incurred for longer term benefit. This expenditure is then recorded as a cost in each of these future periods by a charge for depreciation or amortization or, if the value of the asset has declined, via an impairment charge.

#### Day-to-day cash management

Day-to-day management of funds involves making projections for revenues, commitments, and disbursements. Based on cash-flow projections, the Governing Board shall decide how to handle short-term borrowing and what to do with any cash surpluses. Since UTF should maintain only a small cash surplus, the funds should be invested in short-term securities like interest-bearing savings accounts and the overnight money market if it is approved by the Governing Board.

#### Fund inflow and outflow

The funds to be received from the various sources need to be captured in the books of accounts of UTF as and when accrued. Payments from the UTF also need to be accounted for as and when accrued. Any mismatch in the fund inflow due and the amount received should be brought to the notice of the FMEs, who will then look into the discrepancy and make sure the differences are resolved. A record of the funds disbursed to the implementing agencies needs to be maintained and updated as and when any payment transaction takes place. This will ensure that UTF funds are being used only for those purposes which are envisaged by UMTA.

## Responsibilities

The FMEs have the overall responsibility of carrying out accounting procedures.

- The UMTA Governing Board would approve the accounting policies
- Accounts & Finance Expert
  - Responsible for ensuring that the accounting policies are maintained up to date and are applied
  - responsible for ensuring that accounting records are properly maintained and monthly, quarterly and annual accounts of the Fund are prepared in a systematic, orderly and timely manner in accordance with the accounting policies
- Accounts & Finance Expert – responsible for proper maintenance of the accounting records and preparation of the monthly, quarterly and annual accounts in accordance with the accounting policies.

## Year-end cut-off

The year-end cut-off procedure is applied as at [day, month] of each year.

## Payment of goods and services for UMTA Governing Board

Payments shall be made into the creditors' bank accounts by the end of the month in which the invoices are received, provided such invoices are received on or before the 15<sup>th</sup> of the month.

The Accounts & Finance Expert shall be responsible for maintaining a list of all creditors with their respective banking details. He/she would be responsible for ensuring that payments are made into the Creditors' bank accounts by the end of the month in which the invoice is received, provided such invoice is received on or before the 15<sup>th</sup> of the month. The invoices shall then be sent to the Accounts & Finance Expert who would assemble them into batches and prepare payment vouchers and cheque requisitions (in case the payment has been made by way of cheques). Each cheque requisition should have supporting documents. The amount payable would be based on the approved and signed payment voucher. The payment voucher, Bank transfer advice, list of creditors, cheque and remittance advice are to be authorized by signatories.

The Accounts & Finance Expert shall record the payment voucher details to the respective general ledger accounts and file all supporting documents. The Accounts & Finance Expert shall ensure that prior to recording, the payment voucher, Bank transfer advice, list of Creditors, remittance advice and cheque have been properly authorized (inspect for required signatures).

## Bank reconciliation

Bank reconciliation should be performed using the 'balance per general ledger to balance per bank' method. The standard verification procedures that should be performed when preparing the bank reconciliation are:

Payments in the general ledger not on the bank statement - Outstanding payments or un-presented cheques refer to those cheques released for payment or those cheques awaiting collection but that have not yet been presented to the bank for payment.

**Deposits in the general ledger not on the bank statement** - Outstanding receipts or uncredited receipts refer to those receipts recorded in the general ledger, but have not yet cleared with the bank.

**Deposits on the bank statement not in the general ledger** - These receipts represent direct deposits primarily from collecting agents or donors.

**Payments on the bank statement not in the general ledger** - These direct payments represent, amongst others, include (a) debit orders processed by the bank; (b) transfers to other bank accounts; (c) telegraphic transfer payments.

**Sundry charges or credits** - Sundry charges or credits represent bank service charges, interest paid or received.

The FMEs responsible for oversight and approval of any exceptions to policies or procedures. Accounts & Finance Expert is to ensure that reconciliations are done on time and review them.

### Petty cash

The petty cash float should be [ ] and individual payments out of this float should not exceed [ ]. In case of emergencies, payments exceeding [ ] may be made out of petty cash after approval by the Accounts & Finance Expert.

Paid cash vouchers and all supporting documents should be rubber stamped "PAID" after payment and should be filed to avoid double payment. The petty cash vouchers should be checked for completeness before a reimbursement is given. The difference between the opening serial number and the closing serial number should equal the number of petty cash vouchers making up the accountability accompanying the request for a reimbursement.

The Accounts & Finance Expert is responsible for petty cash. The petty cash should be kept separate from all other cash resources and can only be issued from the petty cash box / safe. The petty cash should be kept in a strong petty cash box or safe that is not easy to break into.

Access to the petty cash box / safe should be restricted to the Accounts & Finance Expert. They shall be held responsible for their safekeeping and custody.

### Month-end procedures

The last calendar day of each month shall be the month end for management accounts. If that last day falls on Saturday, Sunday or a public holiday, then the cut-off shall be the last weekday preceding this. All accounts are to be closed on the last day, according to the predetermined cut off dates. No further transactions occurring after this date may be processed in the reporting month. The purpose of month-end financial procedures is to ensure that:

- all accounts are closed off correctly at month-end over consistent periods
- all liabilities are accrued or provided for at each month-end
- the month-end figures are accurately reported
- an audit trail is maintained to support the numbers.

The Accounts & Finance Expert should create a month-end reports file for finance documents. All balances shall be supported by a schedule / reconciliation detailing how the balance is made up with comparatives of the previous month. The month-end report files should be kept in an easily accessible location. The current ones, especially the last two month's reports, should be immediately accessible. Key documents include:

- payroll
- internal memorandums, e.g. for bonuses
- invoices and bills
- statements
- contracts
- fund disbursement summary
- cash flow forecast
- bank reconciliation
- Fund commitment (liabilities) report
- debtors aged analysis
- other account reconciliations
- Consolidated Statement of Financial Performance (Profit and Loss account)
- trial balance
- management report.

### **Fixed assets**

Assets should be depreciated in compliance with the Governing Board's standard depreciation rates for the various asset categories. The Governing Board may amend these according to the accounting standards issued by the ICAI..

Full depreciation will be charged in the month of purchase but no depreciation will be provided during the month of disposal.

Maintenance and repairs to fixed assets are to be expensed in the period in which they are incurred. Major additions and improvements, that enhance the assets future economic benefits beyond the original assessment, should be capitalized.

Open tenders shall be invited for the sale of assets such as motor vehicles, buildings, computers, and other expensive machinery or equipment. The T&TO shall establish a Disposal Committee to recommend the most appropriate quote.

### **Staff payroll**

All appointments of UMTA staff shall be determined and made by the T&TO in accordance with the HMDA Act, 2008, and as approved by the Governing Board. (*Refer to Chapter 3 of the Hyderabad UMTA operations document*).

The administration staff shall initiate, on a timely basis, any changes required in the payroll, including new tax legislation, by raising a standard letter of notification. The standard letter of notification shall be forwarded with approved and authorized supporting documents attached as evidence that the information contained is valid. The changes should be approved by the T&TO.

When approved, the changes should be input into the payroll system by the Accounts & Finance Expert and printed out to be reviewed by the administration staff to ensure that all changes have been made correctly in the system.

At each pay date, administration staff should send the payroll to the T&TO who should review and authorize it. The authorization should be evidenced by his signature.

The Accounts & Finance Expert should then prepare the payment vouchers and deposit schedules showing the employee's name, check number, bank account and net pay.

The payment voucher and deposit schedules should then be sent to the Accounts & Finance Expert for approval who should then write a letter authorizing the bank to transfer amounts as per the deposit schedules to the employees' bank accounts. He/she should authorize the Accounts & Finance Expert to write the cheques for payment in respect of employees without bank accounts.

The Accounts & Finance Expert should ensure that staff payments are transferred to their accounts by the last working day of the month.

On the last working day of the month, the Accounts & Finance Expert should send out pay slips to all employees. The pays slips should detail the following:

- the basic salary
- other employee benefits for the month
- gross pay
- statutory deductions such as income tax
- non-statutory deductions like health insurance scheme, provident fund, staff loans and salary advance recoveries
- net pay.

After all payments are made, the Accounts & Finance Expert shall reconcile the payroll to the general ledger. This reconciliation should be reviewed by the Accounts & Finance Expert who shall sign it as evidence of the review.

## 5.2 GUIDELINES FOR PREPARATION OF BUDGETS

As discussed before, the budgetary allocations of the transport sector are currently made through the consolidated funds of the state. The UTF at the city level of Hyderabad emerges as an alternative to cater exclusively to the transport needs of Hyderabad Metropolitan Area. It is therefore, important that the budget of the UTF of Hyderabad UMTA reflects, as accurately as possible, the funding needed to carry out functions and objectives of Hyderabad UMTA.

### Policies

The following policies are proposed to be followed with relation to UMTA's budget preparation:

1. The Governing Board will be responsible for preparation of annual UMTA budget, taking inputs from various departments, including FMEs. This budget would be prepared for the forward financial year before the end of March, i.e. prior to the start of the financial year to which the budget applies.
2. The UMTA budget shall be subject to a limit decided by the Governing Board every year in consultation with FMEs.
3. The annual budget shall be approved by the T&TO, in consultation with the UMTA Governing Board.
4. The budget so prepared shall be reviewed and revised on a half yearly or quarterly basis, as is deemed fit by the UMTA Governing Board.
5. The budget shall be published in an annual Budgetary journal of the UMTA and remain

available in the public information domain.

6. Re-allocation of funds between items in the budget shall require the approval of the T&TO.

## General Budget Development Guidelines

The following is a tentative list of expenses that are proposed to be included in UTF's budget:

### 1. Expenses on UMTA's Operations and Capital Requirements

The UTF is envisaged to finance all the operating expenses of the UMTA, which include the salaries, wages and benefits that will be paid out to all UMTA employees. In order to determine total salaries and wages component of UTF's budget, the following aspects need to be taken into consideration:

- Gross salaries payable to the entire staff for the financial year
- Contribution of UMTA into the provident fund to the extent applicable and any gratuity payable by UMTA
- Any additional benefits provided by UMTA to the staff

For the smooth day-to-day functioning of the UMTA, there is a need to estimate its entire operational expenditures and provide for the same in the budget. Further, this needs to be done on a yearly basis. The following expenses should be included when estimating operating costs:

- Cost of facility including rent
- Cost of utilities
- Office supplies such as stationery etc.
- Travel and vehicle expenses
- Mailing expenses etc.

The budget of the UTF needs to account for capital expenditures being incurred by the UMTA in buying or augmenting any of its fixed assets. Capital expenditures could include expenditures on office equipment, property, laptops or other computers etc.

### 2. Estimates of Funding Requirements for carrying out UMTA's functions

Apart from financing UMTA's operating expenses, the UTF is also envisaged to fund the UMTA in carrying out its strategic planning and programming functions, which includes the revision of CTS. The UMTA may utilize the services of outside consultants for revision of CTS. In such a case, estimates of expenses involved in addition to the operating expenses of UMTA in revision of CTS should be worked out and accounted.

There could be explicit subsidy from UTF for promoting development of inter-modal integration. UTF could also be utilized for providing funding for providing or subsidizing development of inter-modal integration. In order to account for this, there may be a need to estimate the planned activities that need to be carried out during the financial year as part of achieving / improving inter-modal integration.

Furthermore, the UTF could even be utilized for funding preparatory activities for implementing any urban transport project. These could include activities such as:

- Preparation of Detailed Project Reports (DPRs)
- Conducting pre-feasibility studies
- Conducting feasibility studies
- Conducting Value for money analysis for Public Private Partnership (PPP) projects
- Any other project preparatory activity

UMTA may utilize the services of outside consultants for carrying out such activities. In such a case, estimates of expenses involved in addition to the operating expenses of UMTA in funding

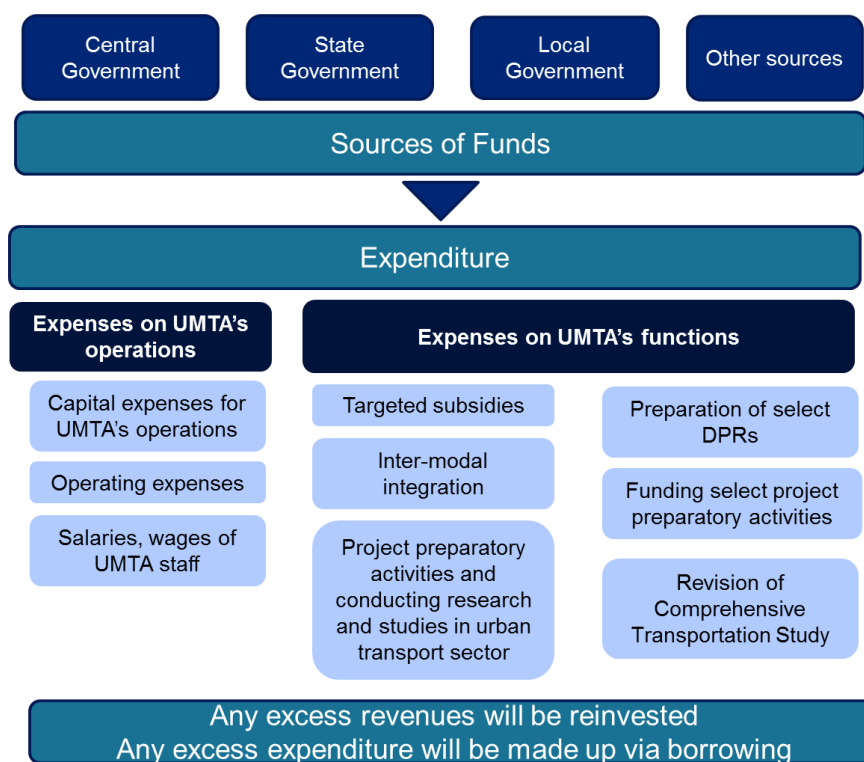
such activities through outside consultants should be assessed.

Finally, the UTF could be used for covering a fixed fraction of targeted subsidies provided to urban transport users. The UMTA Governing Board may decide, on a regular basis, the extent of subsidies that its UTF could fund, based on the proof of costs incurred by the service operator and in accordance with financial plan of UMTA. Thus, the FMEs should estimate the funding that may be provided for meeting targeted subsidies, after all other expenses and higher priority fund utilizations have been accurately estimated.

### 3. Payments to implementing agencies for projects approved under CMP

The UMTA would prepare a detailed Transport Investment Programme for transport initiatives in the Hyderabad Metropolitan Area. This programme will be based on the Multi-Year Programmes prepared by the various implementing agencies. The multi-year plan is proposed to include yearly

Exhibit 10 Estimation of excess revenues/expenditures



expenditure estimates for each initiative, and the intended source of funding. It is understood that planning of each project proposed by implementing agencies will be as per UMTA's CTS. This is required in order to ensure that the project is in line with the long term CTS and the Multi-Year Programme of UMTA. In this regard, the UTF could be utilized for funding a fraction of capital and operating investments in the urban transport sector, incurred by implementing agencies. The amount of funds available with UTF after all other funding requirements

have been estimated, could be the budget for funding capital and operational investments. The UMTA Governing Board, on a regular basis, would decide the extent of funding that could be provided from UTF for funding such investments. Exhibit 10 estimates the excess revenues/expenditures.

