

## **CHAPTER III**

### **EFFICACY IN DEVOLUTION OF FUNCTIONS**

In accordance with Article 243W of 74<sup>th</sup> CAA, Section 30 (3) of Kerala Municipality Act envisages that the Government shall transfer all institutions, schemes, buildings, other properties, assets and liabilities connected with the matters mentioned in the First Schedule, to the Municipalities concerned. Further, under section 30(4), the Central and State Plan allocations and the annual budget allocation in respect of the subjects transferred to the Municipalities by the Government shall be wholly allotted to the respective Municipalities.

Audit analysed the effectiveness of devolution of specific functions stated to have been devolved, by reviewing the roles performed by the test-checked ULBs in the overall implementation of the function. Water Supply, Water Charges, Solid Waste Management, Public Health and Sanitation and Property Tax were the functions selected to assess the efficacy of devolution.

#### **3.1 Water Supply**

The Kerala Water Supply and Sewerage Act, 1986 which came into force on 01 March 1984, transferred all existing water supply and sewerage services, sewerage works and sewage farms to Kerala Water Authority (KWA), an autonomous authority for providing water supply and undertaking sewerage related functions in the State. It also stipulated that all assets and liabilities of ULBs relating to water supply were to be transferred to KWA. The KWA was to implement water supply schemes, plan for extension, execute Operation and Maintenance and collect water charges from consumers. The KM Act, 1994 included provisions envisaging the re-transfer of assets, water supply services etc., to the Municipalities keeping in view the goal of empowering the local government institutions. However, audit scrutiny in test-checked ULBs revealed that these provisions have not been adhered to at ground level, as discussed in the following paragraphs.

##### **3.1.1 Deviation from constitutional provisions of devolution**

Audit observed the following deviations from the principles of devolution enacted by 74<sup>th</sup> CAA, in execution of the function of water supply in test-checked ULBs:

- Section 315 of KM Act provides that Government, from the date specified by notification in the Gazette, transfer all assets, water supply and sewerage service, execution of works, conduct of water supply, distribution, fixing water charge, collection, etc., to the Municipality. However, Local Self Government Department, GoK confirmed to Audit (January 2021) that such a notification has not been issued by Government. Consequently, the assets, liabilities, etc., with regard to water supply and sewerage services continue to be vested in the parastatal, KWA. Unless Government, by notification, transfers the assets, liabilities and all duties related to Water Supply to the ULBs, the State cannot claim to have initiated the devolution of even basic core

functions to Local Governments, in compliance with the provisions of KM Act.

- The ULBs identify their specific needs and formulate annual plan projects for distribution pipelines, which are approved by DPC. The ULBs take up extension of distribution pipeline by arranging deposit works with KWA, but the assets thus created with Municipal fund are owned by KWA and not transferred to the ULBs. Pipelines laid with ULB funds thereafter became assets of KWA and Operation and Maintenance of water supply schemes remained to be the responsibility of KWA. Audit observed that despite the test-checked ULBs paying ₹37.76 crore to KWA during the audit period (2015-2020) for undertaking these deposit works, the capital assets created with funds from ULBs were not seen transferred to ULBs.
- Audit observed that the public taps in ULBs were not fitted with water meters in the test-checked ULBs to record quantity of water consumed, which deprived assurance of level of actual consumption by ULBs. Further, no joint verification to locate non-functioning taps in their respective areas of jurisdiction was seen to be undertaken by the test-checked ULBs and KWA during the audit period. Consequently, no action could be taken by the selected ULBs to identify and repair the defunct taps. Therefore, ULBs continue to pay annual charges fixed by KWA for water supply, which were not commensurate with their levels of actual consumption.
- Government instructed (February 2019) that in case of on-going works entrusted to KWA which are not feasible, a joint meeting of LSGIs and KWA is to be convened and changes if any required for the project/scheme are to be made, to make the project feasible. Thirteen<sup>18</sup> test-checked ULBs stated that such a joint meeting was not convened during the audit period. Further, KWA had not furnished Utilisation Certificates (UC) for deposit works amounting to ₹33.94 crore to the test-checked ULBs despite requests made by ULBs. Non-furnishing of UCs by KWA for works entrusted, could be indicative of non-completion of works and the probability of some of them being infeasible to pursue. However, in the absence of joint meetings of officials of ULBs and KWA, no efforts were seen undertaken to identify such works and suggest modifications to make them feasible for execution.
- The Final report of Kerala State Urban Development Project issued (July 2002) by Local Self Government Department states that the White Paper on Kerala Water Authority based on a review of functions of KWA, had emphasised the need to transfer responsibility of urban water supply distribution to ULBs, by 2007. It was also mentioned that KWA will be vested with authority only to provide, meter and charge bulk water supply to Local Governments. However, even after a lapse of 13 years, KWA still builds and maintains all bulk water supply related assets and

