Functional Classification of the State Government Expenditures in Kerala

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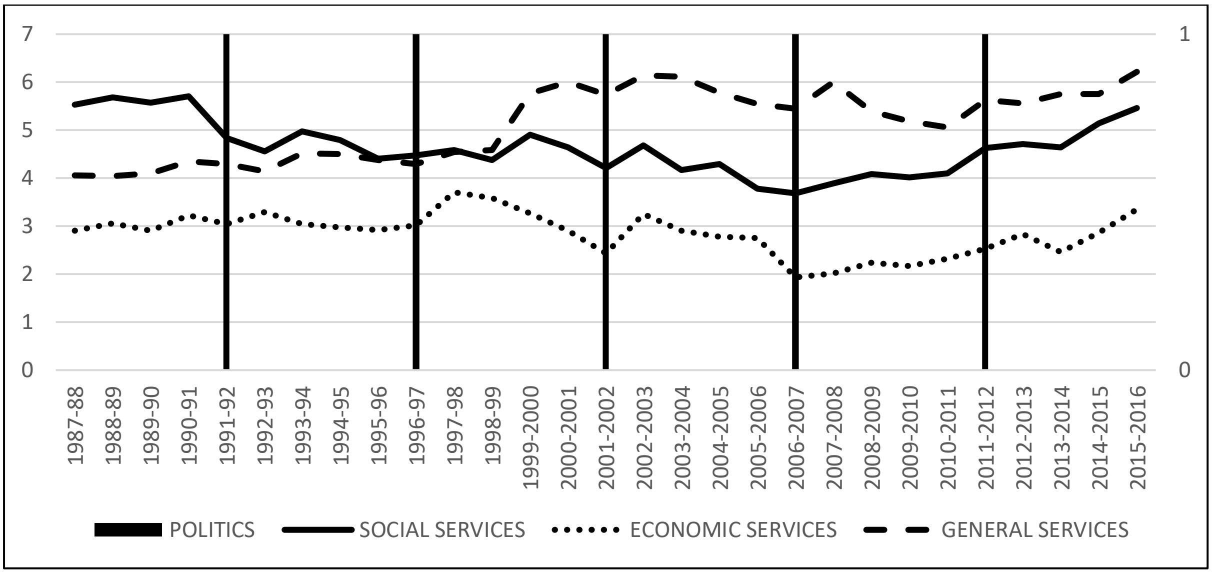
Chapter 1: Introduction

Kerala’s success vis-à-vis the human development indicators has been achieved, among other things, by the higher government expenditure in the social sector. Certainly, this cannot be the only factor, however, it is undeniable fact that the social sector expenditures have played very important role in ensuring relatively better standard of life as compared to many other states in India. The traditional knowledge of Ayurveda and the historical culture of a knowledge society must be responsible for the better health and educational indicators, but, in building up the social sector infrastructures and in running the schools and the hospitals across the state require lot of support from the state exchequer. Since the time of E.M.S. Namboodiripad, the social sector planning has been given emphasis in Kerala and the financial support to these social sector plans has made Kerala different, with respect to the social sector development, from the other states in the country. Much of Kerala's great achievements are results of post-independence public policies, as V.K. Ramachandran (1995) notes, "In fact, till the fifties Kerala's adult literacy rate was around 50 per cent compared with over 90 per cent now, its life expectancy at birth was 44 years vis-a-vis 74 now, and its birth rate was 32 as opposed to 18 now.” Therefore, the Kerala model (Sen, 2012) has been built by planned policy efforts.

If we look at the data of expenditures by the state government, divided according to the functional classifications of general, social and economic service, particularly since mid-1990’s, we notice that the proportion of expenditure on general services has gone up substantially above the proportion of the social sector expenditures in the total expenditure of the state government (Data Source: Finance Accounts of Various Years). Earlier, the scenario of the composition of the state government expenditure was quite different and the social sector expenditure was proportionately higher than the general service expenditure, traditionally, in Kerala. Therefore, there has been a structural break in the composition of the state government expenditure in Kerala in mid-1990's, as is evident from the graph below.