### Responsibilities

The following are procedural guidelines that may be followed in the process of formulating and reviewing the annual budget of the UTF:

1. The FMEs shall prepare a budget for the authority for the forward financial year.
2. They shall then submit it to the T&TO for agreement and to the Governing Board for approval before the end of March prior to the start of the financial year to which the budget applies.
3. Once the budget has been approved, it should be filed and published properly, and the copies should be distributed to all the experts.

4. During the course of the year, the budget shall be subject to half yearly/quarterly reviews. Where the FMEs anticipate that expenditure is likely to exceed the approved budget provisions, they should prepare a proposal to amend the budget. Additional expenditure shall not be incurred until the required changes to the budget have been approved.
5. Where, for some reason, expenditure above the budget cannot wait for being processed through the normal course of reviews and subsequent approval by the Governing Board, the Governing Board Chairperson may be requested to approve such budget adjustments.

## 6. MONITORING THE UTILIZATION OF FUNDS

The objectives of the monitoring and auditing functions are to ensure that the income of the UTF from all sources is accurate and complete and that payments made are in respect of expenditure allowed for by the legislation. Since UMTA is providing funds to implementing agencies for urban transport projects, it should also be given the power to monitor the utilization of such funds. Hence, monitoring fund utilization by implementing agencies has been proposed as an additional power of the UMTA, apart from the powers defined in the existing UMTA chapter of the HMDA act, 2008.

This chapter provides guidelines for monitoring of projects and activities which are funded by the UTF. This covers provision of funds for activities undertaken by Hyderabad UMTA (its operational expenses, funding for carrying out UMTA's functions), as well as funding provided to implementing agencies.

### 6.1 MONITORING ARRANGEMENTS

Monitoring involves obtaining and evaluating information. It is imperative that issues and risks are identified so that appropriate corrective actions may be taken. The UMTA Board should have a dedicated Monitoring team. They could be assisted by the Engineering division who would carry out technical and financial audits. The primary function of the Monitoring Team will be to monitor the performance of the urban transport projects/operations and the performance of implementing agencies. The division will also carry out internal audits of the UMTA and Secretariat activities. The functions of the division will be complementary to the audit by the Comptroller and Auditor General's (CAG's) Office required by the Act & any independent audit commissioned by the UMTA.

The funds that have been utilized for activities undertaken by the UMTA need to be monitored against their planned outlays as per the approved Budget of the UMTA. This is highlighted in Exhibit 11.

Exhibit 11 Monitoring of fund utilization



For funding provided to implementing agencies, the financial monitoring expert(s) would be responsible for closely following, monitoring, auditing and ensuring that funds are utilized properly for the intended purposes, within agreed timelines and as per agreed terms and conditions.

The Financial Monitoring Expert, along with the technical experts, will carry out the following tasks:

- Internal audit of UMTA's financial and operational activities, including its corporate governance – This will include audit of financial management practices of UMTA and compliance with all applicable laws, policies, practices and procedures; and
- Monitoring of fund utilization by the implementing agencies for which funds have been provided by UMTA.

The following principles may be followed for financial monitoring:

- Monitoring of implementing agencies activities will be continuous for the purpose of understanding the operations of the implementing agency and gathering intelligence

- An annual monitoring programme will be prepared for UMTA approval based on assessment of risk, using all sources of intelligence
- Monitoring will be on selective implementing agency activities, without prior notice
- The agreed systems and procedures, including quality control, of the implementing agency will be expected to be used
- The UMTA will pay the amount claimed and certified by the implementing agency, unless there is known reason not to.

The Financial Monitoring Expert has the overall responsibility for monitoring implementing agency's utilisation of funds and overall project progress. He /she will liaise with implementing agencies to obtain the information required for monitoring the same.

## 6.2 AUDIT ARRANGEMENTS

The accounts and other financial statements of the Hyderabad UMTA will be audited annually in line with the audit provisions of the HMDA Act, 2008. The UTF audit will normally include:

- a. Auditing payments made from the UTF to ensure that they are supported by adequate documentation and are in accordance with the purposes allowed for in the legislation and supporting legal regulations.
- b. Verifying that the work financed from the UTF was carried out according to specifications.
- c. Auditing the transactions and balances of the bank accounts maintained of the UTF.
- d. Reviewing the accounting and internal control procedures used by the UMTA.
- e. Reviewing the accounts, files, records, and reports of the UMTA to determine their adequacy.

## 6.3 REPORTING

Hyderabad UMTA shall prepare an annual report of its activities during that year and submit the report to the Government of Telangana in such form and on or before such date as may be prescribed by the rules.

The UMTA shall at the end of each financial year submit an audited annual statement to the Government of Telangana including but not limited to the following:

- (a) amount of debt/loan raised;
- (b) details of the investment made during the year;
- (c) mode of repayment including the amount that has been earmarked for the Sinking Fund;
- (d) amount of securities that have been created or raised; and
- (e) any other matter specified by the Government of Telangana.

To sum up, this chapter provided guidelines for monitoring of projects and activities which would be funded by the UTF. This covered provision of funds for activities undertaken by UMTA (its operational expenses, funding for carrying out UMTA's functions), as well as funding provided to implementing agencies.

## ANNEXURE I: GUIDANCE NOTE ON RESOURCE MOBILIZATION

---

The Hyderabad UTF is envisaged to have a number of dedicated revenue sources in addition to Central and State Government budgetary allocations. Innovative sources of revenue include green tax, congestion charges, betterment levy and a premium on transfer of development rights. Some of the revenue collected by the Central Road Fund (CRF) could also be diverted to the UTFs.

This Annexure is a guidance note for identification and finalization of sources of funds for the UTF that can be fully dedicated to urban transport. The objective of this section is to identify and evaluate various funding options for UTF of Hyderabad UMTA.

### 1. GUIDELINES & APPROACH FOR IDENTIFICATION OF UTF SOURCES

This section details out the guidelines and a list of potential sources that UTF of Hyderabad UMTA may identify and draw funds from. This Hyderabad UMTA may choose to leverage some or all of these sources.

#### 1.1 Guidelines & approach for identification of sources of funds for UTF

Hyderabad UTF should be designed in line with the recommendations of NUTP with a view to fulfil the funding requirement of urban transport in Hyderabad Metropolitan Area. In this light, it is important to outline the approach for identifying the sources of funds that could be tapped for funding urban transport needs.

For funding urban transport, a prudent combination of funds should be identified such that there is not too much pressure on either the general population by way of too much taxes / cess, or on Central and State Government funds. Simultaneously, the needs of urban transport shall be met.

Some of the key requirements for the UTF are presented in Exhibit 12 and are described below:

**Sustainability and adequacy:** Sustainability means that the sources of funds should remain available for a long period of time i.e. the revenue should keep flowing continuously over a long period. A major issue faced today is that of lack of sustainability of the funding sources. Adequacy means sufficiency to satisfy a requirement or meet a need. There can be some sources that require substantial effort for collection, but the amounts generated may not correspond to the effort involved. For example, a source of fund such as cess on fuel is a sustainable source. As opposed to this, a source such as congestion charges may not be that sustainable, since it is difficult to capture and administratively costly.

**Equity and efficiency:** Around the world, an extraordinary array of revenue sources has been used to finance public transport, sometimes as dedicated sources. Some have nothing to do with transport: hotel taxes, tobacco taxes, alcohol taxes and regional general sales taxes; the proceeds of lotteries; municipal sales of gas, electricity and water etc. Others are argued to be linked to transport facilities: development or betterment gain; property taxes; business rates and taxes; payroll taxes; contributions towards the cost of public transport from developers in return for relaxations in land use or density zoning. Clearly sources of revenues can be numerous, but unless there is some relation to the urban transport, a particular source of fund should not be arbitrarily tapped. Hence, a source of funding should be related to urban transport for it to be used for funding urban transport. Efficiency describes the extent to which time, effort or cost is well used for the intended task or purpose. In this context, a source of revenue should be suitably easy to administer in terms of time, cost and effort involved.

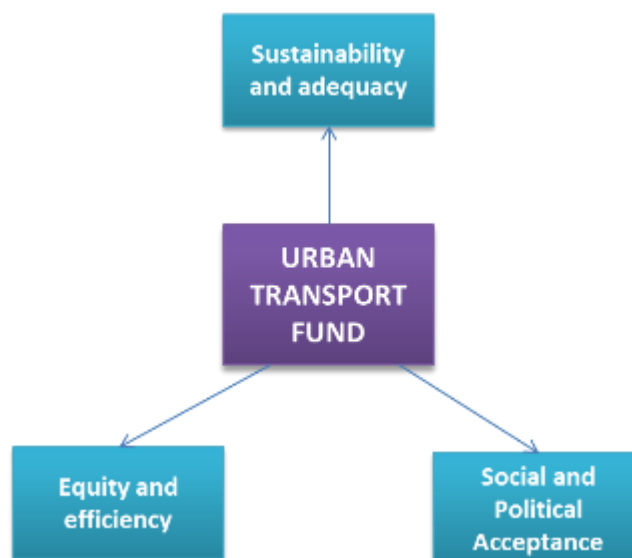
**Social and Political Acceptance:** This implies that a source of revenue should be accepted by social and political communities. Some sources of revenue such as congestion charges may not be easily acceptable to public, since lack of good public transport facilities causes them to use private vehicles.

There are three categories of potential revenue for an UTF:

- (a) Taxes and charges on vehicle owners;
- (b) Revenue from other sources including direct and indirect beneficiaries; and
- (c) Central and State Government allocations.

The following paragraphs describe these different sources of revenues.

Exhibit 12 Key requirements for UTF funding



### Sources of Funding for Transport for London (TfL)

Transport for London is the integrated statutory body responsible for planning, delivery and day-to-day operation of London's public transport system. The main sources of TfL's funding are:

- Central Government grants- including investment and general operational grants
- Business Taxes- comprises of a locally retained share of London's business rates
- Fares and congestion charges- decision of fares and charges taken by the Mayor
- Prudential Borrowing- borrowings from various lending agencies
- Commercial developments- income from advertising and property rental and development

## 2. TAXES & CHARGES ON VEHICLE OWNERS

### 2.1 Additional vehicle registration charges

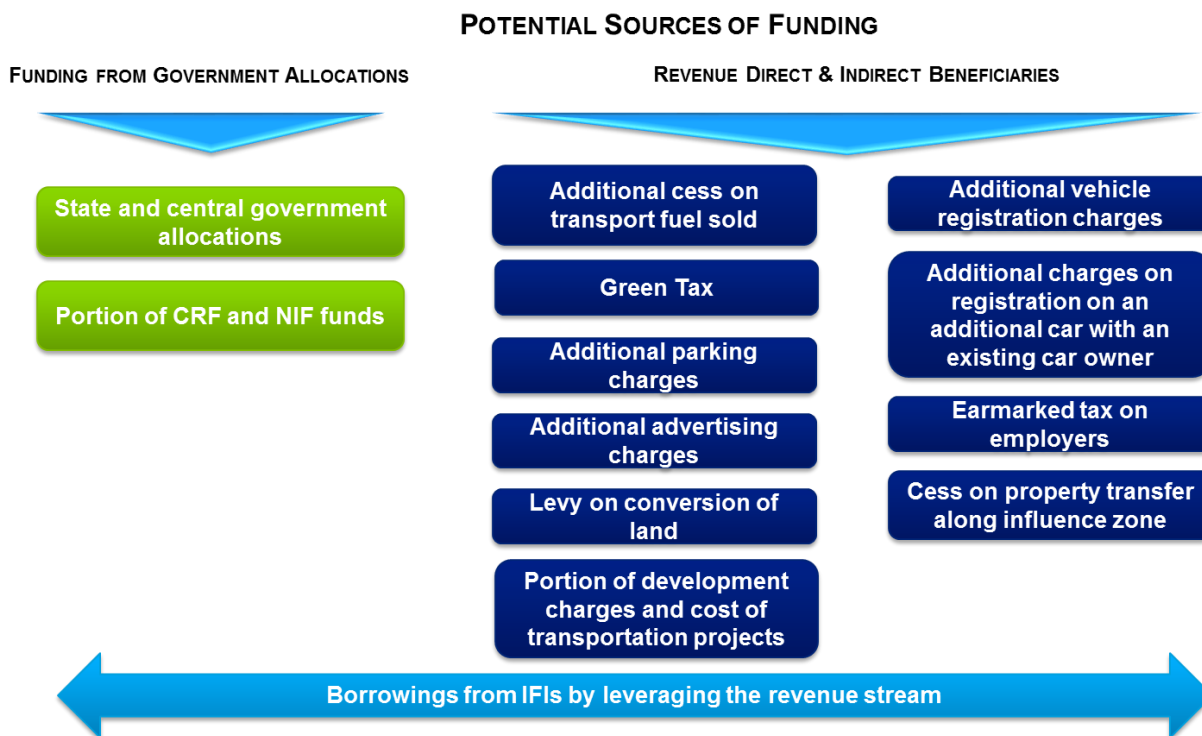
Under section 39 of the Motor Vehicles Act, 1988, each vehicle having a seating capacity of up to seven seats, can be allowed to be driven in a public place only after its registration, by a transport department office or an authorized dealer. Revenues through vehicle registration accrue to the State Government and are collected in the form of fees payable for availing such registration by the vehicle owners.

For the purpose of financing the UTF, an additional charge could be imposed on vehicle registration charges. The funds so collected would accrue to the Government of Telangana, and the amount would be credited to its public account. Following this, the Government of Telangana could allocate the funds so collected to the UTF of Hyderabad UMTA, following a mechanism that the state deems fit.

The registration charges have to be borne by users of all new vehicles. Therefore, any individual purchasing a new vehicle will fall under the ambit of the additional vehicle registration charges. This makes this charge a lasting and resilient source of revenue for the UTF. Therefore, it is

imperative to maximize revenue collection from this source by imposing an ad-valorem rate based on the purchase value of vehicles. This would classify the charge as progressive, as a higher rate would fall on luxury cars. Likewise, separate rates could apply to vehicles based on the type of fuel consumed.

Exhibit 13 Potential sources of funding



The additional vehicle registration charges may be applicable at following rates, which could be collected along with the registration charges by the Transport Department, Government of Telangana and will go into the state consolidated fund. The funds may then be allocated to the UTF of Hyderabad UMTA by following a mechanism deemed appropriate by the State.

The potential sources of funding are highlighted in Exhibit 13.

Exhibit 14 Rate of charge for each class of vehicle

S No.	Class of Vehicles	Rate of charge
1.	Motor vehicles other than Transport vehicles:	[ ] % of vehicle registration charges
	(1) Motor Cycle (Petrol)	[ ] % of vehicle registration charges
	(2) Other than motor Cycle (Petrol)	[ ] % of vehicle registration charges
	(3) Other than motor Cycle (Diesel)	[ ] % of vehicle registration charges
2.	Transport vehicles	[ ] % of vehicle registration charges
	(1) Petrol	[ ] % of vehicle registration charges
	(2) Diesel	[ ] % of vehicle registration charges

## 2.2 Additional charges on registration of more than one car with an existing car-owner

The registration charges could be made more progressive by taxing owners with more than one car. This could be done by imposing an additional charge on registration of a new car by an existing car-owner. The tax rate could vary depending upon:

1. Whether the existing owner has a commercial or private car, with a higher rate being charged

on the former.