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<sup>18</sup>Irinjalakkuda, Wadakkancherry, Cherpulassery, Ottappalam, Kalpetta, Mattannur, Panoor, Nileshwar, Kayamkulam, Haripad, Pandalam, Kochi Corporation, Thiruvananthapuram Corporation

water supply distribution system, except in Thrissur Municipal Corporation, where the ULB manages water supply distribution system within its jurisdiction.

Government stated in reply (December 2021) that the notification to transfer water supply systems from KWA to Local Governments has not been issued since the human resources to undertake the ensuing responsibilities have not been transferred to them by the department concerned, the absence of which would only create liability and difficulty for ULBs in the current scenario. It was also stated that as the major drinking water supply schemes cover several local governments or several districts, centralised management by a state level agency is necessitated.

The above reply is indicative of the reluctance of State in endowing Local Governments with self-sufficiency in implementing schemes related to devolved functions. Persistence of control over local governments by State level agencies dilutes the spirit of devolution, raising concerns about the extent of meaningful decentralisation that has taken place in the State. In the light of the effective decentralised management of water supply by Thrissur Municipal Corporation, the Government needs to transfer the requisite manpower and technical expertise to the Local Governments to implement the water supply schemes, thereby equipping them to execute the function effectively.

### **3.1.2 Inadequacies in Service Level Benchmarking**

The Handbook of Service Level Benchmarking, Ministry of Urban Development, Government of India recorded (2008) that Urban Local Bodies (ULBs) are deficient in providing quality services to the existing population in spite of their accountability to citizens. Benchmarking involves the measuring and monitoring of service provider performance on a systematic and continuous basis. Sustained benchmarking can help to identify performance gaps in service delivery and introduce improvements through the sharing of information and best practices, ultimately resulting in better services to the people in ULBs.

The Thirteenth Central Finance Commission made it mandatory for ULBs to notify, by the end of fiscal year, the service standards against nine service level benchmarks (SLBs) in four service sectors-water supply, sewerage, solid waste management and storm water drainage, proposed to be achieved in the succeeding fiscal year. The Fourteenth Central Finance Commission reiterated that the ULBs will have to measure and publish SLBs for basic services as mandatory pre-requisite for availing performance grant.

Audit observed that despite being the parastatal playing key role in water supply, KWA neither adopted the performance measurement of benchmarking nor reported the details of assessment of SLBs relating to Water supply to ULBs. Consequently, ULBs had to prepare the SLBs in the absence of specific data relating to the actual implementation of the function from KWA. This is fraught with the risk of SLB data prepared by ULBs being unrealistic and short of authenticity. Negligence in assessment of SLBs would be all the more crucial as it may adversely impact upon effectiveness in monitoring of performance indicators like quality of water supplied, which has a direct linkage to public health hazards.

While accepting the necessity of a system of benchmarking of service delivery standards of public service, Government reiterated (December 2021) that this needs to be standardised at the state level and be included in the Citizen's Charter of each ULB. It was also emphasised that social accountability instruments including social audit needs to be set up to periodically monitor progress in achievement of requisite standards of benchmarking.