Chart 1.1 Functional Classification of State Government Expenditure of Kerala



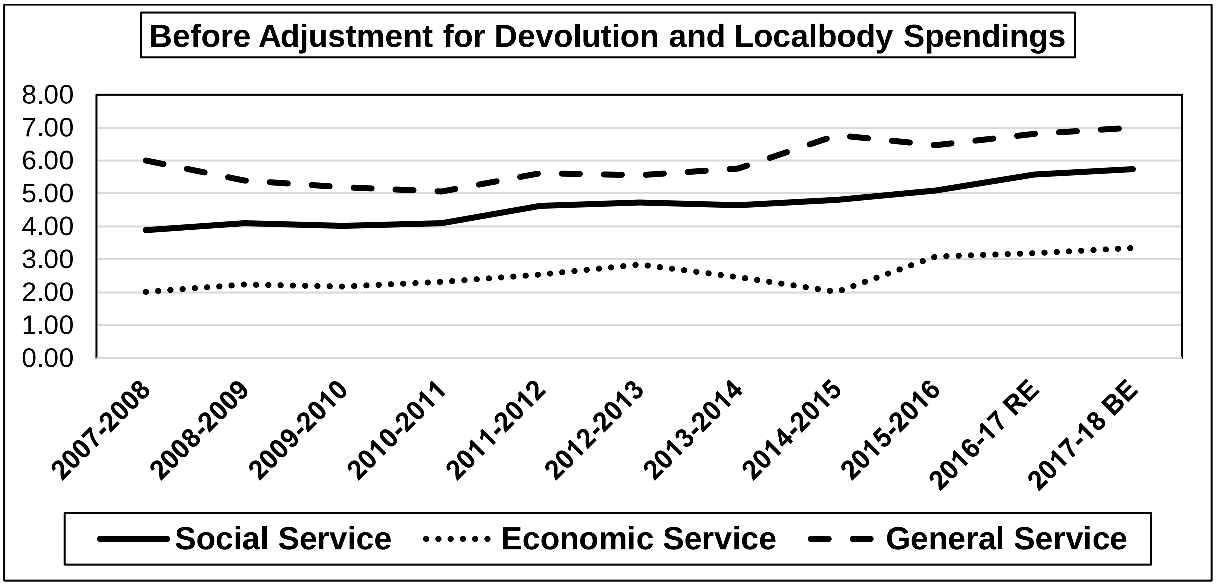
Source: Finance Accounts of Kerala – Various Years.
Note: Expenditures are expressed as proportion (%) of GSDP of Kerala.

If we look at the functional classification of the State Government expenditure in Kerala, it is evident that in 1990-91, the expenditure on Social Services was more than 5.5% of GSDP, expenditure on general services was slightly above 4% of GSDP, and the spending under economic services was around 3% of GSDP. In the year 1996-97, the Social sector expenditure came down to 4.5%, which was more or less equal to the spending on general services as proportion of GSDP. By 2001-02, the expenditure under social services came down to around 4.2%, the expenditure under economic services came down to 2.5% and the expenditure under general services went upto almost 6% of the GSDP. Since then, the general service expenditure remained within 5 to 6% of the GSDP, the social sector expenditure was around 4 to 5% of GSDP, and the economic service expenditure was around 2 to 3% of GSDP in Kerala. However, Kerala is known for its social sector spending, which is responsible for high Human Development Indicator in the state. Now, this is a puzzle why the general service expenditure became way above the social service expenditure and economic service expenditure following the peoples' plan campaign and decentralisation (9th five-year plan) in Kerala.