- Whether the new vehicle is a commercial or private car, with a higher rate being charged on the former.

This means a private car owner, purchasing a new private car, would bear the lowest incidence.

The additional charges could be applicable at the rates highlighted in Exhibit 15:

**Exhibit 15 Rate of charge for Light Motor Vehicle**

S No.	Class of Vehicles	Rate of charge
1.	Light Motor Vehicle (Car for personal use)	[ ] % of vehicle registration charges

The Government of Telangana could allocate a part of the funds so collected in the consolidated fund, to the UTF of Hyderabad UMTA, following an allocation mechanism that the state deems fit.

### 2.3 Cess on fuel sold in urban areas in the state

Traditionally, fuel taxes have been an important component of revenues for incurring the infrastructure costs related to transport including maintenance of road infrastructure, and development of sustainable transport systems, such as mass transit systems and non-motorized services. Fuel taxes can further provide incentives to purchase fuel-efficient and environment friendly vehicles.

A part of the additional cess of INR [ ] per litre on fuel could be collected on sale of fuel in notified urban areas in the state.

The refineries sell the fuel to the oil marketing companies at prices which do not include government taxes. The State Government taxes are then collected at the point of sale from oil marketing companies. The oil marketing companies deposit the state taxes into the respective State Government accounts.

Hence, an additional cess on fuel sold in Hyderabad Metropolitan Area where UTF is established may be imposed by the Government of Telangana and the same could be deposited in the Government of Telangana account in a manner similar to the one by which other state taxes on fuel are deposited.

The Government of Telangana could then allocate the funds collected into the consolidated fund from cess on fuel sold in urban areas to the UTF of Hyderabad UMTA.

These could be applicable at the rates highlighted in Exhibit 16:

**Exhibit 16 Amount of cess depending upon type of fuel**

S No.	Type of fuel	Amount of Cess
1.	Petrol	INR [ ] per litre
2.	Diesel	INR [ ] per litre

## 2.4 Green tax

A 'Green tax' may be introduced to curb emission levels in vehicles and promote a clean environment, while also providing revenue to the UTF. The green tax aims at enabling owners of 'old' vehicles, to internalize the increasing emission levels caused by their vehicles as they exceed a certain age. Worldwide, the concept of green tax has been implemented extensively across Japan, UK, US, France, South Korea and China. Presently, the imposition of green tax as a potential source of revenue has been emerging in only a few states in India, including Maharashtra, Tamil Nadu and Uttarakhand.

### Milan introduces the "eco-pass"

Milan's congestion charge was introduced in January 2008 to tackle pollution by charging drivers of the worst offending vehicles a variable toll adjusted to reflect how polluting their vehicle is. The daily congestion charge applied between 7 a.m. and 6 p.m. costs between €2 and €10 depending on how polluting a vehicle is and at what time of day the vehicle enters the zone. Monthly passes are charged according to the level of pollution a vehicle emits, costing between €50 and €250. Vehicles are divided into five categories determined by the Euro emission standards.

Under the provisions of the Motor Vehicles Act, 1988, the registration of a vehicle is treated as valid only if the vehicle has a valid certificate of fitness. In case of private vehicles, the fitness certificate is valid for 15 years and thereafter, for every 5 years. In case of commercial vehicles, the fitness certificates are issued for each new vehicle for 2 years and subsequently renewed for one year.

Under this framework, the green tax can be levied as a cess, each time vehicle owners renew their vehicle's fitness certificate. This means that the green tax would be borne only by the owners of those private vehicles which exceed 15 years, and those commercial vehicles which exceed two years. Some of the key incidences under which the green tax may be customized to act as a stringent deterrent to the use of old vehicles, rather than serving as a blanket stipulation are highlighted below:

1. The tax rate may rise progressively with the age of the vehicle. So each time a vehicle owner renews a fitness certificate, he/she faces a higher tax rate.
2. The green tax may be customized for different vehicle types. There are a number of factors that affect the rate at which any vehicle emits air pollutants. Some of the most conspicuous factors are:
  - a. Vehicle type/size (passenger cars, light-duty trucks, heavy-duty trucks, urban and school buses, motorcycles)
  - b. Fuel used (gasoline, diesel, others). A lower tax rate may be imposed on compact cars and eco-cars, including hybrid, electric, fuel cell and alternative-fuel vehicles.
  - c. Maintenance condition of the vehicle (well maintained, in need of maintenance, presence and condition of pollution control equipment)

This would imply a higher tax rate for high-emission and gasoline-based vehicles, in order to serve as an added incentive to shift to cleaner and efficient vehicles.

3. The tax rate may be kept higher for premium and luxury vehicles, including vintage vehicles.

This green tax may be collected by the Government of Telangana through the Transport Department, and the revenues may be deposited into the state consolidated fund. Further, the Government of Telangana should allocate the funds collected into the consolidated fund from

Green Tax to a particular UTF in the state following an appropriate mechanism. It should be noted that the green tax legalizes vehicular emissions from old vehicles. It may therefore, not be fit for cities which experience high levels of air pollution. The Government of Telangana may need to discuss and debate the implementation of green tax before levying it. This tax could be collected at rates as decided by the Government of Telangana time to time. Exhibit 17 highlights the amount of tax on each class of vehicle.

Exhibit 17 Amount of tax on each class of vehicle

S No.	Class of Vehicles	Amount of Tax
1.	Motor vehicles other than Transport vehicles which have completed [ ] years from the date of their registration (1) Motor Cycle (2) Other than motor Cycle	Rs. [ ] Per Annum Rs. [ ] Per Annum
2.	Transport vehicles which have completed [ ] years from the date of their registration	Rs.[ ] Per Annum

## 2.5 Additional parking and advertising charges

Levying of parking charges in publically owned facilities and on public roads is capable of producing significant amount of revenue. Parking charges can be instrumental in managing the demand for transport, as a high price of parking or scarce parking slots can incentivize owners of vehicles to substitute to public transport.

### Parking Space Levy: A Case Study of Sydney, Australia

Through a Parking Space Levy (PSL) Act in 1992, PSL was implemented in Sydney. The scheme was to charge a levy on the use of off-street car parking areas and use these funds to enhance the public transport in Sydney, primarily focusing on interchanges and commuter car parking spaces. The Government authorities have since then claimed to have reduced traffic congestion in several areas substantially. The PSL affects about 7 percent of all vehicles in Sydney every day. The levy is imposed only on commercial and office off-street parking spaces and not on residential or casual parking space. In subsequent years ('97, '00 & '07) PSL was doubled. PSL being a property based tax was a constant source of revenue for the government.

Parking charges in Hyderabad are collected by Greater Hyderabad Municipal Corporation and other agencies, which may impose additional parking charges, for the purpose of UTF, [ ] % of existing parking charges collected by respective agencies.

Likewise, transport infrastructure has high “visibility”. Transit advertising, i.e. placement of ads on buses and other public vehicles and in bus shelters and train stations, provides an important medium for reaching out to a diverse audience. Advertising charges are levied in urban areas by various agencies such as Municipal Corporation and certain other public sector agencies such as Indian Railway, Airport Authority of India, Metro Corporations, and STUs etc. An additional charge on such advertising fee could be imposed for the purpose of UTFs established in the state.

The additional parking charges could be deposited into UTFs through the following mechanism:

- Greater Hyderabad Municipal Corporation collects the parking and advertising charges for facilities which are managed by them. In this scenario, additional parking charges may be collected by the Municipal Corporation and the amount may be transferred into the UTF.
- For advertising and parking facilities managed by city specific SPVs, such as city bus transport services, companies or metro rail corporations, the parking charges are collected by such city

specific SPVs. In this scenario, additional parking charges may be collected by such city specific SPVs and the amount may be transferred into the UTF.

- c. For parking and advertising facilities managed by state / Central Government agencies such as STUs or Indian Railways, the charges are collected by such STUs or the respective Divisional Offices of Indian Railways for all urban areas within the division's jurisdiction. In this scenario, additional parking charges may be collected by such STUs / Indian Railways divisional Offices and the amount may be transferred into the UTF.

The administrative work of collection of the parking and advertising charges may be carried out by the existing agencies and expenses of collection maybe deducted by such agency.

### 3. GOVERNMENT FUNDING

The government's budgetary allocations (Central Government / Government of Telangana) are the main sources of financing for urban transport. This funding is mostly for infrastructure development, but could also be used for funding the operations (through payment of subsidies or in the form of direct operations of systems through state agencies). Potential sources of funding from the government include:

#### 3.1 Funds from Central Road Fund

The Indian Central Road Fund (CRF)<sup>1</sup> was established in 1930 and revitalized under the Central Road Fund Act, 2000. The CRF provides funds for construction and maintenance of national and state road networks and development of rural roads. The revenue for the fund is mobilized through cess, a duty of excise and a duty of customs on petrol and high speed diesel. Therefore, under the Central Road Fund Act, an additional cess is levied on petrol and high speed diesel - currently @ Rs.2 per litre. The revenues collected through the cess are dedicated to the CRF through the Consolidated Fund of India (CFI). The CRF is managed by the Ministry of Finance, Government of India. The receipts from the fuel cess are allocated to states on the basis of fuel consumption.

One of the sources of funds of CRF is "Additional Excise Duty" on fuel. The revenue collected from Additional Excise Duty is initially credited to the CFI. The CRF is, thereafter, distributed by Planning Commission amongst three Ministries i.e. Ministry of Rural Development, Ministry of Railways and Ministry of Road Transport & Highways in the manner prescribed under section 10(viii) of the Central Road Fund Act, 2000. As per the CRF Act, the fund allocated to a State or Union Territory remains with the Central Government until funds are actually required for expenditure.

A certain portion of funds allocated to the state from the CRF may be distributed appropriately to a particular UTF in the state for development of urban transport infrastructure.

It is to be noted that CRF allocation is only for development and maintenance of various type of road networks. These road networks provide linkages to major market and business centers in urban areas. However, there is no fund allocation for the development of various modes of urban transport to provide accessibility to the people on these networks, towards and within urban centers. Furthermore, it is claimed that a large fraction of the fund remains unutilized, largely due to low proposals of states and slow progress of projects. In this framework, some portion of fund collected from diesel (consumed by most of the public transport vehicles) [say Rs.0.25 per litre] could be allocated to UTF.

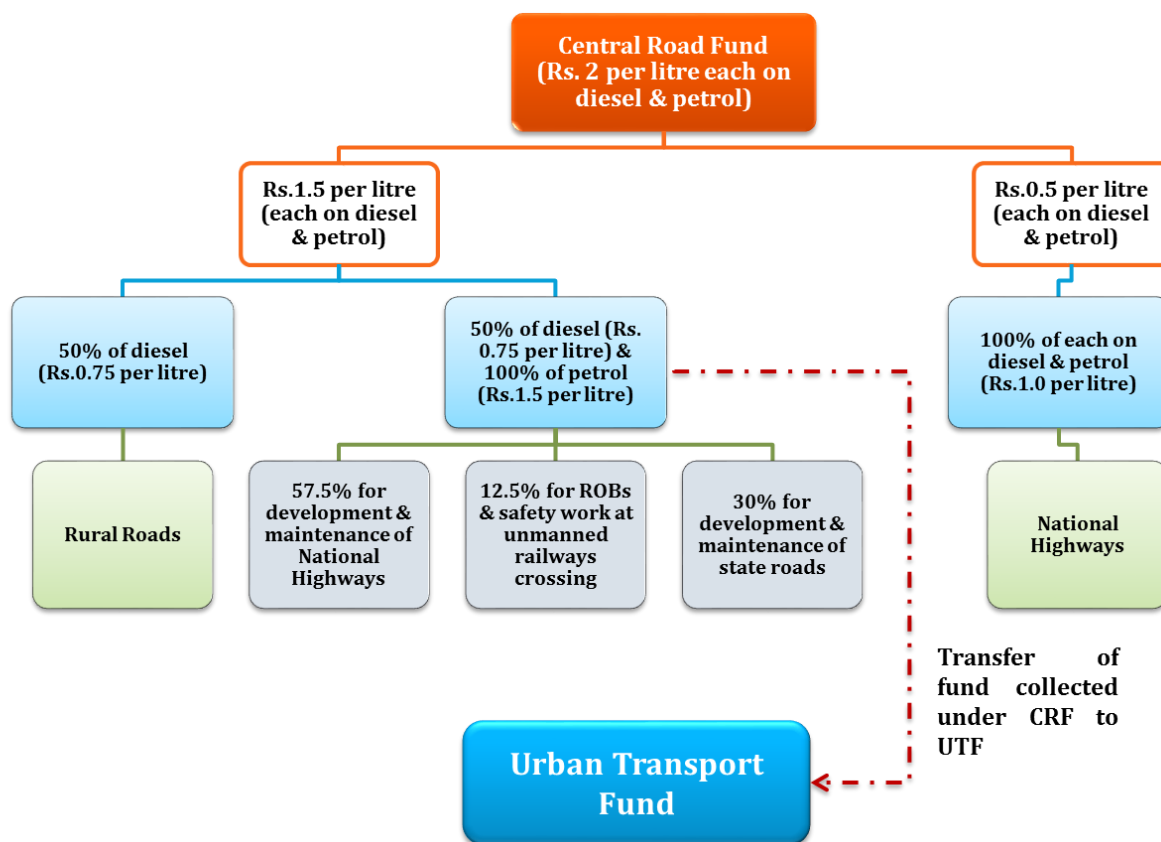
The Government of Telangana could earmark [25]% of the funds attributable to cess on diesel

---

<sup>1</sup> Source: CRF Act 2000

received from CRF and allocate to a particular UTF based on a mechanism that it deems fit. The mechanism of allocation of the cess through CRF and UTF is illustrated in Exhibit 18 below.

Exhibit 18 Cess allocation from CRF



### 3.2 Funds from National Investment Fund

The Government of India (GoI) constituted the National Investment Fund (NIF) on 3rd November, 2005, into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized. The corpus of the fund was to be of a permanent nature and the same was to be professionally managed in order to provide sustainable returns to the Government, without depleting the corpus.<sup>2</sup> NIF was to be maintained outside the CFI. The income from the NIF corpus investments has been utilized on selected social sector schemes, namely the Jawaharlal Nehru National Urban Renewal Mission (JnNURM), Accelerated Irrigation Benefits Programme (AIBP), Rajiv Gandhi Gramin Vidyutikaran Yojana, Accelerated Power Development and Reform Programme, Indira Awas Yojana and National Rural Employment Guarantee Scheme (NREGS).

On the 5th of November 2009, Cabinet Committee on Economic Affairs approved a change in the policy on utilization of disinvestment proceeds. Again on 17th January, 2013 the Government approved restructuring of the NIF and decided that the disinvestment proceeds with effect from the fiscal year 2013-14 will be credited to the existing 'Public Account' under the head NIF and they would remain there until withdrawn/invested for the approved purpose. It was decided that the NIF would be utilized for the following purposes:

- b. Subscribing to the shares being issued by the Central Public Sector Enterprises (CPSEs) including Public Sector Banks (PSBs) and Public Sector Insurance Companies, on rights

<sup>2</sup> Dept. of Disinvestment, Ministry of Finance, GoI

basis so as to ensure 51% ownership of the Government in those CPSEs/PSBs/Insurance Companies, is not diluted

- c. Preferential allotment of shares of the CPSE to promoters as per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet its Capex programme.
- d. Recapitalization of public sector banks and public sector insurance companies
- e. Investment by Government in India Infrastructure Finance Company Limited / National Bank for Agriculture and Rural Development / Exim Bank
- f. Equity infusion in various Metro projects
- g. Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corporation of India Ltd.
- h. Investment in Indian Railways towards capital expenditure

Utilizations as per the points “e” and “g” are related to urban transport

The receipts from disinvestment of CPSEs are deposited in CFI under the designated head. Thereafter, these amounts are appropriated from the CFI, with due approval, by the Department of Disinvestment and transferred to the selected Fund Managers through CEO of NIF. The funds are appropriated from NIF for specific purposes.

