



Punjab Government Gazette

EXTRAORDINARY

Published by Authority

CHANDIGARH, SATURDAY, DECEMBER 20, 2025 (AGRAHAYANA 29, 1947 SAKA)

GOVERNMENT OF PUNJAB
DEPARTMENT OF LOCAL GOVERNMENT, PUNJAB
(Local Government-4 Branch)
Punjab Municipal Bhawan, Sector-35A, Chandigarh

NOTIFICATION
The 19th December, 2025

Performance Based Grants for Municipal Corporations

No. 05/83/2025-1LG4/1404.- The Government of Punjab, with support from the World Bank is implementing the Punjab: ***Building Fiscal and Service Institutional Resilience (BFAIR) Program-for-Results*** through multiyear program to help address the State's development challenges accelerate growth and boost shared prosperity.

One of the Result Area under the Program seeks to strengthen local level fiscal frame works through the establishment of State Performance based Grant System (PBGS) to incentivize performance of Municipal Corporations, which is being implemented in Department of Local Government, Punjab. This notification relates to approval of PBGS Design and its implementation.

Guidelines for PBGS Design (**Annexure—"A"**).

Performance Based Grants System (PBGS) frame work for 13 Municipal Corporations in Punjab

1. Introduction (Objective)

The core objective behind designing and piloting the Performance based Grants System¹ for 13 Municipal Corporations (MCs) in Punjab is to provide financial incentives in the form of untied performance grants linked to measurable improvements in service delivery and governance outcomes. This is expected to contribute to the objective of a more transparent, responsive, and performance-oriented urban local governance system. The PBGS has been designed using a data-driven approach. Relevant information was collected from the 13 MCs through structured questionnaires, supplemented with data from Department of Local Government HQ (DoLG), M-Seva, PGRS, eNaksha, GIS, and SBM.

Effective Date and period of the PBGS, the overall resource envelope and amendments:

The PBGS is initially designed for a two-year period starting April 1, 2025, to June 2027, and the overall resources allocated is Rs.297.50 crores (equivalent to US \$ 35 million @ Rs.85 per USD). Based on the performance of the PBGS the framework in the initial year(s) and feedback from the stakeholders, the guidelines, can be considered for appropriate amendments and also for extension and expansion by the Government of Punjab with additional performance parameters and allocation of funds.

¹The framework for the PBGS has been developed based on extensive data collection, data validation and consultation with stakeholders and with the technical support of National Institute of Public Finance and Policy.

Categorization of MC's: The 13 Municipal Corporations have been categorized into two parts: 3 nos. million plus cities and 10 nos. non-million plus cities. These have been grouped to ensure parity in the performance evaluation factoring in varying sizes (geographical and population) of the Municipal Corporations.

Performance Assessment by an Independent Agency: The performance of the MCs will be reviewed by an independent agency appointed by the DoLG, on a **biannual basis**, with two assessment cycles:

- 1) a **half-yearly (H₁)** review in October/November (evaluating performance from April to September), and
- 2) an **annual/full-year (H₂)** review in April/May (evaluating performance from October to March and/or over the full financial year, depending on the indicator type).

Disbursement of Performance Grants:

The Seed money would be disbursed at the start of the program. Half yearly and Annual grants would be released upon Audit of Half yearly DLRs in November and yearly Audit in May. The performance grants are untied, subject to a negative list of activities/ expenditures, which are detailed in the guidelines.

Technical Support from DoLG to the MCs for implementation of the envisaged reforms.

Performance Management Cell (PMC) will be set up at head quarters which will guide ULBs during implementation. It will also assist Head Quarters in implementation, it's review and coordination between Department of local Government, World Bank, IVA and ULBs.

2. Overview of Performance Indicators for PBGS

Based on the data/information collected and reviewed, three broad categories of performance indicators were identified.

2.1 Financial Performance Indicator

Financial sustainability is a critical dimension of municipal performance, and one of the primary indicators included in the PBGS design relates to municipal finance. Assessment of financial performance will be based on the following indicators and sub-indicators:

A) Property tax: The assessment of performance of property tax will be based on three carefully selected indicators and sub-indicators

- a) **Variation between property tax estimates in the municipal budget and the actual property tax collection reported in the audited financial statements**, highlighting fiscal marksmanship, i.e., the accuracy of financial planning and budgetary discipline.

- b) **Year-on-year growth in the number of taxpayers paying property tax**, indicating improvements in civic compliance and administrative outreach; and
- c) **Year-on-year improvement in current year property tax collection**, reflecting enhanced enforcement and fiscal progress.

B) Other Own-source Revenue: The assessment of performance under this indicator will be based on **Year-on-year improvement in current year collection of revenues from Other Own-sources (other than property tax)**, reflecting effort towards enhanced enforcement and fiscal progress.

C) Liabilities: The assessment of performance under this indicator will be based on **Reduction (or improvement) of Liabilities-to-Own revenue ratio** (own revenue includes assigned revenues and compensation) reflecting reduction in payables by corporations by both making efforts to reduce payable as well as increasing own source revenues.

Performance under the financial indicators will be reviewed only once a year, during the full-year (H₂) assessment cycle held in April–May.

*A detailed discussion of the design of the financial indicator is in the **enclosed guidelines**.*

2.2 Grievance-related Performance Indicator:

The **Grievance Redressal** category focuses on assessing the responsiveness and efficiency of Municipal Corporations in addressing citizen complaints through **M-Seva** platform. This portal serves as critical tool/platform for monitoring service delivery. **M-Seva**, managed by the **Department of Local Government, Punjab**, is specifically designed for municipal-level grievance redressal.

The performance of the MCs is evaluated based on the **percentage of complaints resolved within the stipulated Service Level Agreement (SLA) timeframe**.

The Grievance related performance indicator will be tracked and evaluated on a **half-yearly basis**, using real-time data available through the M-Seva portal.

The first performance review will take place during **January-February 2026**, assessing the performance of MCs during the period from **1st April to 30th September, 2025**. The second performance review will be during the months of **April/May 2026**, assessing the period from **1st October, 2025 to 31st March, 2026**.

*A detailed explanation of the indicator's design is provided in the **enclosed guidelines**.*

2.3 Disclosure (Accountability & Transparency related performance) Indicators:

Accountability and Transparency are fundamental pillars of effective urban governance. As part of the PBGS, MCs will be required to proactively disclose critical financial and operational information on their **official websites**, thereby strengthening public trust and administrative credibility. To institutionalize this transparency, a set of **mandatory disclosures** has been defined with a clear **timeline** for compliance.

To ensure compliance, **bi-annual assessments** will be conducted—aligned with the H₁ and H₂ review cycles of the PBGS. The **first review** will take place during **January-February 2026**, followed by half yearly evaluations up to conclusion of assignment.

In the first year of assessment of MC performance under this indicator (i.e., end of H₁ of FY2025–26), all MCs must publish by **15th January 2026** the following documents on their websites:

- **Audited financial statements** for FY **2023-24** (i.e., yearT-2)
- **Unaudited financial statements** for FY **2024-25**(i.e., yearT-1)
- **Approved budget** for FY **2025-26**(i.e., year T)
- **Details of Liabilities** for FY **2024-25**(i.e., yearT-1)
- By **31st March 2026** (i.e., end of H₂ of FY 2025–26), all MCs must publish the following documents on their websites:
 - **Audited financial statements** for FY **2024-25** (i.e., year T-1)
 - Citizen Charter

In the next cycle (i.e., assessment for the fiscal year 2026-27), by **30th September 2026** (end of H₁ of FY 2026-27), MCs will be required to upload:

- **Unaudited financial statements** for FY **2025-26** (i.e., yearT-1)
- **Audited financial statements** for FY **2025-26** (i.e., yearT-1)
- **Approved budget** for FY **2026-27** (i.e., year T)
- **Details of Liabilities** for FY **2025-26** (i.e., year T-1)

All financial disclosures are expected to adhere to standard **financial reporting norms**, including detailed schedules for the **Income and Expenditure Statement**, **Balance Sheet**, and **Cash Flow Statement**. MCs that are still operating under the **ingle-entry accounting systems** will be required to **transition to double-entry systems** to improve consistency, comparability, and transparency of financial records. The reporting of liabilities on respective MCs' website would be based on a prescribed format.

In the first year of the roll-out of the performance grants system, if for some reason, a corporation is unable to disclose the **Audited financial statements** for FY **2025-26** (i.e., year T-1) on their website, they have to disclose it by 15th January 2026 to be eligible for availing performance grants in the H2 assessment.

