



URBAN GOVERNANCE DIALOGUE

Transforming Urban Governance

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Fiscal Empowerment Study Visit to the cities of Kerala

Over the last two decades, [Praja Foundation](http://www.praja.org) has been working towards enabling accountable governance. In 2017, Praja embarked on an ambitious journey towards 'Transforming Urban Governance' (TUG) across the country, to advocate policy changes that will change the way Indian cities are governed. As part of the initiative, Praja conducted comprehensive study spanned over 3 years (2017-2020) in 40 cities across 28 states and National Capital Territory of Delhi. Based on this, Praja prepared the [Urban Governance Index 2020](#). The UGI was built to help in mapping and monitoring the implementation of the urban governance reforms which looks at Democratic Empowerment and Accountability in urban governance across states in the country.

As part of the carrying forward the advocacy on policy changes required, Praja has taken an initiative to conduct in-depth research by deep diving into one of the four themes of the UGI i.e., **Fiscal Empowerment of the City Governments**. This was taken up as a result of the observation that the municipal finance domain is plagued with lack of useful data and knowledge resource, which can be used for informed decision making. The [Fiscal Empowerment of City Governments Phase 1 Key Insights](#) study covered 14 cities across 7 states. In Phase 2 of the study, we will create a database for over 17 cities across 11 states. Praja visited Kochi and Thiruvananthapuram in Kerala to study the different financial initiatives undertaken.

Currently, city governments depend on the state and central governments for funds. For the city government to be independent and financially secure, fiscal decentralisation is very crucial. This involves transferring the power and authority to introduce new taxes and revise tax rates, among other things.

The Kerala Municipality Act, 1994

The Kerala Municipalities Act, 1994, amended in 2005 is the latest act drafted for the city governments in Kerala. According to the Section 230, 231 and 232 of the Kerala Municipalities Act, 1994, the council and the secretary (commissioner) have been given powers to introduce new taxes and also revise the existing tax rates. Section 293 of the Kerala Municipality Act states that, the Budget should be prepared by the Standing Committee and approved by the Council. The act also mandates the city governments to publish the Annual Financial Statements every year.

Kochi Municipal Corporation (KMC):

All city governments in Kerala follow the Self-Assessment (SAS) Method for Property Tax Collection. From 2016, SAS method has been implemented in Kochi. Officials stated that all the properties in the city are registered with the corporation as, official's issue 'Door Numbers' to each property after a complete assessment of the property is done and registered with the city government. But to ensure that everyone pays property tax; officials only issue Ownership / Residential Certificate after they have received their 'Door Number'. Citizens cannot get water connection or electricity connection without having a door number.

Kochi Municipal Corporation has undertaken various initiatives to increase their tax and non-tax revenue collection. One such initiative is by deporting night squads to check no waste is dumped on the streets. Officials mentioned that KMC has generated a revenue of 25 lakhs through this penalty.



Currently, there are no services charges levied in the city, but the council wishes to include 10% services charges for the services provided by the city government.

Kochi Municipal Corporation is closely associated with a German Development Agency named 'The Deutsche Gesellschaft für Internationale Zusammenarbeit' (GIZ) on various waste management and other developmental initiatives for the city. GIZ is helping KMC to promote its waste management initiatives and also help officials connect with other international city governments discuss on good governance.

Undertaking unique initiatives to raise revenue, KMC attracts various CSR funding for projects like 'Samrudhi Scheme', where food is provided for public at minimum amount of Rs 10.

Thiruvananthapuram Municipal Corporation (TMC):

The major sources of revenue in Thiruvananthapuram (Trivandrum) are Property Tax, Cooperate tax, Communication tax. They also have timber tax which contributes to the tax revenue. TMC levy's service tax of 33% to 75% of the actual property tax on semi-government buildings instead of property tax. TMC also earns revenue from auctions held on shopping complexes, bus stations, parks, coconut trees and mango trees.

Officials at Thiruvananthapuram Municipal Corporation shared that recently they have introduced a mobile application for distribution of water and collection of septic waste as another source of revenue. Trivandrum has introduced a bylaw that needs the waste collection vehicles to be registered and installed with GPS system. TMC collects sewerage and septic waste from approximately 42 houses. Under this new system, citizens are required to register and pay the charges for waste collection in advance. This has helped the city government to collected revenue for the services delivered. Even water is supplied with the use of this online

platform as 92 water tankers are registered under the system. Officials stated that approx. Rs 1.5 crore was generated under this initiative.

TMC also imposes fine for dumping wastes in the public places and contaminating water bodies. Officers are imposing huge penalty of Rs 50,000. Officials also shared that they have their own Rendering Plant; Chicken stall owners have to pay Rs 7 per kg for the plant workers to come and collect the waste.



Important Links:

Kochi Municipal Corporation [Home](#) | [Cochin Corporation \(lsgkerala.gov.in\)](#)

Corporation of Thiruvananthapuram [Home](#) | [City Of Thiruvananthapuram \(lsgkerala.gov.in\)](#)

The Kerala Municipality Act, 1994 [KERALA MUNICIPALITY ACT 1994.pdf \(ikm.in\)](#)

We would like to know your views and feedback based on the above information shared. Feel free to reach us at info@praja.org.

Kind Regards,

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