As the UMTA chapter of the HMDA Act, 2008 states, [ ] % of the proceeds accruing to the National Investment Fund which are allocated for use specifically in development of urban transport and received by the Government of Telangana could be allocated to the UTF of Hyderabad UMTA. (as may be decided by the Government of Telangana and amended time to time).

### **3.3 Funds from centrally sponsored schemes**

A portion of funds received by the Government of Telangana under centrally sponsored schemes of the GoI, which are intended for development of urban transport in the state, could be deposited in the UTF of Hyderabad UMTA. The Central Government or the Government of Telangana may make such grants, advances and loans to the Hyderabad UMTA as may be deemed necessary for the performance of its functions. These grants/ loans/ advances would be on such terms and conditions, as may be determined by the Government making grants, advances or loans.

## **4. FUNDS FROM DIRECT AND INDIRECT BENEFICIARIES**

Since the huge investment needs for urban transport cannot be met from traditional sources alone, innovative financing mechanisms need to be tapped. There are various possibilities of raising funds for the urban transport sector including exploiting the direct beneficiaries and various other indirect beneficiaries.

Direct beneficiaries include mainly the commuters who use the transport services. Indirect beneficiaries include those who benefit not directly by using the public transport services but by other benefits accruing to them by better transport facilities / development of infrastructure / enhancement of commercial opportunities etc. These include businesses, advertisers, property owners, property developers and similar others.

Other than these, urban transport can also be funded by way of revenues collected from commercial activities such as selling / leasing / renting of public spaces / infrastructure, commercial activity licenses to private parties etc.

### Innovative Transport Funding in Seoul

Seoul Metropolitan government imposes a congestion charge in one tunnel which connects the central business district with the southern business district. It also levies a traffic inducement charge to owners of certain large scale buildings, which are likely to generate high volumes of traffic. These revenues are used to improve public transport facilities and services.

Based on the review of Indian and some international practices, some of the potential sources of revenue in this category are discussed in the following paragraphs.

#### 4.1 Earmarking of certain portion of development charges and traffic & transportation project costs

A fraction (0.25 per cent) of the estimated cost of all traffic and transportation projects undertaken by different departments and 0.25 per cent of development charges collected by Hyderabad Metropolitan Development Authority and Greater Hyderabad Municipal Corporation, besides other local bodies in the Hyderabad Metropolitan Region, will be form a source of revenue for UTF of Hyderabad UMTA.

#### 4.2 Tax on employers

Transport is vital to economic activity within a metropolitan area. It plays a key role in encouraging business development by providing employees with daily access to their workplace, giving clients access to sales outlets, and facilitating the delivery of goods. Viewed in this light, it is only logical and equitable that companies and business activities should contribute to funding public transport. Tax on employers, thus, could be one of the potential sources of revenue for UTF. By levying taxes on employers, a good amount of funds may be generated depending on the tax rate employed (In Ile de France region the tax rate is 2.6% for Paris<sup>3</sup>).

The Hyderabad UMTA could impose and collect a tax on employers employing more than [50] employees in Hyderabad Metropolitan Area, which could be equal to [ ] % of total salaries paid by the employer in a financial year. Hence, the tax would be progressive, implying that the amount of tax paid would increase with the amount of total salaries paid by employers.

<sup>3</sup> Financing Urban Transport, Ken Gwilliam

### Versement Tax: The employer tax in France

One of the most successful cases of employer tax in recent history has been in France where the Versement Tax (Transport Tax) is implemented and has funded approximately 35% to 40% of total expenditure on urban transport. It was introduced in 1971 for public and private companies with more than nine salaried employees in the Ile-de-France region. Its purpose was to provide the necessary funding to extend and improve public transport services in the Paris area, which at the time was experiencing rapid economic growth. It was then gradually extended to all metropolitan areas with a transit authority. VT, which is calculated as a percentage of a company's total payroll costs, is collected by Social Security and transferred to the transit authority. The percentage rate applicable is determined by the individual local authorities, although a ceiling is imposed by the State.

## 4.3 Betterment Levy

A betterment levy is a one-time tax to capture a share of the increase in asset value attributable to development of infrastructure. Development of major transport infrastructures such as for BRT, MRT, Metro, etc. results in substantial increase in property values close to the development areas. It makes sense to get a share in the benefit accruing to the property owners. Hence, it is justified to tap this development for funding urban transport. However, there are opponents of betterment levy who argue that there should also be a worsening benefit to compensate for any decrease in value attributable to factors other than actions of asset owners. It has been observed that betterment levies are difficult to administer. The reason is that it is not easy to identify exactly the gain in value from development projects. It is also worth noting that betterment levies can be collected only after a certain project has been completed. So, a betterment levy from one development project can only be used for funding other projects or other needs.

Betterment levies can take several forms, as described below:

### a) Cess on property tax in influence zone of TOD

If a transit-oriented development is proposed within the Urban Mobility Area, then such development can be tapped to fund increase public transport infrastructure development. For this purpose, an 'influence zone' would need to be defined, which could be done based on access to the transit station by walk or non-motorized transit modes. An additional cess on the property tax of the structures within the 'influence zone' of the TOD may be imposed. The rationale is that such TOD usually leads to a rise in the value of the property along the influence zone. It is proposed to charge a cess on the property tax paid by the owners of property that fall within the influence zone of such development. Such cess could be collected by the concerned Municipal Corporation, along with the property tax, and then transferred to the UTF account.

### b) Additional levy on conversion of land use

This levy is based on the assumption that with urban sprawl, there is a general tendency to get the agricultural land use changed to either residential or commercial purpose and in this way land starts fetching higher market value. Hence, urban road development results in financial benefit to the land owners.

Charges on conversion of land use are levied by the Government of Telangana on land holders who intend to convert any agricultural land to industrial or commercial land in the influence zone of the corridor. The Government of Telangana could impose and collect an additional levy on conversion of land use charges calculated by [ ] % of existing land use conversion charges. Such

amounts collected may be distributed among the UTFs in the state based on the population of urban area as the proportionating factor. The urban area of [ ] may be allocated [ ] % of such charges for the UTF.

#### **4.4 Leveraging Revenue Stream**

The various sources of funds identified above are mostly revenues that would keep flowing into the UTF of Hyderabad UMTA. Given the huge requirements of funding for urban transport, these revenues would not be sufficient to fund all urban transport needs. Moreover, since capital intensive development projects often require huge funding, such revenue stream cannot fund such projects on its own. For example, metro rail or mono rail development projects require very high capital funding and usually external funding is required. The continuously flowing revenue stream to the UTF could be used as security for such funding.

It is also envisaged that UTF should be able to raise funds from commercial banks and capital markets (by way of issuance of bonds). Many international examples suggest use of this practice.

The continuously flowing revenue stream to a UTF could be used as security for such funding. UTF could raise funds from commercial banks and capital markets (by way of issuance of bonds). Funding could also include funds from international funding agencies for soft loans, using the continuously flowing stream of UTFs revenues as a source of credibility for debt servicing.

## 5. MECHANISM FOR FUND COLLECTION

The collection mechanism for the various sources of UTF funds above is described in Exhibit 19.

Exhibit 19 Mechanism for fund collection

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
<b>Charges on vehicle owners</b>			
Additional vehicle registration charges	Regional Transport Officer, Transport Department of the state	Upon registration of a new vehicle	<ul style="list-style-type: none"> <li>The additional charges would be collected by the Transport Department of the state (through the Regional Transport Officer)</li> <li>The charges would accrue to the Government of Telangana, the amount being credited to the state's public account, under the "State Tax Revenue" head.</li> <li>The Government of Telangana would allocate the funds so collected to the UTFs within that state, following an allocation mechanism that the state deems fit.</li> <li>E.g.: Karnataka</li> </ul>
Additional charges on registration of more than one 'motor car' with an existing 'motor car' owner	Regional Transport Officer, Transport Department of the state	Upon registration of a new motor car	<ul style="list-style-type: none"> <li>The additional charges would be collected by the Transport Department of the state (through the Regional Transport Officer).</li> <li>The RTO would verify if the owner of the new motor car already has a motor car registered in his name. In such a case, the additional charges would be applicable.</li> <li>'Motor car' would be as defined under the Motor Vehicle Act.</li> <li>The charges would accrue to the Government of Telangana, the amount being credited to their public accounts, under the "State Tax Revenue" head.</li> <li>The Government of Telangana would then allocate the funds so collected to the UTFs within that state, following an allocation mechanism that the state deems fit.</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
Additional parking charges	ULBs	Parking lots	<ul style="list-style-type: none"> <li>• The ULBs, either on their own, or through private contractors, would collect the additional parking charges from the vehicle owners using the parking facility.</li> <li>• The additional charges would be a certain specified percentage of the parking charges.</li> <li>• The mechanism for collection would be in line with the parking fees collected and deposited in the ULB's account, under "Income from parking fees" under the head "Rental Income from Municipal Properties".</li> <li>• Funds from this head would then be transferred to the UTF of the Urban Mobility Area which falls under the ULB's jurisdiction.</li> </ul>
Cess on fuel sold	Government of Telangana	Fuel stations	<ul style="list-style-type: none"> <li>• An additional cess on fuel sold in the state where UMTAs have been established may be collected and deposited in the Government of Telangana account by the oil marketing companies along with the tax on sale of fuel.</li> <li>• The Government of Telangana could then allocate a portion of the funds collected through such cess to the UTFs in the state.</li> <li>• E.g.: Proposed in the state of Maharashtra</li> </ul>
Green tax	Transport Department of the state	Upon renewal of vehicle's fitness certificate	<ul style="list-style-type: none"> <li>• The green tax may be collected by the Transport Department of the state (through the Regional Transport Officer), each time vehicle owners renew their vehicle's fitness certificate. This would be applicable if renewal is permitted, and the frequency of collection would vary with the frequency of renewal of the fitness certificate.</li> <li>• The revenues would be deposited into the state consolidated fund.</li> <li>• Further, the Government of Telangana would allocate the funds collected into the consolidated fund from green tax to the UTFs in the state.</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
			<ul style="list-style-type: none"> <li>E.g. : Kanpur</li> </ul>
<b>Central Government Allocations</b>			
Funds from CRF	Ministry of Finance, Government of India	-	<ul style="list-style-type: none"> <li>The revenues collected through the cess on petrol and diesel dedicated to the CRF are transferred to the Consolidated Fund of India (CFI).</li> <li>These are then allocated for specific utilizations, such as development of rural roads, national highways, state highways etc.</li> <li>A certain portion of the funds allocated to states for development and maintenance of state roads could be allocated to the UTFs of that state, for funding the development of urban transport.</li> <li>The corresponding amount would be transferred to the state consolidated fund, from where the funds could be allocated to the UTFs, in a manner that the state deems fit.</li> </ul>
Funds from NIF	Ministry of Finance, Government of India	-	<ul style="list-style-type: none"> <li>The receipts from disinvestment of CPSEs are deposited in the National Investment Fund, separate from the consolidated fund of India. It is managed by public sector fund managers.</li> <li>These proceeds which are allocated for use specifically in development of urban transport are then received by the states.</li> <li>A portion of such funds could be allocated to the UTF (as may be decided by the Government of Telangana and amended time to time).</li> </ul>
Funds from centrally sponsored schemes (such as AMRUT)	Ministry of Finance, Government of India	-	<ul style="list-style-type: none"> <li>Funds from centrally sponsored schemes may be channelized through the state consolidated fund.</li> <li>For example, under the AMRUT scheme of the Government of India, one of the components to be funded is urban transport.</li> <li>The funds under this scheme are allocated to the states based on an equitable formula, at the beginning of the year. They are</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
			<p>collected under the “Central Government Transfers” head.</p> <ul style="list-style-type: none"> <li>A portion of these funds allocated for urban transport could be transferred from the state consolidated fund to the UTFs in that state.</li> </ul>
Grants under Finance Commission	Ministry of Finance, Government of India	-	<ul style="list-style-type: none"> <li>A portion of the grants received by the states under the Finance Commission could be transferred to the UTFs in that state.</li> <li>Such grants are collected under the “Central Government Transfers” head in the state account.</li> <li>For example, grants under the 13<sup>th</sup> Finance Commission are deposited under “Special Grant for 13<sup>th</sup> Finance Commission”.</li> <li>This amount may be transferred from the state consolidated fund to the UTF account, based on a proportioning factor that the state deems fit.</li> </ul>
<b>Funds from direct and indirect beneficiaries</b>			
Additional charge on advertising fee	Municipal Corporations/ other public sector agencies	Along with advertising fee paid to the concerned public authority	<ul style="list-style-type: none"> <li>The concerned authority under whose jurisdiction the public space falls, could collect the additional charges on the advertising fee from the advertiser/ advertising company.</li> <li>This would be reflected in the budget of the ULB, along with the “Sign Advertisement Board Fees” item under “Fees and User Charges”.</li> <li>These charges could then be transferred to the UTF of the Urban Mobility Area.</li> </ul>
Cess on property tax in influence zone of Transit-Oriented Development corridor	Municipal Corporation	Along with property tax	<ul style="list-style-type: none"> <li>The cess would be collected annually by Municipal Corporation, along with property tax.</li> <li>It would then be transferred to the UTF of the UMTA in the Urban Mobility Area by the Municipal Corporation.</li> <li>E.g.: Ahmedabad, Surat</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
Additional levy on conversion of land use charges	Land and Revenue Department/ Development Authority/ concerned authority	Upon conversion of the land	<ul style="list-style-type: none"> <li>• The Government of Telangana could impose and collect an additional levy on conversion of land use charges calculated as [ ] % of existing land use conversion charges.</li> <li>• Such amounts collected may be distributed among the UTFs in the state based on a mechanism that the Government of Telangana deems fit.</li> </ul>
Tax on employers	UMTA	To be transferred annually by the employers to the UTF account	<ul style="list-style-type: none"> <li>• A levy could be imposed on 'large' employers (with staff above a minimum defined threshold) located in the Urban Mobility Area.</li> <li>• The UMTA could impose and collect a tax levied on employers employing more than [50] employees which could be equal to [ ] % of total wages paid by the employer in a financial year.</li> <li>• This tax would be transferred by the employers to the UMTA on an annual basis.</li> <li>• E.g. : France (versement tax)</li> </ul>