A detailed explanation of the indicator's design is provided in the enclosed guidelines.

3. Non-Financial Incentives and Recognition Framework

In addition to financial grants, the PBGS incorporates a complementary system of non-financial incentives aimed at recognizing and encouraging exemplary performance by MCs. These incentives are intended not only to reward results but also to reinforce behavioural change, promote innovation, and strengthen accountability and transparency in urban governance.

Non-financial incentives under PBGS may take the form of certifications, public recognition, and sector-specific or overall performance badges. These measures are designed to highlight best practices, motivate peer learning, and increase visibility of high-performing MCs and their leadership. State-level recognition for Mayors or senior municipal officials may also be considered in select cases.

Performance will be assessed across several parameters. These include the availability of user-friendly municipal websites, successful acquisition of Good Financial Conduct (GFC) certifications, and the implementation of awareness campaigns promoting mSeva as the primary grievance redressal platform. Additionally, timely publication of proceedings from municipal council meetings and the public disclosure of council resolutions and decisions on official MC websites will serve as indicators of transparency and democratic accountability.

A tiered recognition framework is envisaged. Municipal Corporations demonstrating consistent, cross-cutting excellence may be eligible for the “ਉੱਤਮ ਸ਼ਹਿਰ ਪੁਰਸਕਾਰ” (Gold Badge), conferred upon the highest-performing MC across all reform indicators. Silver and Bronze badges may be awarded to the next two best-performing MCs. Sector-specific achievements will also be acknowledged. For instance, exceptional progress in GIS mapping and integration with municipal property databases may be recognised through the “ਜੀ.ਆਈ.ਐਸ.ਨਕਸ਼ਾਬੱਧ ਸ਼ਹਿਰ” award. Similarly, the “ਸ਼ਹਿਰੀ ਸੁਸ਼ਾਸਨ ਪੁਰਸਕਾਰ” award for service delivery excellence will highlight performance in citizen-facing services delivered through the mSeva platform, such as new water and sewerage connections, trade license and fire NOC issuance, and building plan approvals—based on compliance with defined service level agreements.

Additional awards may include the “ਆਮਦਨ ਸਿਤਾਰਾ ਪੁਰਸਕਾਰ” for the highest growth in own-source revenue (including property tax and other local taxes or charges), and the “ਉੱਚ ਸੁਧਾਰ ਪ੍ਰਦਰਸ਼ਨਕਾਰੀ

ਪੁਰਸਕਾਰ” award for MCs that demonstrate significant year-on-year progress in any one reform area.

Further, a portion of the financial incentive pool—such as Rs 2 to Rs 5 lakh per sectoral badge, from a total corpus of Rs 10 crore—would be allocated towards these non-financial awards. The incentives may be granted either to the Municipal Corporation or to the specific departmental teams responsible for the reform achievements.

Sd/-

MANJIT SINGH BRAR, IAS

Administrative Secretary to Government of Punjab

Department of Local Government

Guidelines on Performance Based Grant System (PBGS) for 13 Municipal Corporations in Punjab

1. Guidelines on Detailed Design Framework of the PBGS Performance Indicators

This section elaborates on the design and methodology adopted for assessing the performance of MCs.

1.1 Financial Performance Indicator

- i) **Property tax:** Property tax has been identified as the most suitable anchor for this indicator, given its consistency across municipalities and its centrality to local fiscal health.

To ensure robustness and relevance, this indicator has been disaggregated into three sub-indicators. These were selected based on the availability and quality of data, regularity of updates, and their suitability for verification by an independent agency. The sub-indicators aim to capture different facets of municipal performance in property tax administration, balancing technical accuracy with practical implementability.

i.i) Variation between property tax estimates in the municipal budget and the actual property tax collection reported in the audited financial statements – (Indicator: PT₁)

- Indicator value/formula:

$$PT_1 = \left| \frac{\text{Actual Property Tax Revenue in year (T)}}{\text{Budgeted Property Tax Revenue in year (T)}} - 1 \right| \times 100$$

- Data source: Audited financial statement and approved budget of the MCs.
- Baseline PT₁: For each MC, weighted average of PT₁ is derived. The weighted average is for the three-year period 2021-22, 2022-23 and 2023-24. The baseline scenario is used to determine the range and scoring scheme/pattern. These then have been used to evaluate the performance for MCs for the year 2023-24, as an illustration for the sake of better understanding. This has been done for other indicators as well.

The indicator PT₁ calculated for all the 13 MCs for the baseline and for the year 2023-24 is presented below:

Table1: Indicator PT₁ (in %)

MCs	Baseline PT₁ Average of 3 yrs (2021-22 to 2023-24)	2023-24 PT₁
Abohar	-4.20	-10.83
Amritsar	-17.00	-16.70
Batala	12.80	20.13
Bathinda	19.69	1.35
Hoshiarpur	2.65	-21.22
Jalandhar	-10.66	1.81
Kapurthala	35.36	8.40
Ludhiana	3.91	6.17
Moga	-7.50	-27.19
Mohali	7.87	7.40
Pathankot	-22.78	-35.64
Patiala	1.41	-2.86
Phagwara	-2.33	-0.18
13 MCs	-0.66	-0.37
Min of abs value	1.41	0.18
Max of abs value	35.36	35.64
Mean of abs value	11.40	12.30
Quartile 1 (Q1) of abs value	3.91	2.86
Median of abs value	7.87	8.40
Quartile 3 (Q3) of abs value	17.00	20.13

Source: Calculations based on data obtained from the financial statements of the 13 MCs

- **Range and scores:** Using the baseline PT₁ numbers calculated for the 13 MCs, the range and scoring criterion has been determined as follows:

Logic for deriving range	Score
$0 \leq PT1 < \text{Quartile 1}$	20
$\text{Quartile 1} \leq PT1 < \text{Quartile 2}$	14
$\text{Quartile 2} \leq PT1 < \text{Quartile 3}$	7
$\text{Quartile 3} \leq PT1$	0

- Based on the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. This range has been **fixed for the next 2-3 years** and would be reviewed thereafter.

Range (Fixed till a future review)	Score
$0 \leq PT1 < 4$	20
$4 \leq PT1 < 8$	14
$8 \leq PT1 < 17$	7
$17 \leq PT1$	0

- Using the above range and associated scoring scheme, scores of individual MCs based on their performance are derived. These are presented in the table below for both baseline and 2023-24 scenarios:

MCs	Baseline score	2023-24 score
Abohar	14	7
Amritsar	7	7
Batala	7	0
Bathinda	0	20
Hoshiarpur	20	0
Jalandhar	7	20
Kapurthala	0	7
Ludhiana	20	14
Moga	14	0
Mohali	14	14
Pathankot	0	0
Patiala	20	20
Phagwara	20	20

i.ii) Year-on-year growth in the number of tax payers paying property tax – (Indicator: PT_2)

- Indicator value/formula:

$$PT_2 = \frac{\text{No. of unique tax payers in year (T)} - \text{No. of unique tax payers in year (T-1)}}{\text{No. of unique tax payers in year (T-1)}} \times 100$$

- Data source: Unit level data on property tax collection from M-Seva (for 11 MCs), unit level property tax collection data for MC Ludhiana and MC Bathinda collected from the corporations.
- Baseline PT_2 : For each MC, annual growth rate of the number of unique tax payers is derived. The Compound annual growth rate (CAGR) for the period 2022-23 to 2024-25 was calculated. Additionally, the performance of MCs under this indicator as on 2024-25 was checked. For this, the growth in the number of tax payers paying property tax in 2024-25 over 2023-24 was considered. These growth rates are presented in the following table.

Table 2: Growth in number of tax payers paying property tax (%)

MC	Baseline PT_2 CAGR for 2022-23 to 2024-25	2024-25 PT_2 Growth in 2024-25 over 2023-24
Abohar	14.28	-21.96
Amritsar	-0.35	-0.07
Batala	3.97	-0.55
Bathinda	-6.40	-4.09
Hoshiarpur	2.93	1.18

MC	Baseline PT ₂ CAGR for 2022-23 to 2024-25	2024-25 PT ₂ Growth in 2024-25 over 2023-24
Jalandhar	3.17	2.03
Kapurthala	15.39	-0.59
Ludhiana	-1.76	-13.83
Moga	-3.04	-8.87
Mohali	2.38	12.52
Pathankot	0.80	-0.10
Patiala	8.04	6.24
Phagwara	3.94	2.22
13 MCs	-0.14	-8.00
Min	-6.4	-22.0
Max	15.4	12.5
Unweighted Mean	3.3	-2.0
Quartile 1 (Q1) of abs value	2.9	2.0
Median of abs value	3.9	2.2
Quartile 3 (Q3) of abs value	8.0	6.2
Unweighted Mean of abs value	6.1	4.8

Source: ' Calculations based on data obtained from m-Seva (for 11 MCs) & from MC Ludhiana and MC Bathinda

- Range and scores: Using the baseline PT₂ numbers calculated for the 13 MCs, the range and scoring criterion has been determined as follows:

Logic for deriving range	Score
$PT_2 \leq 0$	0
$0 < PT_2 \leq \text{Median}$	7
$\text{Median} < PT_2 \leq \text{Quartile 3}$	14
$\text{Quartile 3} < PT_2$	20

Based on the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. This range has been fixed for the next 2-3 years and would be reviewed thereafter.