### **3.1.3 Water Charges**

Section 315 (b) of KM Act specifies that the right to recover arrears of sewerage charge, water charge, meter rent and of any cost or fees relating to water supply and sewerage services, shall be the rights, liabilities and obligations of the Municipality. However, Water charges are not, at present, a source of revenue to ULBs in the state, as they are being collected by KWA<sup>19</sup>. Scrutiny of records in selected ULBs revealed that in actual practice, water charges for public taps at rates fixed by KWA were being paid by ULBs to KWA annually for supply of water to the areas in their jurisdiction. Further, the rates of water charges collected from consumers are fixed by Government on the basis of proposals submitted by KWA. The ULBs did not have any role in fixing water charges to be collected in their areas of jurisdiction.

Revision<sup>20</sup> of water charges was last effected by KWA in October 2014. Audit observed that the water charges as fixed by KWA to be paid by ULBs for each public tap was ₹7884 per year. The test checked ULBs paid ₹9.66 crore to KWA for public taps during the audit period. Had the ULBs been vested with the right to recover the water charges as envisaged in the Statute, it would have contributed to hike in own revenue of ULBs, which in turn could be utilised for developmental activities.

## **3.2 Solid Waste Management**

In accordance with Article 243W, performance of functions and the implementation of schemes related to Solid Waste Management (SWM) included in the Twelfth Schedule were entrusted to ULBs under Section 30 of the KM Act read with the First Schedule. Section 332 of KM Act, 1994 entrusts to the ULBs, the tasks of recycling, treating, processing and disposing of solid wastes within their areas of jurisdiction.

The Suchitwa Mission<sup>21</sup> functions as the Technical Support Group (TSG) in Waste Management sector under the Local Self Government Department (LSGD), Government of Kerala. Its governing body is comprised of the Minister for Local Self Government Department as Chairperson, Additional Chief Secretary, LSGD as Vice Chairperson, Commissioner for Rural Development as Member Secretary and Executive Director, Suchitwa Mission as Member Convener.

The Mission also acts as the Nodal agency for implementing schemes like Swachh Bharat Mission (Urban), Swachh Bharat Mission (Rural), etc. State and Central share of funds for SWM are routed through Suchitwa Mission.

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<sup>19</sup> Except in Thrissur Municipal Corporation.

<sup>20</sup> applicable to all type of consumers including Domestic/ Non-Domestic/ Industrial.

<sup>21</sup> The Clean Kerala Mission and Kerala Total Sanitation and Health Mission were integrated to form Suchitwa Mission in September 2008.

Audit however observed that the action of the above agency was not always in conformity with the principles of decentralisation, as discussed below.

Government uses its authority under Section 58 of the KM Act to issue directions to ULBs as regards waste management. For instance, Government directed (September 2020) the ULBs citing Section 58, to enter into a participatory agreement with Suchitwa Mission in connection with a World Bank Aided Project (Kerala Solid Waste Management Project (KSWMP)) and to return the appended document signed before the date specified therein. The agreement specified that the ULB wished to enter into a participation agreement with Suchitwa Mission and become a participating ULB under KSWMP. This was clearly, a case of Government imposing its will on the ULBs rather than the ULB exercising its choice. Audit notes that this was possible only because of an amendment to Section 58 of the KM Act in March 1999, which introduced blanket powers to the State Government to issue directions to a Municipality, thereby concentrating power in the hands of the State contrary to the spirit of the 74<sup>th</sup> CAA. Prior to that, the Section permitted the Government to issue directions to a Municipality only after giving the Municipality an opportunity to be heard except under special circumstances as mentioned in Paragraph 2.6.

### **3.2.1 Efficiency in disposal of wastes generated**

Wastes which originate in ULBs can be grouped under Bio-waste, Non bio-recyclable, and non bio-non recyclable<sup>22</sup>. Whether the ULBs were equipped to handle the waste generated was looked into, in terms of quantity of waste generated and capacity to handle the same. The details of quantum of wastes generated and disposed by test-checked ULBs are given in **Appendix 3.1**.

Audit noticed that all Municipalities were not fully equipped to handle the wastes being generated in their jurisdiction, raising concerns about the efficacy of implementation of the devolved function of Solid Waste Management. Of the test-checked ULBs, the capacity to handle wastes was not in conformity with the quantum of wastes generated, in nine ULBs in the case of Bio-wastes and nine and eleven ULBs in the case of non-bio-recyclable and non-bio-non-recyclable wastes respectively. On joint site verification in four<sup>23</sup> selected ULBs it was found that solid waste was piled up in public places causing environmental issues.