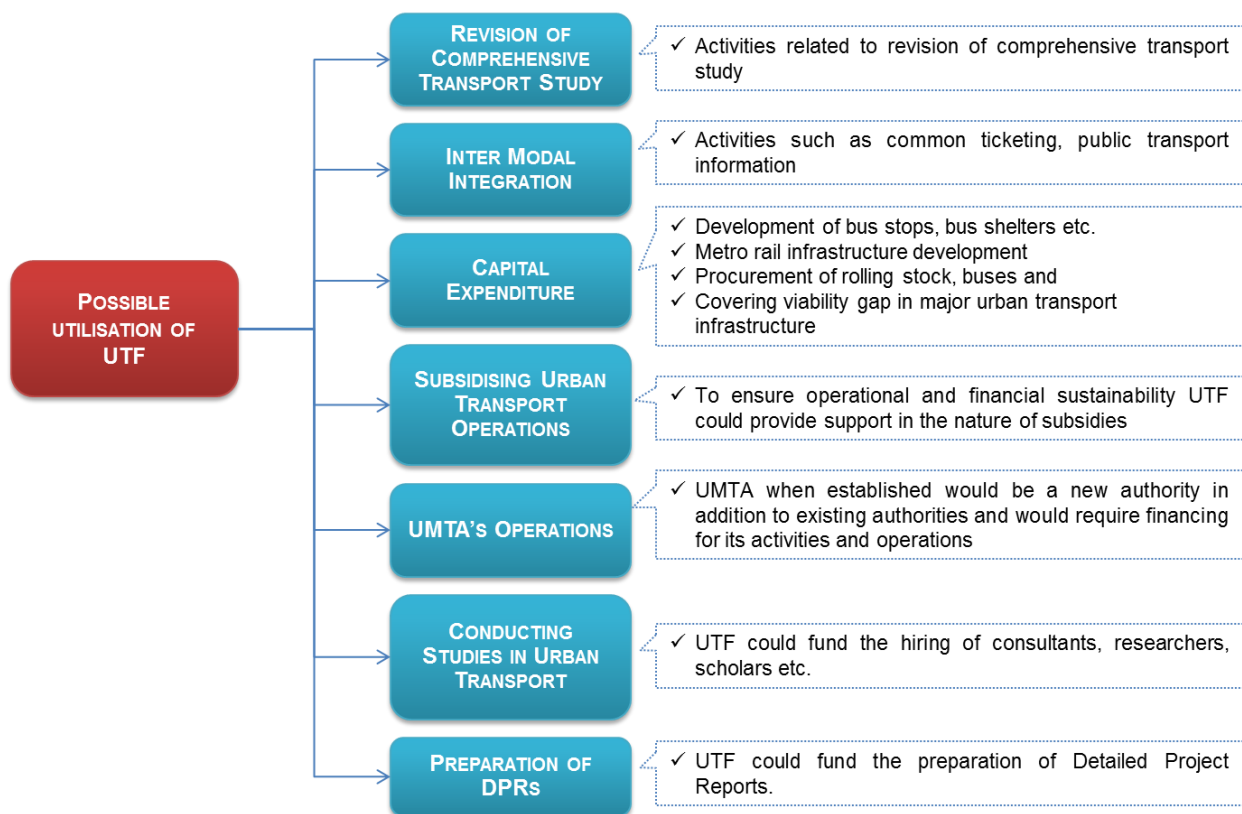
## 6. GUIDELINES FOR UTILIZATION OF THE IDENTIFIED SOURCES OF FUNDS

It is important to set clear rules for utilization of funds under the UTF and, on how disbursements are to be made, what investments are permissible, what are the accounting rules for the Fund, etc. Hence, guidance is also needed on distribution of funding among the various modes of urban transport i.e. bus, rail, waterways, BRT/MRT. A common practice across the world and in some Indian cases is to have allocation rules for the type of transportation system to be funded, for example Pimpri Chinchwad Municipal Corporation and Ahmedabad Municipal Corporation have each created a UTF specifically to meet the funding requirements of the BRT system. In this context, this section provides guidelines for finalizing the various options for utilizations of the funds from the UTF of Hyderabad UMTA. It further suggests guidelines for prioritization of the utilization of funds. Guidelines for utilization of UTF are presented in Exhibit 20.

It is implicit that funds from the UTF are to be specifically utilized for the purpose of urban transport activities. The funding needs of urban transport may be categorized broadly into the following two categories:

- Capital Expenditure requirements
- Operational Expenditure requirements.

Exhibit 20 Possible Utilization of UTF



There can be numerous funding requirements in these categories in the urban transport sector ranging from development of infrastructure to funding the research and development activities.

In this regard, UTF funding can be utilized for several purposes, from funding major capital improvements in the transport system, to funding different types of recurrent expenditure such as subsidising services, funding maintenance of facilities, and paying for staff to administer the urban transport system. Funds from UTF should be judiciously utilized for overall improvement of the urban transport in best possible way. This requires identifying the major utilizations that UTF funds

can be put to use and then prioritizing the utilizations.

The recommended options for utilizations of funds from UTF are provided in the following paragraphs. It may be the case that some of the utilizations may not be preferred by Hyderabad UMTA or that these utilizations may be considered and implemented in a phase wise manner. Hyderabad UMTA may also consider inclusion of certain other utilizations that UTF funds may be put to. The recommended options for utilizations of funds from UTF are:

### **5.1 Funding of capital investments**

UTF could be leveraged to fund the development of infrastructure in urban transport, which could include development of bus stops, bus shelters, metro rail infrastructure development, and procurement of rolling stock, buses and other capital investments. In this way, UTF would be a major funding source for all capital investments in urban transport.

However, it may not be possible for UTF to be able to fund all capital investments at all times. Projects such as development of Metro Rail infrastructure are capital intensive. Moreover such projects are usually implemented through formation of a SPV, in which case servicing the loans should ideally be the responsibility of the SPV itself; as this reflects the operational efficiency of the SPV. Alternatively, UTF can be used for providing viability gap fund for developing urban transport infrastructure. Overall, the UTF could be utilized for funding capital investments in the development of the following:

- Bus stops
- Bus shelters
- BRT corridors
- Metro rail infrastructure development
- Procurement of rolling stock, buses
- Investments in new technologies such as energy efficient vehicles
- Intelligent Transport Systems (ITS)
- Other forms of technology and
- Any other capital investments

### **5.2 Subsidizing urban transport operations**

A major use of funds from UTF could be to subsidise the operation of urban transport services. This is required since urban transport operators seldom generate profits. Considering the economic status and social benefits for the citizens, the transport services cannot be operated at high fares. Moreover, subsidised services are provided for various classes of travellers such as elderly people, students, disabled etc. In such a case to ensure operational and financial sustainability, UTF could provide support in the nature of subsidies. However, dedicated funding from UTF for covering the subsidies could dissuade the operators from achieving operational and financial efficiencies. Therefore, it is recommended that UTF be used for covering only targeted subsidies.

UTF funds could be used for covering targeted subsidies provided to urban transport users to some extent. This shall be to cover some of the costs of such urban transport operations. These could include funding for targeted subsidies including subsidies for:

- Elderly people,
- Students,
- Women,
- Disabled, or
- Any other form of targeted subsidies etc.

The UTF could fund the targeted subsidies to the extent as decided by the UMTA Governing Board on a regular basis, based on the proof of costs incurred by the service operator and the financial plan of Hyderabad UMTA.

### **5.3 Subsidizing inter-modal integration**

There could be explicit subsidy from UTF for promoting development of inter-modal integration. Inter-modal integration requires that implementing agencies / service operators coordinate with each other and collaborate to provide integrated services. However the implementing agencies/ service operators provide services independent of other modes of transport services and are not interested in funding inter-modal integration development due to various reasons including the perceived non-profitable operation on such integrating routes. Thus inter-modal integration is difficult to be achieved in the absence of a coordinating body and a separate funding mechanism. UTF can be suitably used for providing funding for such inter-modal integration services.

The advantage of UTF funding inter-modal integration development is that other agencies are not in conflict for the funding requirements and the development of inter-modal integration can be unbiased thereby resulting in the overall betterment of the transportation services. The UTF could fund the inter-modal integration to the extent as decided by the Hyderabad UMTA Governing Board on a regular basis, based on the costs incurred in such inter-modal integration projects and the financial plan of UMTA.

### **5.4 Funding UMTA's operations**

UTF could be primarily used for funding UMTA's establishment expenses and its operations. Hyderabad UMTA when established would be a new authority in addition to existing authorities and would require financing for funding its activities and payment of salaries to its staff. As UTF is proposed to be part of UMTA, it is understandable that UTF should be used for funding UMTA's operations. This would include:

- Funding for procuring works, services and goods for its own operations by UMTA
- Meeting all operating expenses of UMTA including salaries, utilities expenses, maintenance expenses etc.
- Any other expenses incurred by UMTA for its own operations

All such operating expenses should be paid out from the UTF on the first priority.

### **5.5 Revision of Comprehensive Transportation Study**

UTF funds should be utilized for financing all expenses of Hyderabad UMTA related to revision of CTS.

## 5.6 Conducting urban transport studies

UTF could be used to fund the research and development activities in the urban transport sector. Usually such studies are carried out by consultants, researchers, scholars etc. and this requires funding support. The UTF could fund the research and development activities to the extent as decided by the Hyderabad UMTA Governing Board on regular basis, based on the costs incurred in such research and development activities and the financial plan of UMTA.

## 5.7 Funding for project preparatory activities

UTF could be utilized for funding project preparatory activities for implementing any urban transport project. These shall include activities such as:

- Preparation of DPRs
- Conducting pre-feasibility studies
- Conducting feasibility studies
- Conducting VFM analysis for PPP projects
- Any other project preparatory activity

## 7. GUIDELINES FOR PRIORITIZATION

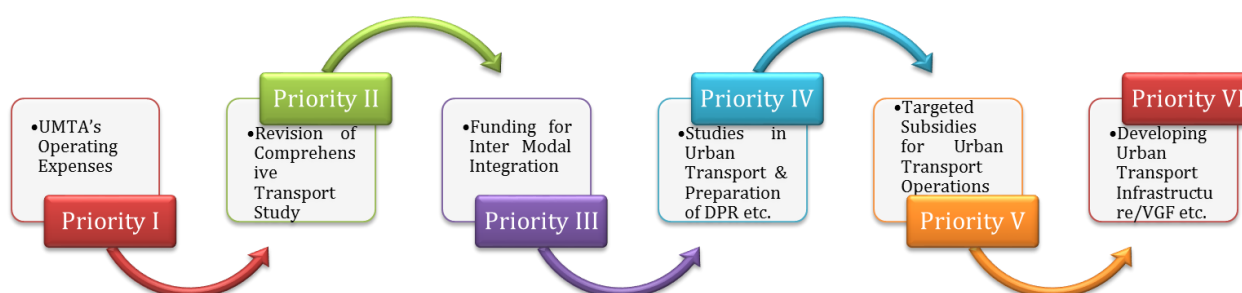
Capital expenditure would generally apply to fixed assets such as railways, bus, cycle paths, tramlines, stations, roads and bridges. It also applies to investments in new technologies, such as energy efficient vehicles, as well as ITS and other forms of technology. These investments are generally large scale, and require the strong support of governments, international agencies and the private sector.

The recurrent expenditures require a continuous stream of financial resources to cover the operation of urban transport. These include funding for maintenance of para-transit and other transport services, the maintenance of infrastructure, administrative costs for institutions, support for policies and programmes – such as legislation, regulation and traffic rules, air quality management programmes, safety campaigns, and traffic management – including signaling, bus lanes, priority at crossings etc.

Such expenditures should generally be met by users of the transport system (e.g. via road tolls, public transport fares etc.).

An order of priority of utilizations needs to be followed in utilizations of funds from UTF. The recommended order of priority with rationale has been provided below and in Exhibit 21, however an urban area may choose to alter the prioritization based on the local conditions.

Exhibit 21 Priority of fund utilization



**Priority I – Funding UMTA’s Operating Expenses:** It is suggested that the first and foremost priority should be to fund UMTA’s operating expenses. The reasoning is that it is not desired that Hyderabad UMTA becomes non-functional in the first place and the objective of setting up of UMTA is not fulfilled.

**Priority II – Revision of CTS:** The second in the order of priority should be revision and update of CTS, which is an activity involving substantial effort in terms of time and cost. This is considered to be the most important activity which would provide path for overall development of urban transport. Efficient planning is the first and most important step to ensure that there is coordination among different agencies and planning overlaps and gaps are minimized. All other activities such as inter-modal integration, capital investments, studies, research etc. are guided by CTS. Therefore, funding for revision of CTS should be next in priority to funding for UMTA’s operating activities.

**Priority III – Funding expenses towards inter-modal integration:** The third in the order of priority should be funding for inter-modal integration. The different service operators who provide services independently of other modes of transport are usually not interested in funding inter modal integration developments. Since inter-modal integration is very important for smooth public transport, this can be funded by UTF.

From the suggested options for utilizations of funds from UTF in this operations document, prioritization order for three options has been suggested till now. The three remaining utilizations are:

1. Funding for research, studies and project preparatory activities
2. Fund targeted subsidies
3. Funding for capital investments

#### **Priority IV – Funding research & development activities:**

It is suggested that funding for capital investments should be the last in order of priority for utilization of funds. Further, out of the remaining two options, it is suggested that funding for research, studies and project preparatory activities should be given a higher priority for the following reasons:

- Such activities provide a solid foundation for development of the sector and in the development stages of specific projects.
- Usually a lack of inclination is observed in service operators and any other agencies to conduct research and development activities.

**Priority V – Funding targeted subsidies:** Going by the arguments provided above and also for the following reasons, funding targeted subsidies is the next in the order of priority:

- UTF is envisaged to fund for covering the operating costs of the operators only to a certain extent.
- Funding for covering operating costs might dissuade the service operators in achieving efficiency in their operations.

**Priority VI – Development of urban transport infrastructure:** The last in the order of priority is envisaged to be funding for developing urban transport infrastructure / covering viability gap for developing urban transport infrastructure. The reason for this flows from the understanding

that since the needs of urban transport are very high and this is the reason dedicated funding mechanism in form of UTF is envisaged, the UTF should provide funding for capital investments and operations and maintenance of urban transport services. However, the funding need of capital projects is expected to be very high and UTF alone might not be able to support these. Hence, if capital funding needs are prioritized, then it is feared that UTF might exhaust all its funds and other funding needs might not be met.

This order of priority of utilization of funds provides a guideline for efficient utilization to ensure Hyderabad UMTA is able to achieve the objectives with which it is established. Hyderabad UMTA can use this as a reference point and based on its specific requirements and characteristics, prioritize the options utilization to best suit its needs.

## ANNEXURE II: SPECIFICATIONS OF FUND MANAGEMENT EXPERTS

### Accounts and Finance Expert

<b>Position</b>	Accounts and Finance Expert
<b>Position Description</b>	
<b>Purpose of the Position</b>	
<ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to accounting and financing activities</li> <li>b) Carrying out all activities as allocated by the T&amp;TO in fulfillment of responsibilities and functions related to fund management of UTF</li> <li>c) Assistance in appointment of support staff</li> <li>d) Assist in implementing decisions of the Governing Board and the T&amp;TO</li> <li>e) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<b>Key Responsibilities</b>	
<ul style="list-style-type: none"> <li>a) Maintenance of all records and accounts with regard to the UMTA including all funds collected, all funds disbursed, all expenses of the authority in accordance with prevailing accounting and financial practices</li> <li>b) Opening and maintenance of bank accounts as required and authorized by the UMTA Governing Board, in which shall be recorded all revenue received by the UTF and all disbursements from the UTF</li> <li>c) Assistance in ensuring full and timely collection, transfer and deployment of funds dedicated for Hyderabad UMTA</li> <li>d) Effectively represent the Governing Board's interests to external stakeholders and key partners;</li> <li>e) Assistance in appointment of support staff</li> <li>f) Assist in implementing decisions of the Governing Board and the T&amp;TO</li> <li>g) Carrying out all activities as allocated by the T&amp;TO in fulfillment of responsibilities and functions related to fund management of UTF</li> <li>h) Ensure compliance with applicable laws and financial practice</li> </ul>	
<b>Reporting</b>	
The Accounts and Finance Expert will report regularly to the T&TO through verbal and as necessary, written reports.	
<b>Salary and Benefits</b>	
The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).	