Range (Fixed till a future review)	Score
$PT_2 \leq 0$	0
$0 < PT_2 \leq 4$	7
$4 < PT_2 \leq 8$	14
$8 < PT_2$	20

- Using the above range and associated scoring scheme, scores of individual MCs based on their performance are derived. These are presented below for both baseline and 2024-25.

MCs	Base score	2024-25 score
Abohar	20	0
Amritsar	0	0
Batala	7	0
Bathinda	0	0
Hoshiarpur	7	7
Jalandhar	7	7
Kapurthala	20	0
Ludhiana	0	0
Moga	0	0
Mohali	7	20
Pathankot	7	0
Patiala	20	14
Phagwara	7	7

i.iii) Year-on-year improvement in current year property tax collection – (Indicator: PT_3)

- Indicator value/formula:

$$PT_3 = \frac{\text{Current year collection in year } (T) - \text{Current year collection in year } (T - 1)}{\text{Current year collection in year } (T - 1)} \times 100$$

- Data source: Unit level data on property tax collection from M-Seva (for 11 MCs), for MC Ludhiana and MC Bathinda from the respective MCs.
- Baseline PT_3 : For each MC, annual growth rate of current year property tax collection is derived. The Compound annual growth rate (CAGR) for the period 2022-23 to 2024-25 was calculated. Additionally, the performance of MCs under this indicator as on 2024-25 was checked. For this the growth in current year property tax collection in 2024-25 over 2023-24 was considered. These growth rates are presented in the table below.

Table 3: Growth in current year property tax collection (%)

MC	Baseline PT_3 CAGR for 2022-23 to 2024-25	2024-25 PT_3 Growth in 2024-25 over 2023-24
Abohar	20.05	17.32
Amritsar	12.94	11.99
Batala	19.26	15.11
Bathinda	11.52	9.10

MC	Baseline PT ₃ CAGR for 2022-23 to 2024-25	2024-25 PT ₃ Growth in 2024-25 over 2023-24
Hoshiarpur	16.54	18.26
Jalandhar	12.30	7.98
Kapurthala	20.23	12.94
Ludhiana	16.18	17.60
Moga	8.03	11.22
Mohali	19.93	26.36
Pathankot	16.37	18.20
Patiala	13.19	18.42
Phagwara	10.08	3.59
13 MCs	15.16	15.87
Min	8.0	3.6
Max	20.2	26.4
Quartile 1 (Q1) of abs value	12.3	11.2
Median of abs value	16.2	15.1
Quartile 3 (Q3) of abs value	19.3	18.2
Unweighted Mean	15.12	14.47

Source: Calculations based on data obtained from mSewa (for 11 MCs) & from MC Ludhiana and MC Bathinda.

- Range and scores: Using the baseline PT₃ numbers calculated for the 13 MCs, the range and scoring criterion has been determined as follows.

Logic for deriving range	Score
$PT_3 \leq 0$	0
$0 < PT_3 \leq \text{Quartile 1}$	5
$\text{Quartile 1} < PT_3 \leq \text{Median}$	10
$\text{Median} < PT_3 \leq \text{Quartile 3}$	15
$\text{Quartile 3} < PT_3$	20

Based on the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. This range has been fixed for the next 2-3 years and would be reviewed thereafter.

Range (Fixed till a future review)	Score
$PT_3 \leq 0$	0
$0 < PT_3 \leq 12$	5
$12 < PT_3 \leq 16$	10
$16 < PT_3 \leq 19$	15
$19 < PT_3$	20

- Using the above range and associated scoring scheme, scores of individual MCs based on their performance are derived. These are presented below for both baseline and 2024-25.

MCs	Baseline score	2024-25 score
Abohar	20	15
Amritsar	10	5
Batala	20	10
Bathinda	5	5
Hoshiarpur	15	15
Jalandhar	10	5
Kapurthala	20	10
Ludhiana	15	15
Moga	5	5
Mohali	20	20
Pathankot	15	15
Patiala	10	15
Phagwara	5	5

- ii) **Other Own Source Revenue (OOSR):** To ensure MCs make efforts to raise revenues from various other sources, especially from fees, fines, user-charges etc. which constitute an important revenue source of MCs, this indicator has been included in the design of performance grants. It had been identified as another important anchor for financial performance indicator.

The assessment of performance under this indicator will be based on **Year-on-year improvement in current year collection of revenues from Other Own-sources** (other than property tax).

Year-on-year improvement in current year other own-source revenue – (Indicator: OOSR)

- Indicator value/formula:

$$OOSR = \frac{\text{Current year collection in year } (T) - \text{Current year collection in year } (T - 1)}{\text{Current year collection in year } (T - 1)} \times 100$$

- Data source: Detailed data on own source revenues provided by MCs.
- Baseline OOSR: For each MC, annual growth rate of current year other own-source revenue collection (other than property tax) is derived. The Compound annual growth rate (CAGR) for the period 2021-22 to 2024-25 was calculated. Additionally, the performance of MCs under this indicator as on 2024-25 was checked. For this the

growth in current year Own source revenue other than property tax in 2024-25 over 2023-24 was considered. These growth rates are presented in the following table.

Table 4: Growth in current year Other own-source revenue collection (%)

MC	Baseline OOSR CAGR for 2021-22 to 2024-25	2024-25 OOSR Growth in 2024-25 over 2023-24
Abohar	-9.02	-25.30
Amritsar	5.36	-20.18
Batala	6.56	-39.14
Bathinda	15.63	-24.37
Hoshiarpur	2.52	-5.92
Jalandhar	-0.02	11.33
Kapurthala	-6.49	-4.89
Ludhiana	9.61	16.10
Moga	-2.53	6.94
Mohali	15.47	58.58
Pathankot	9.62	7.85
Patiala	5.37	15.87
Phagwara	11.90	32.97
13 MCs	5.87	-1.23
Min	2.5	6.9
Max	15.6	58.6
Quartile 1 (Q1) of abs value	5.4	9.6
Median of abs value	9.6	15.9
Quartile 3 (Q3) of abs value	11.9	24.5
Unweighted Mean	9.1	21.4

Source: Calculations based on data provided by 13 MCs

- Range and scores: Using the baseline PT_3 numbers calculated for the 13 MCs, the range and scoring criterion has been determined as follows.

Logic for deriving range	Score
$OOSR \leq 0$	0
$0 < OOSR \leq \text{Quartile 1}$	5
$\text{Quartile 1} < OOSR \leq \text{Median}$	10
$\text{Median} < OOSR \leq \text{Quartile 3}$	15
$\text{Quartile 3} < OOSR$	20

Based on the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. This range has been fixed for the next 2-3 years and would be reviewed thereafter.

Range (Fixed till a future review)	Score
$OOSR \leq 0$	0
$0 < OOSR \leq 5$	5
$5 < OOSR \leq 10$	10
$10 < OOSR \leq 12$	15
$12 < OOSR$	20

- Using the above range and associated scoring scheme, scores of individual MCs based on their performance are derived. These are presented below for both baseline and 2024-25.

MCs	Baseline score	2024-25 score
Abohar	0	0
Amritsar	10	0
Batala	10	0
Bathinda	20	0
Hoshiarpur	5	0
Jalandhar	0	15
Kapurthala	0	0
Ludhiana	10	20
Moga	0	10
Mohali	20	20
Pathankot	10	10
Patiala	10	20
Phagwara	15	20

- iii) **Liabilities-to-Own Income ratio (Lia/Inc):** The performance indicator is constructed using data provided by PMIDC and DoLG. It is the ratio of total liabilities (i.e., payables) of MCs to total own income which comprises own-tax and own non-tax revenues and assigned revenues of MCs.