LSGIs entrusted management of non-biodegradable waste to an agency, Clean Kerala Company Limited (CKCL). The Company was formed in 2013 with a vision to support local governments to manage the non-biodegradable solid waste including plastic waste, e-waste, etc., using the most appropriate, innovative and scientific methods with people's participation.

In the test checked 21 ULBs, it was seen that 15 ULBs had executed agreement with CKCL for collection of plastic wastes. In the remaining six ULBs<sup>24</sup>, there was no effective mechanism in place to monitor the disposal of plastic wastes. Further, no agreement was seen executed by any of the selected ULBs with

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<sup>22</sup> A non-biodegradable material is a type of material which cannot be broken down by natural organisms and serve as a source of pollution. Some of them (non-bio-recyclable) can be recycled for future use whereas others (non-bio-non-recyclable) are non-recyclable.

<sup>23</sup> Kayamkulam, Pandalam, Kattappana Municipalities and Kochi Corporation.

<sup>24</sup> Aluva, Kalpetta, Panoor, Ponnani, Koduvally Municipalities and Kochi Corporations.

CKCL for collection of e-waste.

The Clean Kerala Company had to enable every local body in the state to acquire adequate and appropriate facilities for safe management of solid waste. However, CKCL confirmed to Audit that it had not entered into agreements with 499 out of 1200 LSGIs in the State to facilitate timely removal of non biodegradable waste.

The parastatals involved in the execution of devolved functions may be assigned supportive roles, with the prime responsibility being vested in Local Governments. It was evident that ULBs were not equipped enough to effectively pursue the devolved function and could not also utilise the agencies set up to handhold and technically support solid waste management ventures. The percentage of expenditure out of the allotted funds varied from 1.58 to 45.16 only, during the audit period (2015-2020) (**Appendix 3.2**).

Thus, despite Solid Waste Management having been categorised as a function to be devolved to ULBs under the Twelfth Schedule and specific provisions relating to the function included in the KM Act under Sections 326 to 345, the efficacy of devolution of the said function remains a moot point. Devolution of function to ULBs has not been effective in true sense, going by the extent of expenditure incurred and capacity for disposal of wastes.

The ACS, LSGD stated in the Exit Conference (November 2021) that convergence of Suchitwa Mission, Haritha Keralam Mission and Clean Kerala Company Limited was being considered as they work together to facilitate Solid and Liquid Waste Management, formulate SWM Action Plans, identify agencies to execute functions, negotiate with Local Bodies, etc., for better management of the function.

### 3.3 Public Health and Sanitation

Section 135 of the Travancore-Cochin Public Health Act, 1955 and Section 127 of the Madras Public Health Act, 1939 required that every Municipality shall earmark not less than 30 *per cent* of its income from all sources other than grants by the Government, for expenditure on public health in its local area including expenditure on medical relief. With decentralisation, the functions, institutions and schemes of health care institutions in the government sector were transferred to the Local bodies. Accordingly, institutions under the departments of Health Services, Homoeopathy and Indian System of Medicine at the Grama, block and district level came under the control of LSGIs. Maintenance of Environmental hygiene is also a mandatory function of ULBs under the KM Act, 1994. ULB health wing staff (health supervisors, health inspectors, and JPHN<sup>25</sup>) are responsible for ensuring sanitation through chlorination of wells, pre-monsoon cleaning, fumigation against mosquitoes, etc., for control of vector borne diseases, cleaning of public markets and streets engaging contingent sanitation staff, purchase of cleaning equipment, etc.