**Key Competencies**

- a) Excellent financial and accounting skills
- b) A commitment to meeting and exceeding standards of excellence
- c) Risk management orientation to identify and take advantage of opportunities while identifying and minimizing risks that will impede the authority from achieving its goals
- d) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines
- e) Good knowledge of Indian Accounting Standards, GAAP, IFRS etc.
- f) Advanced computer skills, particularly knowledge of MS Word and MS Excel software
- g) Strong managerial and operational excellence to plan and execute tasks and manage team members
- h) Effective ability to analyze and evaluate information and situations and render effective decisions. This includes anticipating, identifying and defining problems, seeking root causes and developing and implementing practical and timely solutions
- i) Commitment to meeting and exceeding standards of excellence
- j) Excellent communication skills

**Qualifications and Experience**

- a) First class post graduate degree in Finance / Accountancy / relevant field
- b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Accounting Function of any public / private sector entity
- c) Membership of a relevant professional body.
- d) Experience of applicable Indian laws, standards, policies and practices.

**Skills and Personal Attributes**

- a) Excellent knowledge of Indian Accounting Standards, GAAP, IFRS etc.
- b) Excellent knowledge of use of software/IT in accounting and finance functions
- c) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills.
- d) Should possess stress management and time management skills
- e) Maintains a good understanding of the work environment and trends and the political and regulatory climate
- f) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results.
- g) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made.
- h) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.

## Budgeting Expert

<b>Position</b>	Budgeting Expert
<b>Position Description</b>	
<b>Purpose of the Position</b>	
<ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to budgeting, fund management and Multi-Year Programming activities</li> <li>b) Carrying out all activities as allocated by the T&amp;TO in fulfillment of responsibilities and functions related to fund management of UTF</li> <li>c) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<b>Key Responsibilities</b>	
<ul style="list-style-type: none"> <li>a) Assistance in preparation of the annual forecasted and actual budgets for the UMTA required for carrying out the functions of UMTA;</li> <li>b) Assistance in undertaking efficient fund management of funds available with Hyderabad UMTA, ensuring that the funds do not erode in value and are available for use at required times;</li> <li>c) Prepare annual reports, including reports on audited annual accounts, financial statements and on the activities and achievements of UMTA, for approval of the Governing Board and submission to the respective government authorities and publishing and making available to the public;</li> <li>d) Prepare periodic reports (monthly / quarterly / semi-annually) on financial statements of UMTA and on periodic progress, activities and achievements of UMTA;</li> <li>e) Assistance in preparing urban transport Multi-Year Programme and provide inputs regarding the financing arrangements including the estimated requirement and availability of funds, options for arrangement of funds for fulfilling the funding gaps, plans for achieving financial independence, sustainability and efficiency etc.;</li> <li>f) Preparation of options for consideration by the Governing Board for financing urban transport programmes and preparation of associated requisite documentation;</li> <li>g) Assistance in appointment of support staff;</li> <li>h) Assist in implementing decisions of the Governing Board and the T&amp;TO;</li> <li>i) Demonstrate excellence in staff management including the appropriate recruitment, retention, performance management and development of employees.</li> <li>j) Define, clarify and communicate the Governing Board's strategic direction and a culture of collaborative working, with particular focus on compliance with UMTA's policies and procedures and the Approved Annual budgets and other reports.</li> <li>k) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<b>Reporting</b>	
The Budgeting Expert will report regularly to the T&TO through verbal and as necessary, written reports.	

### Salary and Benefits

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### Key Competencies

- a) Excellent Financial, Budgeting, Reporting and Fund Management Skills;
- b) Risk Management Orientation to identify and take advantage of opportunities while identifying and minimizing risks that will impede the authority from achieving its goals.
- c) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines.
- d) Good knowledge of Indian Accounting Standards, GAAP, IFRS etc.
- e) Advanced Computer skills, particularly knowledge of MS Word and MS Excel software
- f) Strong managerial and operational excellence to plan and execute tasks and manage team members.
- g) Effective ability to analyze and evaluate information and situations and render effective decisions. This includes anticipating, identifying and defining problems, seeking root causes and developing and implementing practical and timely solutions.
- h) Commitment to meeting and exceeding standards of excellence.
- i) Excellent communication skills

### Qualifications and Experience

- a) First class post graduate degree in Finance / Accountancy / Commerce / Economics / other relevant field
- b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Budgeting/Treasury/Fund Management Function of any public / private sector entity
- c) Membership of a relevant professional body.
- d) Experience of applicable Indian laws, standards, policies and practices.

### Skills and Personal Attributes

- a) Excellent knowledge of fund management practices, reporting practices, budgeting practices;
- b) Excellent skills in forecasting and estimation
- c) Excellent skills in budget monitoring and risk management;
- d) Excellent Knowledge of use of software/IT in finance/treasury/reporting functions
- e) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills.
- f) Should possess stress management and time management skills
- g) Maintains a good understanding of the work environment and trends and the political and regulatory climate

- h) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results.
- i) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made.
- j) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.

## Financial Monitoring Expert

<b>Position</b>	Financial Monitoring Expert
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to financial monitoring of fund utilizations by the implementing agencies;</li> <li>b) Carrying out all activities as allocated by the T&amp;TO in fulfillment of responsibilities and functions related to fund management of UTF;</li> <li>c) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Evaluate proposed projects or other urban transport activities in line with the objectives of the authority and approved Multi-Year Programme for the urban transport with regards to the financial arrangements including the estimated costs, availability of finances, direct/ indirect revenue generation potential, socio-economic benefits, overall value for money etc.</li> <li>b) Monitor the performance of implementing agencies in execution and supervision of activities as per approved Multi-Year Programmes</li> <li>c) Discuss monthly progress reports from implementing agencies and assist them with resolving any bottlenecks or constraints</li> <li>d) Undertake financial monitoring of urban transport activities implemented by implementing agencies, including monitoring cash flows, capital expenditures, debt repayments, equity structure, revenue inflows etc.</li> <li>e) Assistance in appointment of support staff,</li> <li>f) Assist in implementing decisions of the Governing Board and the T&amp;TO,</li> <li>g) Carrying out all activities as allocated by the T&amp;TO in fulfillment of responsibilities and functions related to fund management of UTF,</li> <li>h) Ensure compliance with applicable laws and financial practice'</li> <li>i) Process reviews of urban transport Multi-Year Programmes as necessary</li> <li>j) Monitor the performance of implementing agencies in execution, supervision and certification of activities in approved Multi-Year Programmes</li> <li>k) Collecting and reviewing progress reports submitted by implementing agencies;</li> <li>l) Reporting irregularities (if any);</li> <li>m) Cross-checking verified expenditures together with the implementing agencies.</li> </ul>	
<p><b>Reporting</b></p> <p>The Financial Monitoring Expert will report regularly to the T&amp;TO through verbal and as necessary, written reports.</p>	

### Salary and Benefits

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### Key Competencies

- a) Excellent Financial monitoring and supervision skills;
- b) Excellent knowledge of financial risks;
- c) Excellent knowledge of project financial management;
- d) Excellent understanding of financial indicators and their effects including those on cash flows, debt repayments, equity structure, capital expenditures, revenue inflows etc.;
- e) Ability to anticipate accounting, financial and operational issues assess their implications, determine their impact and develop an appropriate action plan;
- f) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines;
- g) Advanced Computer skills, particularly knowledge of MS Word and MS Excel software;
- h) Excellent communication skills.

### Qualifications and Experience

- a) First class post graduate degree in Finance / Accountancy / Commerce / Economics / other Relevant Field
- b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Audit/Monitoring function of any public / private sector entity
- c) Membership of a relevant professional body
- d) Experience of applicable Indian laws, standards, policies and practices

### Skills and Personal Attributes

- a) Excellent communication skills including fluency in English;
- b) Ability to organize, plan and implement work assignments and work under deadlines;
- c) Ability to establish and maintain effective working and team relations;
- d) Excellent Knowledge of use of software/IT in finance functions;
- e) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills;
- f) Should possess stress management and time management skills;
- g) Maintains a good understanding of the work environment and trends and the political and regulatory climate;
- h) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results;
- i) Gathers all relevant information, utilizes an analytical and logical approach to problem

solving, and accurately assesses impact of decisions made;

- j) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.

## ANNEXURE III: LETTER FOR AVAILING FINANCIAL ASSISTANCE

---

Covering Letter

*(On the letterhead of the beneficiary)*

Date:

The XXXXX  
Hyderabad Unified Metropolitan Transport Authority  
{Insert Address}

Dear Sir/Madam,

Sub: Availing Financial Assistance under Urban Transport Fund for {insert project name}  
for {town/city/district/any other implementing agency}

With regard to Project #ABC envisaged in the Multi-Year Programme, *[insert beneficiary's name]* proposes to undertake *[insert Project Name]* for *[insert purpose of the Project]* at *[insert town/ city/ district / any other local planning area]*. For this purpose, we intend to avail financial assistance in the form of \_\_\_\_\_ (Grant/ Soft Loan) to the amount of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ Only) from the Urban Transport Fund (UTF). Other details of the Project are provided in the Proposal for Financial Assistance under UTF.

Looking forward to your assistance.

Thanking You.

Yours sincerely / faithfully,

Signature

Name

Designation

Department

## ANNEXURE IV: APPROVAL LETTER FOR FINANCIAL ASSISTANCE

Approval Letter

(On the letterhead of Hyderabad UMTA)

Date:

Project # ABC

The Secretary,

{Insert beneficiary's name}

{Insert beneficiary's address}

Dear Sir/Madam,

Sub: Financial Assistance under UTF for {Insert Project Name} for {insert town/ city/ local planning area}

With regard to the captioned project, please find the details of the Financial Assistance extended. Total amount of funds sanctioned under UTF for this project is Rs. \_\_\_\_\_/- lakhs (Rupees \_\_\_\_ only).

The details of release of sanctioned funds shall be as follows:

### RELEASE OF FINANCIAL ASSISTANCE SCHEDULE

S. No.	Schedule of release of grant	% of funds to be allocated	Funds to be allocated (in Rs. Lakhs)
1.	Stage 1		
2.	Stage 2		
3.	Stage 3		
	Total	100%	

*Highlight the milestone(s) for which the amount is being disbursed*

### Terms and Conditions

A total amount of Rs. \_\_\_\_\_ /- (Rupees \_\_\_\_\_ only) has been sanctioned from the Hyderabad Urban Transport Fund for the Project subject to the following conditions:

a. The amount of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) shall be released as per the Release for Financial Assistance Schedule.

b. The Release of funds for Financial Assistance for subsequent stages shall be subject to satisfactory submission of deliverables and appropriate Fund Utilization Certificates.

The sanctioned amount shall be released from the [insert account details], administered by Hyderabad UMTA in favor of [insert beneficiary's name].

Thanking You

Yours Sincerely,

Signature

Name

Designation

Hyderabad UMTA

## ANNEXURE V: MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the “MoU”) is made on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ at

{Insert city name}.

### BETWEEN

**Hyderabad Unified Metropolitan Transport Authority (UMTA)** having its office at \_\_\_\_\_, represented through an officer authorized by the Commissioner of Unified Metropolitan Transport Authority and Ex-officio Principal Secretary to Government (hereinafter referred to as “**UMTA**” which expression shall, unless it be repugnant to the context or meaning thereof, include its successors and assigns) of the First Part,

### AND

{insert beneficiary’s name} having its office at {insert beneficiary’s address}, represented through the {insert the designation of the Authorized Signatory} (hereinafter referred to as “{insert abbreviation of the beneficiary}” which expression shall, unless it be repugnant to the context or meaning thereof, include its successors and assigns) of the Second Part.

UMTA and {insert abbreviation of the beneficiary} are collectively referred to as “Parties” and individually as “Party”.

### WHEREAS

1. The Ministry of Urban Development (MoUD), Government of India (GoI) has recommended setting up of dedicated Urban Transport Funds (UTF) at city levels to finance various initiatives for addressing the issues in urban transport system. Government of Telangana has accorded approval for creation of UTF at the city level vide [ ] dated [ ] for the city of Hyderabad.

2. [ ] is appointed as the nodal agency to administer the above said funds. [insert abbreviation of the beneficiary] submitted a proposal vide Letter No. {insert letter number} and requested [ ] for sanction of funds for [insert name of the project] (the “Project”).

3. For the purpose of implementing the Project, {insert abbreviation of the beneficiary} had submitted a Project Proposal dated \_\_\_\_\_ to Hyderabad UMTA for obtaining financial assistance under the UTF scheme to the tune of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ Only) which shall be utilized by {insert abbreviation of the beneficiary} for meeting the Project Cost.

4. Therefore, to further the objectives of the Project, Hyderabad UMTA has agreed to provide up to a sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) (“Amount”), after duly assessing viability of the Project. The Amount shall be used by {insert abbreviation of the beneficiary} solely for implementing the Project.

5. UMTA has agreed to release the Amount as per the Release for Financial Assistance schedule provided in Schedule III, to **{insert abbreviation of the beneficiary}** for the implementation of the Project, pursuant to the terms and conditions as set out in this MoU and Schedules thereof.

6. It is now deemed necessary and expedient by the Parties hereto enter into this MoU and record the terms of services to be provided by **[insert abbreviation of the beneficiary]** with respect to the Project.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

## 1. PURPOSE AND SCOPE

1.1 Hyderabad UMTA hereby agrees to release the Amount up to a sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) on the terms and conditions contained in this MoU and the **[insert abbreviation of the beneficiary]** agrees to implement the Project as per the Project Proposal.

1.2 **[insert abbreviation of the beneficiary]** further agrees to perform the Project as per the Project Proposal and shall comply with the said guidelines and amendments thereto, if any.

1.3 The Amount released to **[insert abbreviation of the beneficiary]** shall be used by **[insert abbreviation of the beneficiary]** solely for the implementation of the Project and **[insert abbreviation of the beneficiary]** undertakes that the Amount shall not be used for payment of any outstanding loan or debts, due to any other person or for any other purposes.

1.4 The disbursements of the Amount shall be made by Hyderabad UMTA as per the Release for Financial Assistance Schedule provided in Schedule III of this MoU.

1.5 The disbursements shall be subject to fulfillment of pre-disbursement conditions by UMTA as set out in Schedule III and subject to the **[insert abbreviation of the beneficiary]** complying with the provisions of this MoU, as may be applicable, and the disbursement procedure stipulated by the **[insert abbreviation of the beneficiary]** and the expenditure incurred being in consonance with the details mentioned herein / approved by UMTA.