Assigned revenue of MCs in Punjab consists of Punjab Municipal Fund (11% of VAT) plus Grants-in-Aid in lieu of abolition of Octroi and share of additional Excise duty and auction money in lieu of abolition of Octroi on liquor.

The Indicator Liabilities-to-Own Income ratio (Lia/Inc) is calculated as:

$$(Lia/Inc) = \frac{\text{Total Liabilities of individual MC}}{\text{Total own income of individual MC}} * 100$$

- Data source: Detailed data on liabilities of MC and their own income provided by DoLG.
- Baseline Lia/Inc ratio: For each MC, the (weighted) ratio of Lia/Inc is derived for the period 2022-23 to 2024-25. Additionally, the ratio of Lia/Inc for the year 2024-25 was

derived to check the performance of MCs under this indicator as on 2024-25. The ratios for 13 MCs are presented in the following table.

Table 5: Liabilities-to-Own income ratio (%)

MC	Baseline ratio (2022-23 to 2024-25)	2024-25 ratio
Abohar	150.3	127.6
Amritsar	71.5	68.1
Batala	18.7	14.3
Bathinda	54.8	56.5
Hoshiarpur	3.2	4.6
Jalandhar	26.5	20.5
Kapurthala	4.3	0.8
Ludhiana	28.6	26.5
Moga	0.4	0.6
Mohali	1.1	1.0
Pathankot	46.4	55.4
Patiala	15.5	19.9
Phagwara	0.7	0.8
13 MCs	34.6	32.1
Min	0.4	0.6
Max	150.3	127.6
Quartile 1 (Q1) of abs value	3.2	1.0
Median of abs value	18.7	19.9
Quartile 3 (Q3) of abs value	46.4	55.4
Unweighted Mean	32.5	30.5

Source: Calculations based on data provided by DoLG and PMIDC

The baseline ratios are used to derive the range and scores to be assigned to MCs as follows:

Logic for deriving range	Score
Lia/Inc ratio $\leq$ Quartile 1	20
Quartile 1 $<$ Lia/Inc ratio $\leq$ Median	14
Median $<$ Lia/Inc ratio $\leq$ Quartile 3	7
Lia/Inc ratio $>$ Quartile 3	0

Using the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. It is proposed to fix the range for the next 2-3 years and would be reviewed and changes made (if needed) thereafter.

Range	Score
Lia/Inc ratio ≤ 3	20
$3 < \text{Lia/Inc ratio} \leq 19$	14
$19 < \text{Lia/Inc ratio} \leq 46$	7
Lia/Inc ratio > 46	0

Liabilities-to-Own income ratio (in %) for baseline and for 2024-25 are presented below.

Table 6: Liabilities-to-Own income ratio (%) for baseline and 2024-25

MCs	Baseline	2024-25
Abohar	150.3	127.6
Amritsar	71.5	68.1
Batala	18.7	14.3
Bathinda	54.8	56.5
Hoshiarpur	3.2	4.6
Jalandar	26.5	20.5
Kapurthala	4.3	0.8
Ludhiana	28.6	26.5
Moga	0.4	0.6
Mohali	1.1	1.0
Pathankot	46.4	55.4
Patiala	15.5	19.9
Phagwara	0.7	0.8

Source: Calculations based on data obtained from DoLG and PMIDC

Based on the scoring parameter defined above, the performance scores are assigned to all the MCs for (i) baseline period and (ii) and for 2024-25 for the sake of illustration. These are presented below:

MC	Baseline Score (Lia/Inc) ratio	2024-25 Score (Lia/Inc) ratio
Abohar	0	0
Amritsar	0	0
Batala	14	14
Bathinda	0	0
Hoshiarpur	14	14
Jalandhar	7	7
Kapurthala	14	20
Ludhiana	7	7
Moga	20	20
Mohali	20	20

MC	Baseline Score (Lia/Inc) ratio	2024-25 Score (Lia/Inc) ratio
Pathankot	0	0
Patiala	14	7
Phagwara	20	20

1.1.1 Aggregate Score and Shares under Financial Performance Indicator

Once the scoring criterion for individual indicators under financial performance indicator has been fixed, the next step is to find the aggregate score that a corporation would get under the financial performance indicator. This would then in turn be used to find the shares of all the corporations in the grant received under the project.

Aggregate score calculation (Financial Performance Indicator)

Let us assume that a municipal corporation i gets a score of $S_1^i, S_2^i, S_3^i, S_4^i$ and S_5^i for the five financial performance indicators PT₁, PT₂, PT₃, OOSR and Lia/Inc respectively. 10 percent weight to indicator PT₁; 25 percent weight to indicator PT₂, 25 percent weight to indicator PT₃, 30 percent weight to indicator OOSR and 10 percent weight to indicator Lia/Inc is assigned. The property tax through its three indicators (PT₁, PT₂ and PT₃) account for 60 percent of the weight assigned to financial performance indicator. The average score ($AvgS^i$) of the corporation i under financial performance indicator would be derived as:

$$AvgS^i = 0.1XS_1^i + 0.25XS_2^i + 0.25XS_3^i + 0.3XS_4^i + 0.1XS_5^i$$

Municipal corporation wise financial performance indicator base scores and the average base scores are presented in the table below.

Table 7: Baseline Score under Financial Performance indicator

MCs	Sub indicators scores					Average score $AvgS^i$
	S_1^i	S_2^i	S_3^i	S_4^i	S_5^i	
Abohar	14	20	20	0	0	11.40
Amritsar	7	0	10	10	0	6.20
Batala	7	7	20	10	14	11.85
Bathinda	0	0	5	20	0	7.25
Hoshiarpur	20	7	15	5	14	10.40
Jalandhar	7	7	10	0	7	5.65
Kapurthala	0	20	20	0	14	11.40
Ludhiana	20	0	15	10	7	9.45
Moga	14	0	5	0	20	4.65
Mohali	14	7	20	20	20	16.15
Pathankot	0	7	15	10	0	8.50
Patiala	20	20	10	10	14	13.90
Phagwara	20	7	5	15	20	11.50

Similarly, Municipal Corporation wise financial performance indicator scores and the average scores for 2024-25 are derived for the sake of illustration. These are presented in the table below:

Table 8: 2024-25 score under Financial Performance indicator

MCs	Sub indicators scores					Average score $AvgS^i$
	S_1^i	S_2^i	S_3^i	S_4^i	S_5^i	
Abohar	7	0	15	0	0	4.45
Amritsar	7	0	5	0	0	1.95
Batala	0	0	10	0	14	3.90
Bathinda	20	0	5	0	0	3.25
Hoshiarpur	0	7	15	0	14	6.90
Jalandhar	20	7	5	15	7	10.20
Kapurthala	7	0	10	0	20	5.20
Ludhiana	14	0	15	20	7	11.85
Moga	0	0	5	10	20	6.25
Mohali	14	20	20	20	20	19.40
Pathankot	0	0	15	10	0	6.75
Patiala	20	14	15	20	7	15.95
Phagwara	20	7	5	20	20	13.00

Aggregate Share calculation (Financial Performance Indicator)

Based on the aggregate score of a municipal corporation j , its share in the grant received can be calculated using the following formula

$$Share^j = \left(\frac{AvgS^j \times P^j}{\sum_{i=1}^{13} (AvgS^i \times P^i)} \right) \times 100$$

Where, $AvgS^i$ = average score of corporation i under financial performance indicator

P^i = population of corporation i as per 2011 census

Municipal corporation wise average scores, population numbers and the share in grant for the base year is presented for the sake of illustration in the table below.

Table 9: Baseline share of MCs under Financial Performance Indicator (%)

MCs	$AvgS^i$	P^i	$AvgS^i \times P^i$	$Share^i$ (%)
Abohar	11.40	1,45,302	1656443	3.543
Amritsar	6.20	11,32,383	7020775	15.015
Batala	11.85	1,56,619	1855935	3.969
Bathinda	7.25	2,85,788	2071963	4.431
Hoshiarpur	10.40	1,68,653	1753991	3.751

MCs	$AvgS^i$	P^i	$AvgS^i \times P^i$	$Share^i$ (%)
Jalandhar	5.65	8,62,886	4875306	10.427
Kapurthala	11.40	98,916	1127642	2.412
Ludhiana	9.45	16,18,879	15298407	32.718
Moga	4.65	1,50,411	699411	1.496
Mohali	16.15	1,46,213	2361340	5.050
Pathankot	8.50	1,48,937	1265965	2.707
Patiala	13.90	4,06,192	5646069	12.075
Phagwara	11.50	97,864	1125436	2.407
			46758682	100.000

A similar exercise for evaluating the performance of MCs for the year 2024-25 is undertaken for the sake of illustration. MC wise average scores, population numbers and their shares are presented in the following table.

