

MOBILIZATION OF FINANCE

12.1 Financial Analysis

Detailed account of and an analysis of the financial position of Municipal Corporation of Kochi and all other local bodies under the CDP were carried out in the chapter ‘Municipal Finances’. The sources of revenue of the local bodies are,

- Own source revenue which includes taxes, duties, cess and surcharge, fees from licenses and permissions, income from municipal properties, and income from other miscellaneous items;
- Share of the taxes levied by the Government and transferred to the Local Bodies.
- Grants to the Local Bodies from the Government for the implementation of schemes, projects and plans formulated by them, under non-plan scheme.
- Grants realized to the local bodies by the Government for implementation of schemes, projects and plans assigned or entrusted to the local bodies under the KM Act 1994; and K.P.R Act 1994
- Money raised through donations and contributions from the public and non-governmental agencies.

The Total receipts and expenditure of all the local bodies that come under the CDP for the past three financial years are given below.

Table 13.1 Receipts and Expenditure of Local bodies

Sl.No.	Name of Local Body	2003-04		2004-05		2005-06	
		Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
01.	Corporation of Cochin	13230.60	10647.10	12585.90	8183.00	14895.30	9347.70
02.	Thripunithura Municipality	661.00	572.60	762.30	449.30	1190.20	780.30
03.	Kalamassery Minicipality	285.10	204.40	596.90	218.40	906.40	260.10
04.	Elamkunnappuzha Panchayat	83.40	46.60	166.50	160.00	93.40	89.40
05.	Njarakkal Panchayat	22.90	21.10	23.50	20.40	26.10	22.10
06.	Mulavukadu Panchayat	96.00	100.00	108.80	84.50	128.40	116.30
07.	Kadamakkudy Panchayat	19.40	17.20	21.80	23.40	25.60	22.10
08.	Cheranalloor Panchayat	53.40	39.80	24.60	42.20	35.50	51.90
09.	Eloor Panchayat	177.90	179.80	186.30	212.10	198.80	281.10
10.	Varappuzha Panchayat	26.50	26.40	33.40	26.70	44.30	38.50
11.	Thrikkakkara Panchayat	137.40	116.10	116.40	78.10	150.00	100.80
12.	Thiruvankulam Panchayat	154.50	212.20	152.20	86.80	140.40	96.20
13.	Maradu Panchayat	158.40	18.10	203.70	24.30	260.60	27.60
14.	Kumbalam Panchayat	25.60	20.20	30.30	21.60	40.50	30.20
15.	Chellanam Panchayat	32.70	30.10	52.40	34.40	82.80	40.20
16	Kumbalangi Panchayat	44.00	38.10	138.20	113.60	159.30	142.20
	Total	15208.8	12289.8	15203.2	9778.8	18377.6	11446.7

The revenue structure is dominated by tax, which constitutes 67% of the total revenue. Non-tax revenue comes to 16% and the grants constitute 17% of the total revenue. The own stream of revenue of all the local bodies are dominated by property tax, which is assessed, collected and retained by the respective LBs.

The per capita total receipt of KMC in 2005-06 was Rs.2467, while per capita receipt from revenue was Rs.1172. Per capita tax revenue stood at Rs.Rs.1653.

For the annual financial year (2006-07) the plan allocation for Kochi Municipal Corporation is Rs.1908.20 lakhs. An amount of Rs.13 Lakhs is fixed as contribution from the beneficiaries, who are entitled for individual finance support for self-employment and housing. The KMC also earmarked 13 lakhs for the same purpose. Out of the above plan allocation an amount of Rs.27.50 lakhs is exclusively earmarked for the development projects for S/C. and S/T. community

There is scope for increase in the revenues by scientifically revising the tax structure. There is need for assessing the debt service capacity of the local bodies. The analysis has revealed that there is scope for finding matching funds for the projects envisaged. It is also evident that the expenditure can be curtailed by strict financial discipline. The trend analysis shows that there is need to balance income and expenditure to generate surplus funds.

12.2 Funds needed for Projects Under CDP

Year wise expenditure needed to implement the projects envisaged in the CDP are consolidated in the table below.