1.6 The disbursements shall be credited by Hyderabad UMTA into the designated account of the **[insert abbreviation of the beneficiary]** for amounts disbursed under this MoU. All the related collection/ remittance / other charges in relation to obtaining the Amount will be borne by the **[insert abbreviation of the beneficiary]**.

1.7 The **[insert abbreviation of the beneficiary]** shall be severally liable to comply and fulfil all its obligations under this MoU.

1.8 The **[insert abbreviation of the beneficiary]** shall submit all necessary and relevant documents demonstrating that the Amount has been utilized as per the Project Proposal to the complete satisfaction of UMTA and shall submit Fund Utilization Certificate(s) in time & as per the format provided hereto.

1.9 Any interest accrued on the Amount disbursed by UMTA into the bank account of the **[insert abbreviation of the beneficiary]** where the Amount was credited under this MoU shall be accounted for and used solely for the purposes of the Project.

## 2. **[Insert abbreviation of the Beneficiary] REPRESENTATION AND WARRANTIES**

2.1 **[insert abbreviation of the beneficiary]** hereby makes the following representations, warranties and confirmations; and state that the same are true, correct, valid and subsisting in every respect as on the date of this MoU and shall remain true, correct, valid and subsisting in every respect as on the date of each disbursement by Hyderabad UMTA hereunder

(a) That the information given in the Project Proposal and any prior or subsequent information or explanation furnished by the **[insert abbreviation of the beneficiary]** to Hyderabad UMTA is true, *bona fide* and accurate in all material respects.

(b) That the **[insert abbreviation of the beneficiary]** is duly incorporated and validly existing under the Laws of India and is in compliance of all applicable laws and possesses all statutory approvals and compliances for the execution of this MoU and for implementation of the Project.

(c) That the **[insert abbreviation of the beneficiary]** does not violate any covenants, conditions and stipulations of any of its existing agreement and shall at all times abide by all the terms and conditions of this MoU.

## 3. COVENANTS

3.1 During the subsistence of this Project and/or the MoU, the **[insert abbreviation of the beneficiary]** hereby agrees to:

### (a) Promptly notify UMTA:

(i) of any event or circumstance which would, or is likely to, result in any of the representations and warranties made by the **[insert abbreviation of the beneficiary]** hereunder becoming untrue, incorrect or misleading in any manner;

(ii) of any material loss or damage which the **[insert abbreviation of the beneficiary]** may suffer due to any event, circumstances or act of God.

### (b) Deliver to UMTA:

(i) Project Evaluation Report agreed upon by both parties shall be submitted by the **[insert abbreviation of the beneficiary]** to UMTA demonstrating the status of the Project;

(ii) Fund Utilization Certificate for every milestone demonstrating the utilization of Amount by the **[insert abbreviation of the beneficiary]** as per the format provided hereto.

(iii) any other document as may be reasonably required by Hyderabad UMTA to demonstrate the utilization of the Amount by the **[insert abbreviation of the beneficiary]** to implement the Project as per the terms of this MoU.

3.2 UMTA shall nominate an Officer for day-to-day co-ordination with **[insert abbreviation of the beneficiary]**

3.2 **[insert abbreviation of the beneficiary]** shall submit to UMTA 2 (two) hard copies and (one) soft copy of the deliverables.

#### 4. FUNDING ARRANGEMENT

4.1 The first installment of amount under this MoU shall be made during the \_\_\_\_\_ month of financial year 20\_\_\_\_ and will be contingent upon execution of this MoU.

4.2 Subsequent installment releases shall be regulated on the basis of the milestones achieved, Fund Utilization Certificates and written reports, if any to be submitted by the **[insert abbreviation of the beneficiary]** indicating the progress of the agreed milestones as per the Project Proposal including the following:

- (a) Documentary evidence indicating achievement of targets / milestones for the agreed performance indicators,
- (b) Fund Utilization Certificate(s) as per agreed procedures under this MoU

#### 5. COMPLIANCE WITH LAWS

5.1 **[insert abbreviation of the beneficiary]** shall take due care that all its documents / reports comply with all relevant laws and statutory regulations and ordinances, guidelines in force which includes all laws in force and effect as of the date hereof and which may be promulgated or brought into force and effect hereinafter in India including judgments, decrees, injunctions, writs of or orders of any court of record, as may be in force and effect during the subsistence of this MoU applicable to **[insert abbreviation of the beneficiary]**.

#### 6. TERM AND TERMINATION

6.1 This MoU shall be effective from the date of signing and shall continue till a period of **[insert number of months / year]** from the date of first disbursement of the Amount as per the Release for Financial Assistance schedule.

6.2 Hyderabad UMTA may terminate or suspend this MoU, upon XX day's written notice to the **[insert abbreviation of the beneficiary]**, in whole or in part for any material breach of the conditions stipulated herein, committed by the **[insert abbreviation of the beneficiary]**.

#### 7. GOVERNING LAW AND SETTLEMENT OF DISPUTES

7.1 The MoU shall be governed by the laws of India. The Courts at Bangalore shall have jurisdiction over all matters arising out of or relating to this MoU.

#### 9. TRANSFER OF PROJECT

9.1 The **[insert abbreviation of the beneficiary]** shall not be entitled to assign any of its rights, benefits or obligations under this MoU without written consent of Hyderabad UMTA.

9.2 Save as aforesaid, this MoU shall be binding upon and shall ensure for the benefit of Hyderabad UMTA and its successors in title and assigns and the **[insert abbreviation of the beneficiary]** and its successors in title.

## ANNEXURE VI: TRANSPORT FUNDING- INTERNATIONAL EXAMPLES

A transport fund and dedicated sources of revenues for the fund are named in the legislation for Lagos Metropolitan Area Transport Authority (LAMATA). Similarly, a land transport revenue account is specified in the legislation for the Singapore Land Transport Authority (LTA) and all revenue received by the Authority is paid into this account. LTA also collects certain other charges such as Electronic Road Pricing (ERP) charges which are paid directly into consolidate fund of the government.

In New Zealand, there is a central government fund (Land Transport Fund) with dedicated revenues, which is used for central government contributions to all land transport activities. Auckland Transport (AT) which designs, builds, and maintains Auckland's transport infrastructure gets its funding from various sources including the above mentioned Land Transport Fund.

A trust fund is used in Bogotá to manage bus revenues. This is required because of the contractual arrangement between TransMilenio and bus operators for common ticketing. Revenue from ticket sales is paid into this trust fund and operators are paid from the fund on the basis of distance logged by the bus fleet.

In Boston, the public transport services are operated by Massachusetts Bay Transportation Authority (MBTA) which operates most bus, subway, commuter rail, and ferry routes in the greater Boston, Massachusetts area. It maintains its own funds and gets government grants and also raises funds from the market.

The sources of revenue for urban transport agencies in other countries are very closely linked to the functions carried out by these agencies. For agencies like Transport for London (TfL), the primary responsibility includes operating public transport services and therefore much of their revenue accrues from fare box collections. Some authorities are responsible for registration and licensing and directly receive revenue from these sources. In such cases, the need to specifically dedicate revenues is much less. However, all agencies still depend on government budgetary allocations or transfers from their parent authority.

The various sources of funds generally used for funding urban transport are mentioned below:

### 1.1.1 Sources of Funds

#### Government Grants/ Budgetary support:

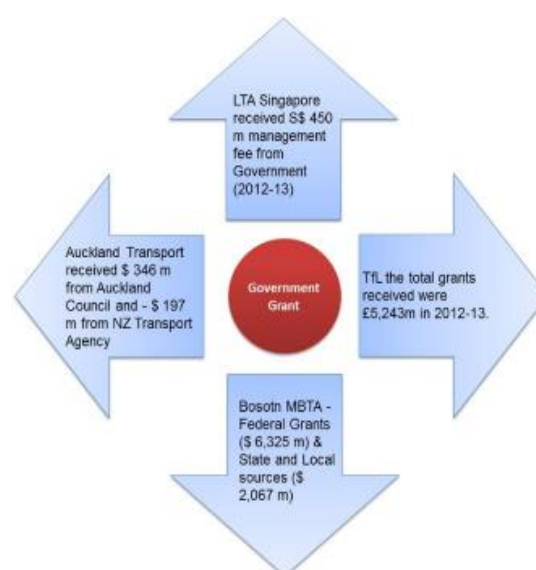
Government funding plays a crucial role in funding urban transport activities across the world. In Singapore, LTA receives management fee from government every year in lieu of discharge of its services. The annual amount is not fixed and has increased over the years.

Exhibit 22 depicts the budgetary support in international cities for an urban transport fund.

In TfL the main source of grant income is the Transport Grant from the Department for Transport which comprises of two major elements:

- An investment grant, which supports delivery of the investment programme; and

Exhibit 22 Budgetary support in international cities



- A general grant, to support TfL’s operating activities.

The total grants received were £5,243 m (approx. INR 52,000 crores) in 2012-13.

Similarly, in Auckland there is a Land Transport fund for which one of the funding sources is government grant, funding from NZTA comes through this fund. Additionally, there is Auckland Transport which receives funding from Auckland Council - \$ 346 m (approx. INR 1,700 crores) and from NZ Transport Agency - \$ 197 m (approx. INR 1,004 crores). In Bogota, a trust fund is used to manage bus revenues which gets its revenues from transfers from city governments. Sources of government funding used by various cities are analysed in Exhibit 23.

Exhibit 23 Pros and cons of government funding

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>• Govt. grants can be dedicated sources of funding</li> <li>• Operating revenues are insufficient to fund even the operating expenses let alone the capital expenses. Therefore government grants provide a way to cover operating expenses.</li> </ul>	<ul style="list-style-type: none"> <li>• Government resources are limited and not sustainable</li> <li>• Lack of incentive to agencies to achieve operational efficiency.</li> </ul>	<p>In Indian scenario, the government provides grants and other funding support for public transport related purposes. Since, operating revenues are generally not sufficient, government grant as a source of revenue should continue to fund urban transport needs.</p> <p>It is observed that in some cases such as in the case of TfL and AT more than half of the total revenues come from government funding. However, in Indian scenario, focus should be more on improving the operational efficiency of the public transport operations so as to reduce operational costs and reliance on government grants.</p>

**Revenue from Vehicle related charges / taxes:**

Another widely used source of funding is to collections from charges / taxes / other revenues from vehicles. The Singapore LTA provides registration and licensing systems for road transport and collects income generated from Vehicle Transit Licensing Fee. Also, in Singapore, additional registration fees are collected on purchase of new vehicles. There is a vehicle quota premium payable when registering the vehicles. In various places road taxes are charged which are used for funding the transport activities including public transport activities. Revenues from road user charges and revenues from motor vehicle registration fees are collected for the Land Transport fund in Auckland.

In Lagos, the main sources of revenue for Transport Fund are Transport road user charges and Motor Vehicle Administration revenue. Sources of revenue from vehicle related charges / taxes used by various cities are analysed in Exhibit 24 below.

Exhibit 24 Revenue from vehicle related charges

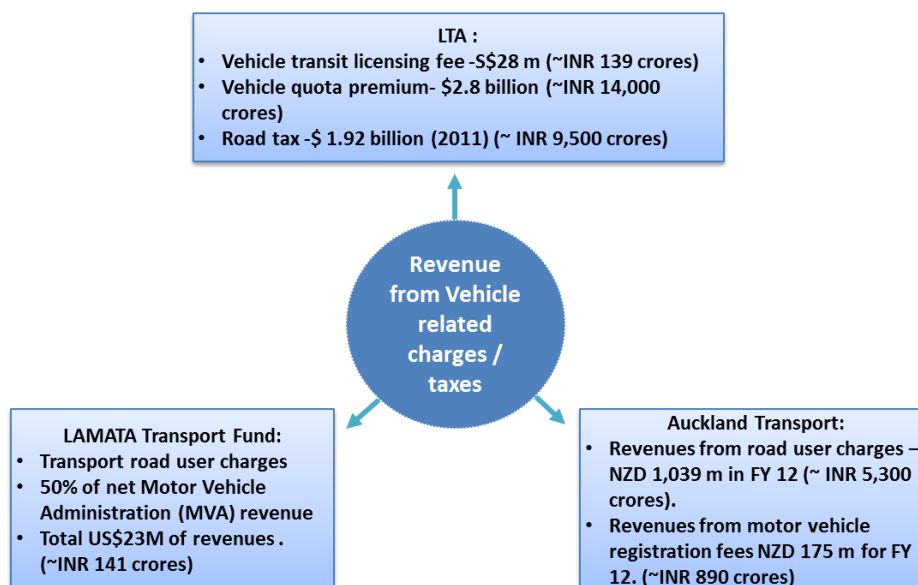


Exhibit 25 Pros and cons of vehicle related taxes in Indian context

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>Sustainable source of revenue</li> <li>Dissuades public to purchase vehicles and therefore, dual advantages of reducing congestion and raising some funds.</li> </ul>	<ul style="list-style-type: none"> <li>Should be supported by good public transport.</li> <li>Collection of entire amount by an agency not involved in administering the collection process is not justified.</li> <li>Certain charges such as increased charges on purchase of vehicles would receive opposition from general public.</li> </ul>	<p>In Indian context functions related to the activity of licensing are carried out by specific state department. Therefore, revenue from licensing activity should be provided to such state department.</p> <p>Charges on the vehicles in various forms such as registration charges on private vehicles and road tax etc. are imposed in India also. These are applicable in different proportions on different classes of vehicles.</p> <p>Funds generated from such charges can be used for funding public transport activities in India.</p>

**Revenue from Fare box collections:** It is observed that revenue from fare box collections goes into the accounts of the operators who use them to fund their operating costs. This is logical as it incentivizes the operators to achieve operational efficiencies and reduce their costs. In Singapore, there are two main public transport operators viz. SMRT Corporation Ltd and SBS Transit Corporation. For SMRT - of the total revenue of \$1.1 billion in FY2012-13, the fare revenue was \$ 842.5 m (~INR 4,200 crores). Since TfL is responsible for running the public transport operations, it is entitled to collect fares. TfL generated a total of around £4,496m (~ INR 45,000 crores) revenues in year 2012-13 from operating activities, out of which revenue from fares accounted for around 85 per cent (~ INR38, 000 crores). Auckland Transport (AT) does not collect fare revenues. Instead these are collected by operators who are contracted by AT. In Boston the Massachusetts Bay Transportation Authority (MBTA) which operates most of the bus, subway, commuter rail, and ferry routes in the greater Boston, Massachusetts area gets fare revenues

{\$465 m (~INR 2,800 crores) – FY 12<sup>4</sup>}. Fare revenues are not available to LAMATA in Lagos. Revenue from public transport fares are analysed in the exhibit 27.