Table 10: Share of MCs under Financial Performance Indicator (%) as per their performance in 2024-25

MCs	$AvgS^i$	P^i	$AvgS^i \times P^i$	$Share^i$ (%)
Abohar	4.45	1,45,302	646594	1.388
Amritsar	1.95	11,32,383	2208147	4.739
Batala	3.90	1,56,619	610814	1.311
Bathinda	3.25	2,85,788	928811	1.994
Hoshiarpur	6.90	1,68,653	1163706	2.498
Jalandhar	10.20	8,62,886	8801437	18.891
Kapurthala	5.20	98,916	514363	1.104
Ludhiana	11.85	16,18,879	19183716	41.175
Moga	6.25	1,50,411	940069	2.018
Mohali	19.40	1,46,213	2836532	6.088
Pathankot	6.75	1,48,937	1005325	2.158
Patiala	15.95	4,06,192	6478762	13.906
Phagwara	13.00	97,864	1272232	2.731
			46590508	100.000

1.2 Grievance-related Performance Indicator:

The performance indicator is constructed using data solely from the M-Seva platform, with the percentage of complaints resolved within the stipulated Service Level Agreement (SLA) timeframe serving as the core metric.

Although analysis initially focused on six core service categories that account for the majority of complaints, the distribution of grievances across these sectors was uneven among MCs. To ensure a fair and representative assessment, the final evaluation draws on all complaints registered on M-Seva, irrespective of category.

This approach allows for consistent measurement of municipal responsiveness and provides a more comprehensive picture of service delivery performance across jurisdictions.

Indicator:

$$GR (Base - Hi) = \frac{\text{Total complaints resolved within SLA}}{\text{Total number of complaints registered during } Hi} * 100, \dots \text{where } i = 1, 2.$$

The Design: The performance of MCs under this indicator would be evaluated twice a year (i) performance during 1 April to 30 September i.e., H_1 and (ii) performance during 1 October to 31 March i.e., H_2 . In other words, this indicator will be tracked and evaluated on a **half-yearly basis**, using real-time data available through M-Seva portal.

Thus, H_1 indicates six months period from 1st April to 30th September and H_2 indicated six months period from 1st October to 31st March.

Data source: Detailed daily data on grievances from M-Seva for all MCs

Baseline: For deriving the baseline, all the complaints received and resolved during H_1 and H_2 of the fiscal years 2023-24 and 2024-25 were combined. The ratio of complaints resolved within SLA out of the total complaints received was calculated for each of the 13 MCs. These ratios were then used to derive the range and scores to be assigned to MCs as follows:

Logic for deriving range	Score
$GR (Base - Hi) \leq \text{Min value}$	0
$\text{Min value} < GR (Base - Hi) \leq \text{Quartile 1}$	2
$\text{Quartile 1} < GR (Base - Hi) \leq \text{Median}$	7
$\text{Median} < GR (Base - Hi) \leq \text{Quartile 3}$	12
$\text{Quartile 3} < GR (Base - Hi) \leq \text{Max value}$	16
$GR (Base - Hi) > \text{Max value}$	20

Using the baseline data of the 13 MCs, the range and the scoring criterion was fixed as follows. It is proposed to fix the range for the next 2-3 years and would be reviewed and changes will be made (if needed) thereafter.

Range	Score
$GR (Base - Hi) \leq 17$	0
$17 < GR (Base - Hi) \leq 25$	2
$25 < GR (Base - Hi) \leq 43$	7
$43 < GR (Base - Hi) \leq 50$	12
$50 < GR (Base - Hi) \leq 66$	16
$GR (Base - Hi) > 66$	20

Percent of complaints resolved within SLA out of total complaints received for the baseline and during H_2 of 2024-25 is presented in table below.

Table11: Complaints resolved within SLA (%) for baseline and H₁&H₂ (2024-25)

MCs	Baseline – H ₁ &H ₂	H ₁ (2024-25)	H ₂ (2024-25)
Abohar	42.34	44.67	32.62
Amritsar	49.87	31.82	45.77
Batala	20.63	32.35	8.00
Bathinda	26.09	18.52	20.73
Hoshiarpur	43.40	42.70	43.75
Jalandar	47.08	63.79	44.34
Kapurthala	17.47	17.89	17.46
Ludhiana	57.29	77.00	54.90
Moga	50.79	56.12	61.29
Mohali	59.06	52.78	61.56
Pathankot	24.76	24.94	26.22
Patiala	32.28	52.38	45.05
Phagwara	67.13	71.62	71.80

Source: Calculations based on data obtained from M-Sewa

Based on the scoring parameter defined above, the performance scores are assigned to all the MCs for (i) baseline period, (ii) H₁ (2024-25), and (iii) H₂ (2024-25). These are presented below:

MC	S-GR (BASE)	S-GR (H ₁ - 24-25)	S-GR (H ₂ - 24-25)
Abohar	7	7	12
Amritsar	12	16	16
Batala	2	7	0
Bathinda	7	7	7
Hoshiarpur	12	12	7
Jalandhar	12	7	16
Kapurthala	0	2	0
Ludhiana	16	16	7
Moga	12	16	7
Mohali	16	16	16
Pathankot	2	2	7
Patiala	7	7	2
Phagwara	20	7	20

Share of MCs: The score received by each of the MC based on their performance with respect to this indicator would be converted into shares out of 100 using the following formula:

$$\text{Share of } MC_i = \left(\frac{\text{Score of } MC_i * 2011 \text{ Population of } MC_i}{\sum_{i=1}^{13} \text{Score of } MC_i * \text{Population of } MC_i} \right) * 100$$

Then, the share of each MC will be normalized against the share of all other MCs based on their respective population in the Census 2011. This method of standardization ensures need based grants allocation across all the MCs.

Using the above formula the share of each of the MC is derived both for baseline case as well as for H_1 and H_2 (2024-25). This is presented in table below:

Table 12: Share of each MCs on Grievance indicator for Baseline and H_1 & H_2 (2024-25)

MC	All Complaints		
	Share- Base	Share- H_1 2024-25	Share- H_2 2024-25
Abohar	1.578	1.566	3.148
Amritsar	21.086	27.888	32.713
Batala	0.486	1.687	0.000
Bathinda	3.104	3.079	3.612
Hoshiarpur	3.141	3.115	2.132
Jalandar	16.068	9.297	24.927
Kapurthala	0.000	0.305	0.000
Ludhiana	40.194	39.869	20.460
Moga	2.801	3.704	1.901
Mohali	3.630	3.601	4.224
Pathankot	0.462	0.458	1.882
Patiala	4.412	4.377	1.467
Phagwara	3.037	1.054	3.534
13 MCs	100.000	100.000	100.000

1.3 Disclosure (Accountability & Transparency related Performance) Indicators

This indicator has been structured to assess the timely publication of key financial and operational documents by Municipal Corporations (MCs) on their official websites. The assessment framework is aligned with the **bi-annual review cycles** of the PBGS and is designed to **promote consistent and verifiable disclosure practices** across all participating MCs.

Scoring Criteria: To enable objective evaluation, a **binary scoring approach** has been adopted. Each required disclosure will be assessed on a **yes/no basis**—if the document is publicly available on the MC's website by the stipulated deadline, full score for that disclosure is awarded; if not, the score is zero. This straightforward system incentivizes **timely compliance** while maintaining clarity in evaluation.

For the **first half** of the fiscal year (H_1), there are **four mandatory disclosures**, each carrying a weight of 5 points, leading to a maximum possible score of 20. In the **second half** (H_2), **two**

disclosures are required, with the same weightage per document, resulting in a maximum score of 10.

In the first year of assessment of MC performance under this indicator (i.e., end of H_1 of FY2025–26), all MCs must publish by 15th January 2026 the following documents on their websites:

- **Audited financial statements** for FY **2023-24** (i.e., year T-2)
- **Unaudited financial statements** for FY **2024-25** (i.e., year T-1)
- **Approved budget** for FY **2025-26** (i.e., year T)
- **Details of Liabilities** for FY **2024-25** (i.e., year T-1)

By **31st March 2026** (i.e., end of H_2 of FY 2025–26), all MCs must publish the following documents on their websites:

- **Audited financial statements** for FY **2024-25** (i.e., year T-1)
- Citizen Charter

In the next cycle (i.e., assessment for the fiscal year 2026-27), by **30th September 2026** (end of H_1 of FY 2026-27), MCs will be required to upload:

- **Unaudited financial statements** for FY **2025-26** (i.e., year T-1)
- **Audited financial statements** for FY **2025-26** (i.e., year T-1)
- **Approved budget** for FY **2026-27** (i.e., year T)
- **Details of Liabilities** for FY **2025-26** (i.e., year T-1)

Similar pattern would apply to forthcoming years.