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<sup>25</sup> Junior Public Health Nurse

### 3.3.1 Issues in Decentralisation of Health Sector

The ULBs prepared budget and allocated funds in annual plans of projects/schemes as envisaged in Plan formulation and Subsidy guidelines. The Annual plan projects/schemes were uploaded in Sulekha software and approved by District Planning Committee. Plan schemes under Public Health and Sanitation are implemented utilising development funds and non-road maintenance funds. The following aspects regarding execution of the said function were noticed in Audit:

- Running of Community Health Centres (CHCs), Government Hospitals and Taluk Headquarters Hospitals in Corporation and Municipal areas are entrusted to the Corporation Councils and Municipal Councils respectively. However, functionaries/personnel of Public Health Institutions are not yet transferred to ULBs. Regular employees of Public Health Institutions continue as state government employees under respective departments. ULBs have only a limited control over these functionaries/personnel. The Government continues to be responsible for recruitment, placement and promotion as well as payment of salary and allowances of health personnel posted to Local Governments. Thus, the staff of ULBs is under the dual control of Government and Local Body. The duality of responsibilities and control over health care is not in line with the transfer of functionaries envisioned in 74<sup>th</sup> CAA.
- Audit noted that in February 2021, an ordinance has been promulgated (The Kerala Public Health Ordinance 2021) to endow the health functionaries of the State, District and Local Self Government Institutions with necessary powers and authority for enhancement of the administration of public health in the State. The Ordinance also aimed at entrusting health functionaries in LSGIs with the functions of the preparation of action plans for public health and implementation of schemes for containing emerging diseases, outbreaks of communicable diseases, etc. Until then, only the Travancore-Cochin Public Health Act, 1955 and the Madras Public Health Act, 1939 covered the subject of Public Health concerning the State, thus depriving it of a unified Health Act for over half a century. The ordinance has not yet been enacted (September 2021).

The Government replied (December 2021) that the involvement of LSGIs in community health is significant ranging from medicine supply, providing dialysis equipment, supporting palliative care interventions, besides the recent Covid related interventions. It was also stated that the XV Central Finance Commission had recommended introduction of health grant to local governments in states based on the experience of local bodies of Kerala in managing the pandemic.

However, the Government's reply does not meet the issues raised by Audit.

### 3.3.2 Environmental Hygiene

Regulation of slaughtering of animals and sale of meat is a mandatory function of ULBs as per first schedule of KM Act, 1994. In the 21 ULBs test checked,

slaughter houses were functioning only in four ULBs<sup>26</sup> as of March 2021. In the remaining 17 ULBs, no slaughter houses were seen functioning, which is indicative of the possibility of slaughtering being performed illegally. The joint site verification conducted by the Audit team and officials of Kochi Corporation (09 March 2021) in the slaughtering house functioning under the Corporation, revealed that the slaughter house was functioning under very low hygienic standards posing environment hazards and there was no system in place for disposal of slaughter waste. The biogas plant installed was not functioning and the slaughter house was functioning without the mandatory approval of Kerala State Pollution Control Board.

### 3.4 Involvement of other Parastatals in discharge of functions

Apart from the parastatals mentioned in discharge of functions with respect to water supply and solid waste management, agencies such as IMPACT Kerala Limited, Smart City Thiruvananthapuram Limited, Cochin Smart Mission Limited (CSML), State Mission Management Unit AMRUT, etc., also played prominent roles in implementation of schemes in ULBs as detailed below:

#### 3.4.1 IMPACT Kerala Limited

Government issued (October 2017) order registering IMPACT Kerala Ltd. (Investment in Municipal and Panchayat Asset Creation for Transformation Kerala Ltd.) as the Special Purpose Vehicle (SPV) for Kerala Infrastructure Investment Fund Board (KIIFB) to implement major infrastructure projects in Local Self Government sector as a Limited Company. The objectives of IMPACT Kerala Ltd. include developing schemes and projects to be pursued by the IMPACT Kerala Ltd. or by local bodies, sourcing and expending funds for developmental activities on behalf of local bodies or other public agencies, etc. Procedures and General Guidelines for project registration with KIIFB issued (February 2018) by Government stipulated that Detailed Project Reports (DPR) shall be prepared by the SPV for all projects identified for implementation by availing assistance (partly/fully) from KIIFB.