Table No.12.2 Proposed Year wise expenditure

Investment Sector	Year							Total
	05-06	06-07	07-08	08-09	09-10	10-11	11-12	
Water Supply								
Water Supply	0.00	1.63	84.01	210.12	216.89	332.06	327.59	1172.30
Desalination	0.00	6.50	23.50	0.00	0.00	0.00	0.00	30.00
Special Water supply Eloor & Kalamaserry	0.00	1.00	2.00	2.00	5.00	1.20	0.00	11.20
Rain Water Harvesting	0.00	0.84	2.36	0.00	0.00	0.00	0.00	3.20
Sewerage	0.00	18.25	223.25	562.80	1102.75	315.00	406.95	2629.00
Solid Waste Management	0.00	40.41	45.57	27.79	14.71	11.96	11.96	152.40
Traffic & Transportation	0.00	692.00	1041.00	1093.00	847.00	519.00	60.00	4252.00
Basic Service to the Urban Poor	0.00	206.15	184.93	183.73	142.13	92.13	75.93	885.00
Heritage	0.00	11.42	11.42	15.22	19.01	11.42	7.61	76.10
Environmental Protection	0.00	7.05	64.80	64.01	63.90	48.70	42.45	291.00
Tourism	0.00	42.20	51.20	66.60	67.00	36.20	21.55	284.75

Urban Renewal & Social Amenities	0.00	31.10	64.20	65.20	51.00	40.00	8.00	259.50
Drainage	0.00	142.85	183.40	208.15	166.60	128.50	72.50	902.00
Spatial Growth & Land utilization	0.00	11.50	10.00	4.50	3.50	0.50	0.00	30.00
O & M – Institutional strengthening	0.00	2.00	0.60	0.60	0.60	0.60	0.60	5.00
Total	0.00	1214.90	1992.24	2503.81	2700.09	1537.27	1035.14	10983.45

Many of these projects have a spatial spread over parts/full of all the local bodies included in the CDP and for the implementation of works in an LB, the completion of works in many others will be a precondition (e.g.: water supply, distribution lines). Hence no attempt is made here to apportion the costs among the various LBs. However, an idea of the investments needed in the LBs can be obtained from the chapters on the respective sectors. Exact figures for each Grama Panchayat/ Municipality/ Corporation will be worked out in the Detailed Project Reports.

12.3 Investment sustenance

From the investment plan, it is clear that during the plan period ie, up to 2011-12, the constituent local bodies together will have to mobilize funds to the tune of 30% of Rs.10983.45 crores, which comes to Rs.3295.035 crores, which is much above their own resources as on today. In order to realize the visions of the CDP, concrete efforts are to be taken to improve the own sources.

On the basis of a study of the ‘Strength, Weakness, Opportunities and Threats’ of the local bodies, the following assumptions are arrived at regarding the future financial scenario.

Assumptions relating to Property tax

- 1) The number of taxable properties will increase by 1.0% annually
- 2) In FY 2006-07 and every years thereafter, property survey will be undertaken resulting in an increase in number of properties by 5% for those years
- 3) Revision of Annual Rental Value (ARV), which has been long overdue as mandated by law, will increase ARV by 60% to take effect in FY 2007-08
- 4) The revision of ARV every 4 years in accordance with the law will be implemented and ARV will get increased by at least 20%
- 5) Overall collection efficiency at about 80% will be achieved gradually with improved systems and procedures by FY 2007-08 and sustained over the forecast period

Other Own Source Income

Profession tax, entertainment tax, other municipal taxes, receipts from Municipal properties, license fees and other miscellaneous own source income are projected to increase equivalent to the assumed inflation rate of 6% over the forecast period.

In addition to this, non-conventional sources of revenue like vacant land tax, street tax, front footage levy and betterment levy are to be imposed.

State Government Revenue Transfers

Assigned and shared taxes and grants-in-aid are estimated to increase at 6% over the forecast period.

Revenue Expenditures

Projected salaries, establishment costs, operation and maintenance costs of existing Municipal services and facilities are based on actual and budgeted financial data. These existing costs are estimated to increase equivalent to the assumed inflation rate of 6% over the forecast period. The operation and

maintenance costs for the new works are based on engineering estimates. Operation and maintenance unit costs for the new works are estimated to increase equivalent to the assumed inflation rate of 6% over the forecast period.

12.4 Alternate Sources

Even with all the above improvement measures, the LBs will not be able to mobilize funds towards 30% of the project costs from own resources. Hence, alternate sources of finance will have to be identified. The following options either single or in combination, will be adopted based on the merits of individual projects.

Raising Municipal Infrastructure Bonds, City Development Bond, Loan from financial institutions like HUDCO, KUDFC, GoK, ADB and ILFS and resorting to PPP on a sustainable level will have to be adopted based on the merits of each project.

Conclusion:

The projects envisaged in the CDP are the result of detailed discussions of aspirations at stakeholders' level, technical and financial viability evaluation by experts and acceptance by people's representatives. There is gap between the funds required and available. But projects like these should not be held up due to lack of finance. These projects for the development of basic infrastructure are to lay the ground for a sustainable development of the city. The return there of are not always tangible. The social aspects are to be given due weightage. Firm determination and strict discipline adhering to the institutional reforms are needed to achieve the vision. Strengthening the financial base of the local bodies and resorting to the alternate sources of finance mentioned above wherever necessary are tools to realize the projects of this City Development Plan for Kochi.