Assuming all MCs upload all the documents within the stipulated time frame both in H_1 and H_2 , the scores obtained by them are presented in the table below:

Table 13: Score under Disclosure indicator

MCs	H_1 score ($D_{H_1}^i$)	H_2 score ($D_{H_2}^i$)
Abohar	5+5+5+5=20	5+5=10
Amritsar	5+5+5+5=20	5+5=10
Batala	5+5+5+5=20	5+5=10
Bathinda	5+5+5+5=20	5+5=10
Hoshiarpur	5+5+5+5=20	5+5=10
Jalandhar	5+5+5+5=20	5+5=10
Kapurthala	5+5+5+5=20	5+5=10
Ludhiana	5+5+5+5=20	5+5=10
Moga	5+5+5+5=20	5+5=10
Mohali	5+5+5+5=20	5+5=10

MCs	H ₁ score ($D_{H_1}^i$)	H ₂ score ($D_{H_2}^i$)
Pathankot	5+5+5+5=20	5+5=10
Patiala	5+5+5+5=20	5+5=10
Phagwara	5+5+5+5=20	5+5=10

Share Calculation: Based on the overall score of a municipal corporation j , its share in the grant received can be calculated using the following formula

$$Share^j = \left(\frac{D_{H_x}^j \times P^j}{\sum_{i=1}^{13} (D_{H_x}^i \times P^i)} \right) \times 100$$

Where $D_{H_x}^i$ = overall score of corporation i in H_x , $x \in \{1,2\}$

P^i = population of corporation i as per 2011 census

Given that the number of disclosures differ between H_1 and H_2 , the grant shares for each cycle are computed separately. As illustrated above, all MCs are assumed to have achieved full compliance with disclosure requirements within the respective deadlines—15th January 2026 for H_1 and 31st March 2026 for H_2 .

Accordingly, the share of each MC in the overall disclosure-based performance grant is calculated independently for H_1 and H_2 , based on the formula presented above. The tables below present MC-wise grant shares under two scenarios:

1.3.1 H₁ Disclosure Grant Share

This scenario assumes that all MCs have published the four mandated disclosures by the end of H_1 . The grant shares are computed using H_1 scores and 2011 Census population data.

Table 14: Baseline share of MCs in H_1 under Disclosure indicator (%)

MCs	$D_{H_1}^i$	P^i	$D_{H_1}^i \times P^i$	$Share^i$ (%)
Abohar	20	1,45,302	2906040	2.681
Amritsar	20	11,32,383	22647660	20.896
Batala	20	1,56,619	3132380	2.890
Bathinda	20	2,85,788	5715760	5.274
Hoshiarpur	20	1,68,653	3373060	3.112
Jalandhar	20	8,62,886	17257720	15.923
Kapurthala	20	98,916	1978320	1.825
Ludhiana	20	16,18,879	32377580	29.874

MCs	$D_{H_1}^i$	P^i	$D_{H_1}^i \times P^i$	$Share^i$ (%)
Moga	20	1,50,411	3008220	2.776
Mohali	20	1,46,213	2924260	2.698
Pathankot	20	1,48,937	2978740	2.748
Patiala	20	4,06,192	8123840	7.496
Phagwara	20	97,864	1957280	1.806
			108380860	100.000

1.3.2 H2 Disclosure Grant Share

This scenario assumes that all MCs have published the two mandated disclosures by the end of H_2 . The grant shares are computed using H_2 scores and 2011 Census population data.

Table 15: Baseline share of MCs in H_2 under Disclosure indicator (%)

MCs	$D_{H_2}^i$	P^i	$D_{H_2}^i \times P^i$	$Share^i$ (%)
Abohar	10	1,45,302	1453020	2.681
Amritsar	10	11,32,383	11323830	20.896
Batala	10	1,56,619	1566190	2.890
Bathinda	10	2,85,788	2857880	5.274
Hoshiarpur	10	1,68,653	1686530	3.112
Jalandhar	10	8,62,886	8628860	15.923
Kapurthala	10	98,916	989160	1.825
Ludhiana	10	16,18,879	16188790	29.874
Moga	10	1,50,411	1504110	2.776
Mohali	10	1,46,213	1462130	2.698
Pathankot	10	1,48,937	1489370	2.748
Patiala	10	4,06,192	4061920	7.496
Phagwara	10	97,864	978640	1.806
			54190430	100.000

2. Aggregate Shares of MCs (aggregate of all indicators)

Having derived the shares of individual MCs for each of the three set of performance indicators namely, financial, grievance and disclosure, the performance-based shares of MCs that will determine their allocation of grants under the PBGS is calculated. It is important to note that the indicator weights vary across the two review cycles:

In H_1 (first half of the fiscal year), Financial indicators are not assessed, as they rely on financial statements that are available only at the end of a fiscal year. Hence, Grievance Redressal and Disclosure indicators are each assigned equal weight (50 percent each) for H_1 .

In H_2 (second half of the fiscal year), all three indicators are assessed. The indicator weights for this period are distributed as follows: Financial Performance carries the highest weight at 75 percent; Grievance Redressal accounts for 10 percent; and the Disclosure indicator is assigned a weight of 15 percent.

Accordingly, the share of each MC is calculated separately for H_1 and H_2 , based on the applicable weights and performance under each indicator.

2.1 H_1 Aggregate Grant Share Calculation

In this scenario, the overall share of each MC is calculated based on performance during the H_1 cycle only. Since financial indicators are not included in H_1 , the overall share is derived using only the Grievance Redressal and Disclosure indicators, weighted equally at 50 percent each.

The share of a municipal corporation j , ($S_{overall}^j$) will be derived as

$$S_{overall}^j = \left(\frac{Share\ grievance^j \times Weight^{Gr} + Share\ disclosure^j \times Weight^{Disc}}{Weight^{Gr} + Weight^{Disc}} \right) \times 100$$

Where, $Share\ grievance^j$ = Share of MC j in grievance indicator

$Share\ disclosure^j$ = Share of MC j in disclosure indicator

$Weight^{Gr}$ and $Weight^{Disc}$ = weights assigned to the grievance and disclosure indicators respectively, which are set at 50 percent each for the H_1 cycle.

Based on the formula and weight distribution described above, the calculated overall share for each MC in the H_1 cycle is presented in the table below for the baseline scenario.

Table 16: Share of MCs (%) – Baseline Scenario (H_1 Cycle)

Weights	50.00	50.00	100.00
MC	GR Share-H_{1-B}	Disc Share-H_{1-B}	Overall Share
Abohar	1.578	2.681	2.130
Amritsar	21.086	20.896	20.991
Batala	0.486	2.890	1.688
Bathinda	3.104	5.274	4.189

Weights	50.00	50.00	100.00
MC	GR Share-H_{1-B}	Disc Share-H_{1-B}	Overall Share
Hoshiarpur	3.141	3.112	3.126
Jalandhar	16.068	15.923	15.996
Kapurthala	0.000	1.825	0.913
Ludhiana	40.194	29.874	35.034
Moga	2.801	2.776	2.788
Mohali	3.630	2.698	3.164
Pathankot	0.462	2.748	1.605
Patiala	4.412	7.496	5.954
Phagwara	3.037	1.806	2.422

To understand their performance, a similar exercise for deriving shares of MCs for the H₁ cycle in the fiscal year 2024-25 is undertaken for the sake of illustration (see table below)

Table 17: Share of MCs (%) – H₁ Cycle (FY 2024-25)

Weights	50.00	50.00	100.00
MC	GR Share-H₁	Disc Share-H₁	Overall Share
Abohar	3.148	2.681	2.915
Amritsar	32.713	20.896	26.805
Batala	0.000	2.890	1.445
Bathinda	3.612	5.274	4.443
Hoshiarpur	2.132	3.112	2.622
Jalandhar	24.927	15.923	20.425
Kapurthala	0.000	1.825	0.913
Ludhiana	20.460	29.874	25.167
Moga	1.901	2.776	2.338
Mohali	4.224	2.698	3.461
Pathankot	1.882	2.748	2.315
Patiala	1.467	7.496	4.481
Phagwara	3.534	1.806	2.670

2.2 H₂ Aggregate Grant Share Calculation

In this scenario, the overall share of each MC is computed based on its performance during the H₂ cycle. As audited financial data and full-year indicators are available in this period, all three performance dimensions—Financial Performance, Grievance Redressal, and Disclosure—are included in the calculation. The Financial Performance indicator is assigned a weight of 75 percent, while the Grievance Redressal and Disclosure indicators carry weights of 10 percent and 15 percent respectively.