The status of implementation of projects of IMPACT Kerala as on March 2021 in test checked ULBs is as shown in **Table 3.1:**

**Table 3.1: Status of implementation of projects by IMPACT Kerala**

Name of Project	Name of ULB	Project outlay (₹ in crore)	Whether sanction for funding by Government received
Building for New Municipalities	Pandalam	5.89	No
Establishing Sewage/Septage Treatment Plants	Wadakkanchery	10.00	No*
	Ottappalam	11.40	Yes
Establishing modern Abattoirs/Slaughter House	Thiruvalla	10.36	Yes
	Kozhikode Corporation	11.56	Yes
	Kayamkulam	5.70	No
	Kochi Corporation	14.26	No

<sup>26</sup> Kochi Corporation, Kattappana, Pathanamthitta and Kayamkulam Municipalities

Name of Project	Name of ULB	Project outlay (₹ in crore)	Whether sanction for funding by Government received
Establishing Modern Gas Fired Crematorium	Haripad	11.44	No
	Kozhikode Corporation	0.80	No*
	Ponnani	0.80	No
Establishing Modern Markets	Nedumangad	34.60	No
	Wadakkanchery	19.31	Yes
	Aluva	4.60	Not furnished

(Source: Data obtained from IMPACT Kerala Ltd.)

\*DPR not submitted to KIIFB

Despite funds from KIIFB sourced through an SPV for implementation of projects in local bodies, the progress of works announced in budget speeches of 2016-17 and 2017-18 has been very slow.

IMPACT Kerala replied (April 2021) that majority of its staff members were appointed during the period from August 2019 to October 2019 and that the company became fully operational only from October 2019. It was also stated that DPRs of all the projects were prepared by ULBs and No Objection Certificates from Government and clearances from State Pollution Control Board were wanting in the case of many projects. Further, structural designs were to be examined by Engineering Colleges and concurrence obtained from Government for Septage Treatment plants.

Audit observed that the role of ULBs in implementing projects relating to their mandatory functions such as Septage treatment plants, slaughter houses, crematoriums etc., were being assigned to parastatal agencies, whose mode of functioning involved a series of procedures/multiple levels of clearances. It was also seen that though KIIFB guidelines specified that the SPV was to prepare DPRs, the DPRs of projects in test checked ULBs were prepared by ULBs themselves.

### 3.4.2 State Mission Management Unit, AMRUT - Imposition of loan on Municipalities

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)<sup>27</sup> aims at providing basic services to households and building amenities in cities to improve the quality of life of the poor. The scheme was launched on 01 September 2015 with a mission period of five years (2015-2020) and subsequently extended upto March 2022. As per Clause 13.1 of the AMRUT Guidelines, States have to undertake extensive capacity building activities for their ULBs to achieve Urban Reforms and implement projects in Mission Mode. The State Mission Management Unit (SMMU) coordinates implementation of projects like water supply, sewerage and septage management, storm water drainage, etc., in AMRUT cities with State Government and AMRUT Mission Directorate, Government of India. AMRUT projects are being implemented in

<sup>27</sup>A revamped programme of Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

all six Corporations<sup>28</sup> and three Municipalities<sup>29</sup> in the State.

The fund sharing pattern for AMRUT in the State involves 50 *per cent* Central share, 30 *per cent* State share and 20 *per cent* ULB share. As most of the AMRUT Cities did not have the financial capacity to meet the ULB share, Government decided (March 2018) to execute the projects through specialized parastatal agencies, based on resolution passed by the ULB. Such arrangements were to be executed by way of a tripartite agreement amongst the State Government, the specialized parastatal agency and the Municipality concerned. GoK was to contribute 15 *per cent* of ULB share upfront subject to the condition that, both the principal amount and interest at the rate of 7.50 *per cent* would be recovered from the annual plan fund allocation to ULBs over a period of ten years.

Scrutiny of records in three ULBs<sup>30</sup> selected for implementation of AMRUT projects revealed that the opinion of the Council of ULB which was against availing loan facility due to difficulty in repayment, was not considered while sanctioning projects. Request for loan was not seen approved in the Council and forwarded to Government/SMMU. While requesting exemption from implementing AMRUT projects, though the selected ULB (Kannur Corporation) with annual plan fund allocation of ₹30 crore had expressed inability to set aside ₹33 crore for AMRUT as it would result in non-implementation of developmental projects, the opinion of the Corporation was overridden by the State. Such instances are clearly not in consonance with the spirit of the 74<sup>th</sup> CAA which sought to set on a firm footing the rights and privileges of local self-governing units.