Exhibit 26 Revenue from fare box collection

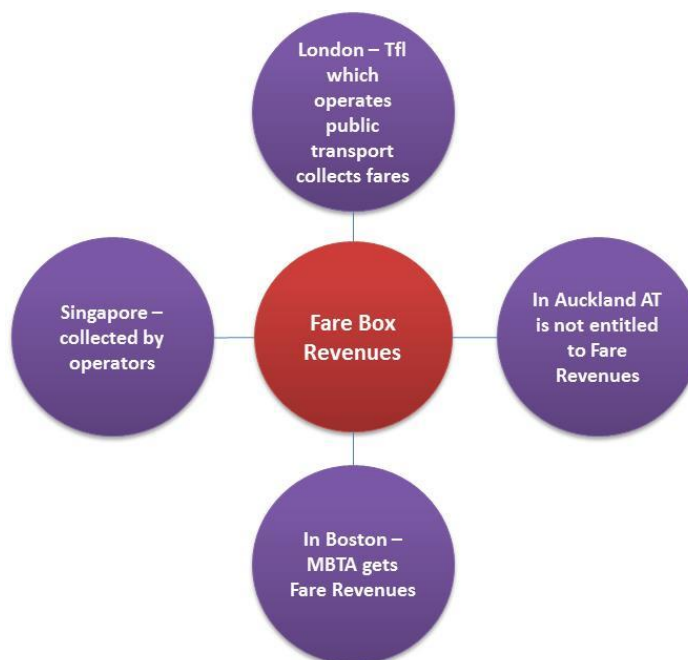


Exhibit 27 Pros and cons of fare box revenue in Indian context

Pros	Cons	Applicability in Indian context
<ul style="list-style-type: none"> <li>• Directly related to public transport</li> <li>• Sustainable source of revenue</li> <li>• Directly reflect the operational efficiency by operational costs involved against operational revenues.</li> </ul>	<ul style="list-style-type: none"> <li>• If these revenues do not go to the operator, they will have no incentive to provide good services and achieve operational efficiency.</li> <li>• Owing to the social and political compulsions, there is limited flexibility to change the fare structure as per the needs of the public transport sector.</li> </ul>	<p>In Indian context fares are collected by the operators which are usually autonomous bodies which are required to meet their costs from their revenues including fare box revenues.</p> <p>Taking away the fare box collections from the operators would dis-incentivize them in achieving operational efficiency. Hence, it is not advisable that revenue from fare collection is transferred to UTF. Doing so would require that operational costs are also met from UTF.</p>

**Borrowings:** Borrowing from different sources including from lending agencies or from the capital markets is another fund raising method used in various international cases. To support its Capital Investment Programme, TfL raised funds by way of borrowing. In 2012/13 it borrowed a net amount of £409m (~ INR 4,000 crores).<sup>5</sup> MBTA in Boston is another example of an agency which

<sup>4</sup> Financial Statement s – June 2012

<sup>5</sup> Annual Report and Statement of Accounts – TfL 2012/13

raises funds from market by issue of bonds {\$ 5,827 m (~INR 36,000 crores) – FY 126}. Raising funds by way of borrowings is analyzed in Exhibit 28.

Exhibit 28 Pros and cons of borrowings for public transport funding

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>• Funds can be generated quickly</li> <li>• Reduces pressure on government funds</li> <li>• Efficient market can result into better options for raising funds</li> </ul>	<ul style="list-style-type: none"> <li>• Borrowings should be backed by dedicated revenue stream to service the borrowed funds.</li> <li>• Borrowings usually require guarantee from Governments.</li> </ul>	<p>In the Indian context, the funds available from traditional funding sources are insufficient to meet high investment requirements. In such a case, issuing bonds would be can be a suitable option.</p> <p>In India various public sector agencies raise funds by way of borrowings. This method can be used for raising funds for funding public transport as well.</p>

**Revenues from Parking, Advertising and Commercial Activities:** TfL generates some revenue from commercial activities which include rental incomes, income from commercial advertising etc. In 2012-13 this accounted for almost 5% of the revenues generated from operating activities. MBTA in Boston generated revenue of \$ 63 m (~INR 380 crores) from other operating activities which includes revenue from parking lots, renting space to retail vendors in and around stations, rents from utility companies using MBTA rights of way, selling surplus land and movable property, advertising on vehicles and properties, etc. Exhibit 29 highlights the pros and cons of revenues from commercial sources.

Exhibit 29 Pros and cons of revenues from commercial sources

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>• Sustainable source of funding</li> <li>• Parking charges can be used to induce modal shifts also.</li> </ul>	<ul style="list-style-type: none"> <li>• Justified to be collected by agency managing the associated infrastructure and administration process.</li> </ul>	<p>In the Indian scenario parking facilities and infrastructure related to advertising and other commercial activities are usually handled by Urban Local Bodies (ULBs). The revenues coming from these activities go to the respective ULBs.</p> <p>However, a cess on these revenues can be collected and transferred to the agency responsible for planning and coordinating public transport activities.</p>

### 1.1.2 Other Sources of Funding

**Revenue from Charges on Fuel:** The New Zealand Land Transport fund gets a part of its funds from fuel excise duty. This amounted to NZD 1,478 million (~INR 7,500 crores) in FY 2011/12.

**Electronic Road Pricing (ERP):** The ERP system is an electronic toll collection scheme in Singapore which manages traffic by way of road pricing. The system uses open road tolling according to which vehicles do not have to stop or slow down to pay tolls. The capital cost of the

<sup>6</sup> Financial Statement s – June 2012

ERP system, since its inception in September 1998 was S\$197 million (~INR 980 crores in current terms) and incurred an annual operational and maintenance cost of S\$25 million (INR 124 crores in current terms) for 66 control gantries (in 2009). The program’s annual revenue was estimated at S\$144 million (~INR 700 crores in current terms) in 2008-09<sup>7</sup>.

**Congestion Charging (London):** This is another source of revenue for TfL and it accounted for around 5% of revenues generated from operating activities 2012-13. The revenues are collected from transport users using private vehicles in defined areas planned to be experience reduced congestion levels. A charge per entry – exit is levied from private vehicle users.

**Observations on Management of Funds in International cases**

Management of Fund

The provision of a dedicated fund exists in all the six countries reviewed. These funds are systematically managed for ensuring effective financial management. The management of fund usually lies with the authority as is in the case of LAMATA and LTA. In case of Auckland Transport, Boston and TfL, the financial committees which form a part of the governing body of such agencies, are appointed with the task of executing the financing plans and financial management.

The scope of managing funds is further bifurcated among two committees in the case of Auckland Transport, wherein the *Finance and Risk Committee* is responsible for financial reporting, audit and risk management, and the *Capital Review Committee* is responsible for ensuring that capital expenditure is optimized.

Each country reviewed has a dedicated support staff which assists in management of the funds.

**1.1.3 Other International Funding Examples**

**A. Taxes on Fuel**

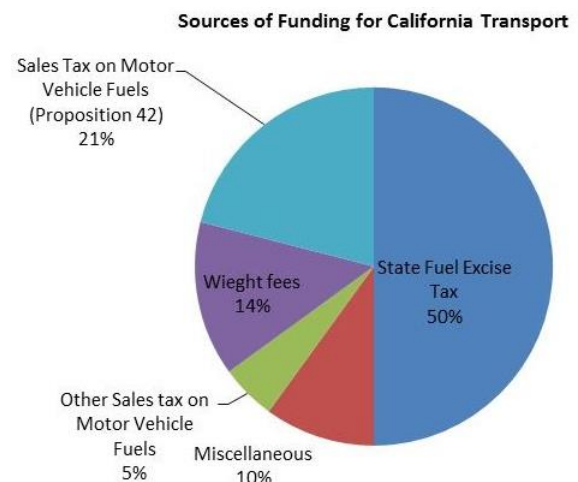
Excise taxes on gasoline and diesel fuel, and sales tax on gasoline and diesel fuel are used to fund public transport in California, USA.

In 1971, California State Government enacted the Transportation Development Act (TDA). Through TDA, 0.25% of the money collected from the state sales taxes was dedicated for public transport. Instead of directly using a portion of funds from sales tax on gasoline, 0.25% of all state sales taxes are used for public transport and this 0.25% of all state sales tax is compensated by 5% state sales tax to gasoline.

The funds are distributed to the individual counties and are administered by a Local Transportation Fund (LTF) created in each county.

Exhibit 30 depicts the sources of funding collected for California Transport.

**Exhibit 30 Sources of funding for California Transport**



<sup>7</sup> Electronic Road Pricing: Experience & Lessons from Singapore Prof. Gopinath Menon, Dr. Sarath Guttikunda, January, 2010

State Sales tax on diesel is deposited into the Public Transportation Account (PTA) which is used for funding mass transit operations and capital projects.

**Allocation and Utilization of funds:** The funds from LTF and PTA are used for various purposes including:<sup>8</sup>

- Planning and programme activities,
- Pedestrian and bicycle facilities,
- Community transit services,
- Public transportation, and bus and rail projects.
- These may be used also for local streets and roads, construction and maintenance.

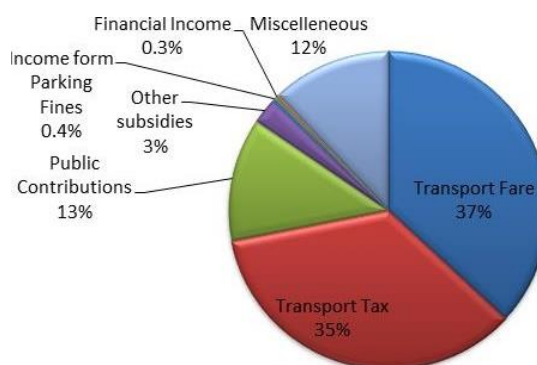
**Management of funds<sup>9</sup>:** The responsibilities of the different entities in the fund allocation and utilization process are as listed below:

- State Government -- Responsible for governing statutes, oversees funding program, allocations to cities and counties, reviews transit financial and performance audits;
- Regional Transportation Agencies, local government – Responsible for authorizing funding to local transportation agencies, ensure public participation process and needs assessment are conducted;
- Transportation operators – Receive capital and operating funds for transportation projects; and
- Public Works Departments – Under certain conditions, receive funding for streets and roads maintenance.

## B. Versement Transport (VT)

The presence of public transport system financially benefits the companies by facilitating the commuting of its employees without any financial burden on the company itself. Keeping this in mind, France implemented a tax known as Versement Transport in 1971 through an Act. According to this employers having 9 or more employees are required to contribute to the funding in public transport system. Exhibit 31 highlights the funding for public transport in Ile de France in 2008.

Exhibit 31 Funding public transport in Ile de France in 2008



**Sources of funds:** In France public transport is funded by following major sources:

1. Users (through ticketing),
2. Companies (through the Versement tax),
3. Local government contributions and
4. French government (through the subsidy allocated to school transport).

**Collection of Versement Tax:** This tax is calculated as a percentage of a company's total payroll costs and is collected by Social Security and transferred to the transit authority (SITF in Ile de

<sup>8</sup> Transportation Development Act - Statues and California Codes of Regulation - Caltrans

<sup>9</sup> Transportation Development Act - Statues and California Codes of Regulation - Caltrans

France). The tax rate is determined by the individual local authorities, and also a ceiling is imposed by the State. The tax rates applied are as follows:

- Paris and its suburbs: 2.6% maximum, 1.7% for the other inner ring suburbs, and 1.4% for the outer suburbs;
- The rest of France: 1.75% for towns that have dedicated public transport corridors; 1% for towns with more than 100,000 inhabitants, and 0.55% for towns with fewer inhabitants.

**Allocation and Utilization:** The Syndicat des transports d'Île-de-France (STIF), which is the Autorité Organisatrice De Transport Urbain (AOT, "Urban Regional Transport Authority") for the Île-de-France (one of the 27 administrative regions of France which included Paris and is popularly known as Paris Region) allocated the revenues collected from Versement Tax to the service operators.

**Contribution to Total Funding:** In 2010, nearly 37% (€ 3,016 million) of the Ile de France region's public transport operating revenues came from the 'versement transport'<sup>10</sup>.

### C. Vale Transporte

To induce shift from use of private vehicles to use of public transport Brazil introduced an employer subsidized public transport legal scheme by the name of "Vale Transporte" in 1987. This scheme incentivizes both the employers and the employees to use public transport services. This scheme provides dual benefit of increasing use of public transport thereby reducing congestion and increasing fare box revenues to the public transport operators.

**Mechanism of the scheme:** Under this scheme the employers are obligated to provide for the employee's public transport expenses at a deduction of 6% of the salary. The employer buys public transport vouchers from the transit authority and provides them to the employees.

Advantages and disadvantages of this scheme:

- It promotes and incentivizes the use of public transport system
- The cost to employees is fixed at 6% of their salaries. Any increase in the fares does not affect their outflow.

A drawback of this scheme is that it is available only to formal sector employees.

### D. Green Tax

Taxation system can be useful in incentivizing use of low emission vehicles. For example, in Germany a new tax system was introduced in 2009 that imposes a larger tax burden on environmentally unfriendly vehicles.

Similarly, in December 2007 France initiated a system of green taxes on cars and bonuses for cleaner vehicles. A one-off penalty of up to €2,600 has to be paid when buying a new car emitting more than 160 grams of CO<sub>2</sub> per km while buyers of more environmentally-friendly cars receive a bonus.

Besides raising some funds such mechanisms support environment sustainability. Such sources may be considered in the Indian context as well. The ease of implementing such a system is another advantage.

---

<sup>10</sup> Funding Urban Public Transport – Case study Compendium – International transport Forum - OECD

## E. Higher taxes on vehicles resulting in higher acquisition costs

In Denmark and Hong Kong, acquisition taxes that approximately triple the cost of cars have been major factors limiting motorization. This system is easy to implement as it just requires increase in taxes.

In India, various taxes and charges are applicable related to acquisition of vehicles, but these result in increase in acquisition costs in a limited manner. In this light it is suggested that gradually such taxes / charges on vehicles may be increased to dissuade purchase of vehicles.

## F. Differential Pricing

Differential pricing is a mechanism of raising additional revenues by charging different amounts over different periods or in different areas or on different routes etc. Examples of such practices include:

### Washington, D.C.:

The Washington Metro is the rapid transit system in Washington, D.C., United States. It is the second-busiest rapid transit system in the United States in terms of number of passenger trips, after the New York City Subway. The Washington Metro experiences high level of congestion during peak hours. In this scenario it introduced differential pricing mechanisms. As per this mechanism the fares vary based on the distance traveled, the time of day, and the type of card used by the passenger. Peak SmarTrip Fares<sup>11</sup> (in effect on weekdays from opening to 9:30 am and 3pm to 7 pm and weekends midnight to closing) are:

- \$2.10 minimum + a \$1 surcharge if a paper farecard is used
- \$5.75 maximum + a \$1 surcharge if a paper farecard is used

Off-Peak SmarTrip Fares (all other times)

- \$1.70 minimum + a \$1 surcharge if a paper farecard is used
- \$3.50 maximum + a \$1 surcharge if a paper farecard is used.

In FY 2012 passenger revenue accounted for ~ USD 750 m (almost 37% of the total revenues to Washington Metropolitan Area Transit Authority)<sup>12</sup>.

### Seoul Korea Road Pricing Measures:

In 1996, the Seoul metropolitan government used differential charging scheme on two tunnels. Besides raising about US\$15 million, this scheme also reduced congestion.

Such differential pricing measures may be adopted in India as well on a case to case basis. In case of differential pricing by operators the revenue may go to the operators themselves. In case of differential pricing on roads, the administrative job of collecting revenues may be done by the State Government and the collected funds may be transferred to the relevant UTF.

---

<sup>11</sup> <http://www.wmata.com/fares/metrorail.cfm>

<sup>12</sup> FY 2012 Comprehensive Annual Financial Report



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this material.”

©2016 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu India LLP.