The share of a municipal corporation j , ($S_{overall}^j$) will be derived as

$$S_{overall}^j = \left(\frac{Share\ Financial\ performance^j \times Weight^{FI} + Share\ grievance^j \times Weight^{Gr} + Share\ disclosure^j \times Weight^{Disc}}{Weight^{FI} + Weight^{Gr} + Weight^{Disc}} \right) \times 100$$

Where, $Share\ Financial\ performance^j$ = Share of MC j in financial performance indicator

$Share\ grievance^j$ = Share of MC j in grievance indicator

$Share\ disclosure^j$ = Share of MC j in disclosure indicator

$Weight^{FI}$, $Weight^{Gr}$, $Weight^{Disc}$ = weights assigned to the financial, grievance and disclosure indicators respectively

Shares of individual MCs for the baseline scenario assuming a weight of 75 percent for financial performance indicator, 10 percent for grievance indicator and 15 percent for disclosure indicator is shown in table below. The grants to MCs would be distributed based on their total share.

Table 18: Share of MCs (%) – Baseline Scenario (H₂ cycle)

Weights	75.00	10.00	15.00	100.00
MC	FI Share	GR Share-H2	Disc Share-H2	Overall Share
Abohar	3.543	1.578	2.681	3.217
Amritsar	15.015	21.086	20.896	16.504
Batala	3.969	0.486	2.890	3.459
Bathinda	4.431	3.104	5.274	4.425
Hoshiarpur	3.751	3.141	3.112	3.594
Jalandhar	10.427	16.068	15.923	11.815
Kapurthala	2.412	0.000	1.825	2.083
Ludhiana	32.718	40.194	29.874	33.039
Moga	1.496	2.801	2.776	1.818
Mohali	5.050	3.630	2.698	4.555
Pathankot	2.707	0.462	2.748	2.489
Patiala	12.075	4.412	7.496	10.622
Phagwara	2.407	3.037	1.806	2.380

A similar exercise for deriving shares of MCs for the fiscal year 2024-25 is undertaken for the sake of illustration. (see table below).

Table 19: Share of MCs (%) – H₂ Cycle (FY 2024-25)

Weights	75.00	10.00	15.00	100.00
MC	FI Share-H2	GR Share-H2	Disc Share-H2	Overall Share
Abohar	1.388	3.148	2.681	1.758

Weights	75.00	10.00	15.00	100.00
MC	FI Share-H2	GR Share-H2	Disc Share-H2	Overall Share
Amritsar	4.739	32.713	20.896	9.960
Batala	1.311	0.000	2.890	1.417
Bathinda	1.994	3.612	5.274	2.647
Hoshiarpur	2.498	2.132	3.112	2.553
Jalandhar	18.891	24.927	15.923	19.050
Kapurthala	1.104	0.000	1.825	1.102
Ludhiana	41.175	20.460	29.874	37.408
Moga	2.018	1.901	2.776	2.120
Mohali	6.088	4.224	2.698	5.393
Pathankot	2.158	1.882	2.748	2.219
Patiala	13.906	1.467	7.496	11.700
Phagwara	2.731	3.534	1.806	2.672

Note: The amount of grant mentioned here is tentative and is for the sake of illustration – the same is subject to change.

We assume that the proposed quantum of performance grant is for the first year is approximately Rs.129 crore of which around Rs.25.8 crore is for H₁ and Rs.103.20 crore is for H₂.

The distribution of the amount earmarked for H₁ across different MCs based on their shares in the baseline scenario and 2024-25 scenario is presented in table below for the sake of illustration, along with the per capita performance grants received by individual MCs.

Table 20: Distribution of Performance Grants (H₁) – Baseline and 2024-25 scenario

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)
	Baseline Scenario			2024-25 Scenario		
Abohar	2.130	5,494,938	31.15	1.758	7,520,019	41.37
Amritsar	20.991	54,157,611	39.39	9.960	69,155,642	48.82
Batala	1.688	4,355,338	22.90	1.417	3,728,306	19.03
Bathinda	4.189	10,807,748	31.15	2.647	11,462,612	32.06
Hoshiarpur	3.126	8,066,037	39.39	2.553	6,764,469	32.06
Jalandhar	15.996	41,268,585	39.39	19.050	52,697,220	48.82
Kapurthala	0.913	2,354,690	19.61	1.102	2,354,690	19.03
Ludhiana	35.034	90,387,402	45.99	37.408	64,931,287	32.06
Moga	2.788	7,193,591	39.39	2.120	6,032,804	32.06
Mohali	3.164	8,163,558	45.99	5.393	8,929,359	48.82
Pathankot	1.605	4,141,713	21.25	2.219	5,973,684	29.75
Patiala	5.954	15,361,109	31.15	11.700	11,561,518	22.75

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)
	Baseline Scenario			2024-25 Scenario		
Phagwara	2.422	6,247,679	43.62	2.672	6,888,391	46.68
All MCs	100.000	258,000,000	--	100.000	258,000,000	--

Similarly, the distribution of the amount earmarked for H₂ across different MCs based on their shares in the baseline scenario and 2024-25 scenario for the sake of illustration is presented in table below. The table also presents the per capita performance grants received by individual MCs and as a comparator their average per capita property tax collection during 2021-22 to 2023-24.

Table 21: Distribution of Performance Grants (H₂) – Baseline and 2024-25 scenario

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)	Per capita property tax – Avg of 2021-24 (Rs)
	Baseline Scenario			2024-25 Scenario			
Abohar	3.217	3,31,98,736	188.18	1.758	1,81,41,329	99.80	152.05
Amritsar	16.504	17,03,24,026	123.88	9.960	10,27,90,597	72.56	237.46
Batala	3.459	3,56,97,028	187.72	1.417	1,46,21,316	74.62	135.44
Bathinda	4.425	4,56,64,825	131.60	2.647	2,73,21,532	76.42	416.81
Hoshiarpur	3.594	3,70,92,689	181.14	2.553	2,63,49,925	124.89	276.38
Jalandhar	11.815	12,19,32,556	116.38	19.050	19,65,90,900	182.11	355.29
Kapurthala	2.083	2,14,91,577	178.95	1.102	1,13,70,654	91.89	312.95
Ludhiana	33.039	34,09,60,530	173.47	37.408	38,60,55,693	190.62	599.12
Moga	1.818	1,87,64,489	102.75	2.120	2,18,75,652	116.25	226.25
Mohali	4.555	4,70,10,522	264.81	5.393	5,56,58,539	304.28	1721.60
Pathankot	2.489	2,56,87,151	131.81	2.219	2,28,98,407	114.03	154.54
Patiala	10.622	10,96,16,442	222.26	11.700	12,07,47,517	237.61	384.51
Phagwara	2.380	2,45,59,429	171.47	2.672	2,75,77,940	186.87	311.40
All MCs	100.000	1,03,20,00,000	--	100.000	1,03,20,00,000	--	--

3. Capacity tiers

The MCs have been divided into 2 categories based on their 2011 census population (i) Category A: MCs having population less than 6,00,000; (ii) Category B: MCs having population greater than 6,00,000. Three large MCs namely, Ludhiana, Amritsar and Jalandhar fall under Category B while the remaining 10 relatively smaller MCs comprise Category A.

The total grant is to be apportioned between the two categories of MCs in the ratio of 50:50. In other words, 50 percent of the grants is for MCs in Category A and the other 50 percent is for MCs in Category B. The following table lists the distribution of MCs into different categories.

Table 22: Distribution of MCs by capacity tier

Range	Population	MC
Category A (<= 6,00,000) - 50% share of the total grant		
	97,864	Phagwara
	98,916	Kapurthala
	1,45,302	Abohar
	1,46,213	Mohali
	1,48,937	Pathankot
	1,50,411	Moga
	1,56,619	Batala
	1,68,653	Hoshiarpur
	2,85,788	Bhatinda
	4,06,192	Patiala
Category B (> 6,00,000) - 50% share of the total grant		
	8,62,886	Jalandhar
	11,32,383	Amritsar
	16,18,879	Ludhiana

Incorporating the capacity tier classification and the prescribed sharing mechanism, the distribution of the proposed performance grants for both H_1 and H_2 is presented below. The final grant shares reflect the revised performance-based allocations of each MC, adjusted to account for the capacity tier categorisation, which ensures equitable distribution across varying institutional capabilities.