The ACS, LSGD while acknowledging (November 2021) that any Centrally sponsored scheme with its conditionalities in the space of ULB takes away the decision making power of the ULB, stated that ULBs did not have a choice to opt out of such schemes. Audit observes that the State Government needs to ascertain the repayment capacity of ULBs and uphold the decision of the Municipal/Corporation Councils and refrain from imposing loans on ULBs against their willingness.

### 3.4.3 Smart Cities Mission

The Government of India (GoI) launched (June 2015) the Smart Cities Mission (Mission) to promote sustainable cities that provide core infrastructure and improve the quality of life of people by enabling local development and harnessing technology as a means to create smart outcomes for citizens. The GoI would extend financial support on an average of ₹100 crore per city per year for a five year period. An equal amount, on a matching basis, will have to be contributed by the State/ULB. Smart City Thiruvananthapuram Limited (SCTL) and Cochin Smart City Mission Limited (CSML) were constituted as Special Purpose Vehicles (SPV) for the development of these cities. The Board of Directors of the SPV was to include representatives of GoI, State Government and ULBs. The Divisional Commissioner/Collector/Municipal Commissioner/Chief Executive of the

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<sup>28</sup>Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode, Kannur

<sup>29</sup>Alappuzha, Guruvayur and Palakkad

<sup>30</sup>Kollam Corporation, Kannur Corporation, Guruvayur Municipality

Urban Development Authority was to be the Chairperson.

Contrary to the above, Audit observed that the Chief Secretary of the State was the Chairperson of the Mission and that the Secretary of Municipal Corporation was not always included in the Board of Directors in both districts during the five year period (2010-2015). Further, the Mission Statement and Guidelines delegated the rights and obligations of the Municipal Council with respect to the Smart City project to the SPV. The decision making powers extended to the ULB under the Municipal Act/ Government rules were assigned to the Chief Executive Officer of the SPV and the approving/decision making powers of Urban Development Department/Local Self Government Department/ Municipal Administration department were bestowed upon the Board of Directors of the SPV in which the State and ULB are represented.

The Smart City Mission Statement and Guidelines encourage the State Government and ULB to empower the SPVs by delegating various rights and obligations of the ULB in relation to the smart city project to the SPV. The delegation contemplated in the Guidelines overrides the powers conferred upon ULBs as per 74<sup>th</sup> CAA.

#### **3.4.4 Development Authorities**

Trivandrum Development Authority (TRIDA) comprising Thiruvananthapuram Corporation and five<sup>31</sup> GPs, Greater Cochin Development Authority (GCDA) consisting of Kochi Corporation and 21 Panchayats/ nine Municipalities and Goshree Islands Development Authority (GIDA) comprising eight Panchayats and three islands of Kochi Corporation are the Urban Development Authorities functioning in the State.

The 13<sup>th</sup> CFC had recommended that ideally Development Authorities were to be dissolved and their functions taken over by the Local Bodies in whose jurisdiction they operate or to consider sharing of revenue of Development Authorities with concerned local bodies. The Second Administrative Reforms Commission of Government of India, in its sixth report recommended that 25 *per cent* of the revenue realised by Development Authorities from the sale of land should be made available to the Municipalities for meeting expenses for their infrastructure projects and State Governments were requested to offer their comments in this regard and implement if found suitable.

Despite Development Authorities owning assets and earning rental and lease income from renting out these assets, no revenue sharing was seen undertaken between the ULBs and the Development Authorities. Though GIDA earned (2005-06) an amount of ₹287.30 crore as revenue through sale of 25 hectares of land in Kochi Corporation/ Panchayats, no amount was transferred to the Local Bodies. Despite these parallel authorities owning substantial amount of revenue from sale of land belonging to ULBs, resultant benefits are not seen accruing to the ULBs.

The ACS, LSGD stated (November 2021) that the dismantling of Development Authorities is fundamental and that the State Government has been considering the same and also as to whether funds meant to reach Local Bodies were being retained by these authorities.

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<sup>31</sup> Kalliyoor, Pallichal, Venganoor, Vilappil, Vilavoorkal GPs.