3.1 H_1 Aggregate Grant Share Calculation (with capacity tier)

For H_1 , a total of Rs 25.80 crore has been earmarked. The table below presents the adjusted shares of MCs, after incorporating the capacity tier classification along with the corresponding allocation of H_1 performance grants under the baseline scenario.

Table 23: Distribution of Performance Grants (H_1) – Baseline and 2024-25 scenario

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)	Per capita property tax – Avg of 2021-24 (Rs)
	Baseline Scenario			2024-25 Scenario			
Abohar	3.806	9,819,675	55.66	5.280	13,621,720	74.94	152.05
Amritsar	14.573	37,598,604	27.35	18.512	47,761,429	33.71	237.46
Batala	3.017	7,783,164	40.93	2.618	6,753,433	34.47	135.44
Bathinda	7.486	19,313,879	55.66	8.048	20,763,313	58.07	416.81
Hoshiarpur	5.587	14,414,333	70.39	4.749	12,253,121	58.07	276.38
Jalandhar	11.105	28,650,473	27.35	14.106	36,394,637	33.71	355.29
Kapurthala	1.631	4,207,925	35.04	1.653	4,265,272	34.47	312.95
Ludhiana	24.322	62,750,923	31.92	17.381	44,843,934	22.14	599.12
Moga	4.983	12,855,237	70.39	4.236	10,927,788	58.07	226.25

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)	Per capita property tax – Avg of 2021-24 (Rs)
	Baseline Scenario			2024-25 Scenario			
Mohali	5.654	14,588,607	82.18	6.269	16,174,591	88.42	1721.60
Pathankot	2.869	7,401,408	37.98	4.194	10,820,698	53.89	154.54
Patiala	10.640	27,450,919	55.66	8.117	20,942,470	41.21	384.51
Phagwara	4.327	11,164,854	77.95	4.836	12,477,593	84.55	311.40
	100.000	258,000,000		100.000	258,000,000		

3.2 H₂ Aggregate Grant Share Calculation (with capacity tier)-

Similarly, for H₂, incorporating the capacity tier classification and the corresponding sharing mechanism, the revised shares of MCs along with the distribution of the proposed Rs 103.20 crore performance grant earmarked for this cycle are presented in the table below. The distribution is based on each MC's adjusted performance shares under both the baseline scenario and the FY 2024–25 performance scenario.

Table 24: Distribution of Performance Grants (H₂) – Baseline and 2024-25 scenario

MC	Baseline Shares	total grant (Rs)	Per capita grant (Rs)	2024-25 shares	total grant (Rs)	Per capita grant (Rs)	Per capita property tax – Avg of 2021-24 (Rs)
	Baseline Scenario			2024-25 Scenario			
Abohar	4.163	4,29,57,078	243.49	2.617	2,70,10,763	148.59	152.05
Amritsar	13.449	13,87,94,729	100.95	7.498	7,73,81,194	54.62	237.46
Batala	4.476	4,61,89,711	242.90	2.109	2,17,69,788	111.11	135.44
Bathinda	5.726	5,90,87,414	170.28	3.942	4,06,79,237	113.78	416.81
Hoshiarpur	4.651	4,79,95,609	234.39	3.802	3,92,32,604	185.94	276.38
Jalandhar	9.628	9,93,61,179	94.84	14.341	14,79,94,456	137.09	355.29
Kapurthala	2.695	2,78,08,751	231.55	1.640	1,69,29,853	136.81	312.95
Ludhiana	26.923	27,78,44,092	141.35	28.161	29,06,24,350	143.50	599.12
Moga	2.353	2,42,80,069	132.95	3.156	3,25,70,824	173.09	226.25
Mohali	5.894	6,08,28,662	342.65	8.030	8,28,70,422	453.04	1721.60
Pathankot	3.221	3,32,37,560	170.55	3.304	3,40,93,612	169.79	154.54
Patiala	13.744	14,18,36,788	287.59	17.421	17,97,81,895	353.79	384.51
Phagwara	3.079	3,17,78,358	221.87	3.979	4,10,61,004	278.23	311.40
	100.000	1,03,20,00,000		100.000	1,03,20,00,000		

For the purpose of assessing performance grants in the second year (FY 2026–27), the PBGS design will be revisited, with the possible inclusion of additional performance indicators.

4. Non-Financial Incentives and Recognition Framework

In addition to financial grants, the PBGS incorporates a complementary system of non-financial incentives aimed at recognizing and encouraging exemplary performance by MCs.

These incentives are intended not only to reward results but also to reinforce behavioural change, promote innovation, and strengthen accountability and transparency in urban governance.

Non-financial incentives under PBGS may take the form of certifications, public recognition, and sector-specific or overall performance badges. These measures are designed to highlight best practices, motivate peer learning, and increase visibility of high-performing MCs and their leadership. State-level recognition for Mayors or senior municipal officials may also be considered in select cases.

Performance will be assessed across several parameters. These include the availability of user-friendly municipal websites, successful acquisition of Good Financial Conduct (GFC) certifications, and the implementation of awareness campaigns promoting mSeva as the primary grievance redressal platform. Additionally, timely publication of proceedings from municipal council meetings and the public disclosure of council resolutions and decisions on official MC websites will serve as indicators of transparency and democratic accountability.

A tiered recognition framework is envisaged. Municipal Corporations demonstrating consistent, cross-cutting excellence may be eligible for the “*Shresth Nagar*” award (Gold Badge), conferred upon the highest-performing MC across all reform indicators. Silver and Bronze badges may be awarded to the next two best-performing MCs. Sector-specific achievements will also be acknowledged. For instance, exceptional progress in GIS mapping and integration with municipal property databases may be recognised through the “*GIS Mapped City*” or *Nakshe Wala Nagar* award. Similarly, the “*Nagar Sushaasan*” award for service delivery excellence will highlight performance in citizen-facing services delivered through the mSeva platform, such as new water and sewerage connections, trade license and fire NOC issuance, and building plan approvals—based on compliance with defined service level agreements.

Additional awards may include the “*Revenue Star*” for the highest growth in own-source revenue (including property tax and other local taxes or charges), and the “High-Improvement Performer” award for MCs that demonstrate significant year-on-year progress in any one reform area.

It is proposed that a portion of the financial incentive pool—such as Rs 2 to Rs 5 lakh per sectoral badge, from a total corpus of Rs 10 crore—be allocated towards these non-financial awards. The incentives may be granted either to the Municipal Corporation or to the specific departmental teams responsible for the reform achievements.

Utilization of the Performance Grants

While the performance grants are designed to be untied with flexibility on use there is explicit negative list on which the performance grants will not be utilized by the Municipal Corporations. These are listed below:

Negative list for utilization of performance grants

- Purchase of Vehicles
- No payment of salaries/ Arrears/ Pensions except ICCC & GIS PIU salaries, staff engaged for institutional strengthening and selected critical service delivery improvements.
- Electricity arrears
- Upkeep of offices, including purchase of goods and services, including furniture for administrative offices.
- Political Campaigns or Activities
- Non-approved Infrastructure Projects
- Purchase of Goods or Services including furniture
- Non-compliance with Government Regulations
- Unapproved Travel or Conferences of Municipal Employees
- Legal or Litigation Costs

Indicative Positive list for utilization of performance grants

The Municipal Corporations are encouraged to use the untied performance grants for development activities, including and some of the indicative activities as listed below. In doing so compliance with the administrative approval process and procurement rules of the Government of Punjab must be adhered to by the Municipal Corporation.

- Storm Water Management
- Water Bodies Rejuvenation
- Groundwater Recharge
- ICCC PIU - Salaries
- GIS for Property Tax - Implementation, PIU Salary
- O&M Expenses of STPs /WTPs /Sewerage -Desilting, Installation of Storm Drainage
- O&M Expenses of Solid Waste Management Projects

- Capital Cost under SBM-2 for ULBs
- Repayment of infrastructure loan
- Institutional strengthening (e-governance, asset management, IFMS)
- Revenue Enhancement (tax collection, data cleaning, surveys, associated outreach and awareness campaigns)
- Service delivery improvement (smart metering, GIS mapping)

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