This structural break can be explained in the following manner. Since mid-1990's, the state government of Kerala started devolving lot of funds to the local governments to provide larger financial autonomy as part of its exemplary decentralisation agenda. According to the present accounting norm in public finance in our country, any transfer of resources from higher to lower tier of the Government (i.e. either from Central Government to the State Government or from State Government to the local bodies) is incorporated under General Services. Since transfer of resources from the State exchequer to the local bodies have increased substantially, after the peoples' plan campaign and decentralisation in Kerala, the general service expenditure as proportion either of total budget of the State Government, or as proportion of the GSDP have registered an increase. However, lot of functions which comes under economic services or social services, have also been partially or fully transferred to the local bodies 9th plan onwards. If we classify various expenditures incurred by the local bodies into social and economic services, we see that local bodies are spending lot of state plan fund on these functions in the state of Kerala. If we consider only the planned expenditures incurred by the local bodies, and add them to the social service and economic service expenditures of the State Government, and if we subtract the transfer of planned funds (from the State exchequer to the local bodies), from the general service expenditure of the State, we get a clearer picture. Along with financial empowerment of the local-bodies, functional responsibilities were also decentralised. Therefore, the proportion of aggregate social sector expenditure (incurred together by the state government and by the local governments) may not have necessarily come down relative to the proportional expenditure on the general services like administration, police and judiciary etc.

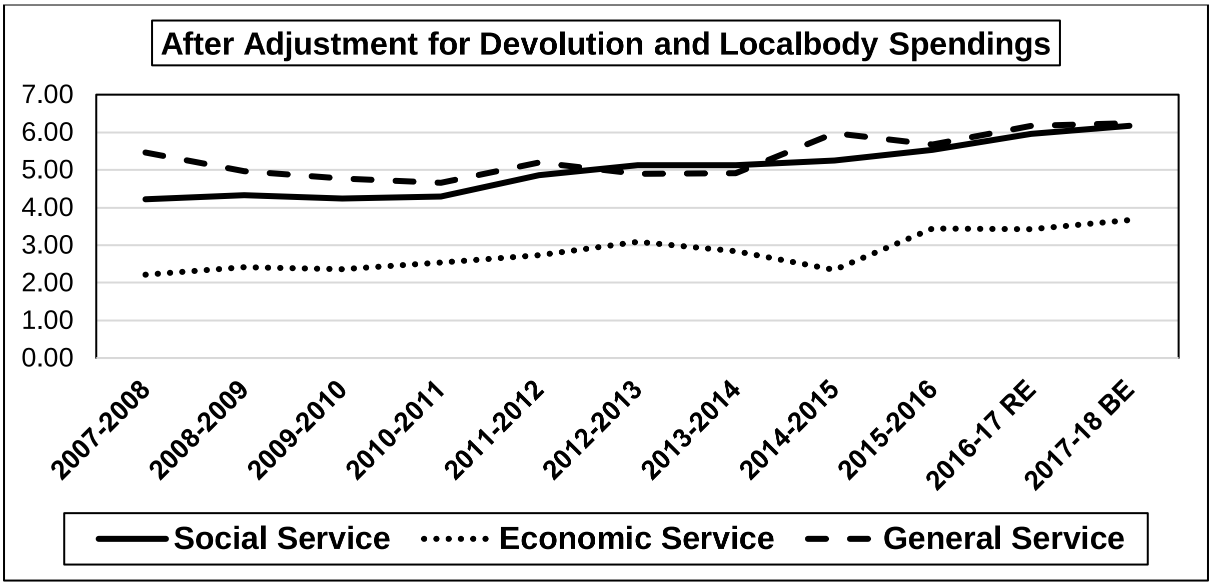
In order to test the above-mentioned hypothesis empirically, we need the functional classification of local government spending in the state. Otherwise, the broad picture might look very puzzling and conceptually misleading. The scheme-wise data on all 1200 local bodies were not available for the earlier period. However, the Information Kerala Mission (IKM) has now collated this data for the recent period and made it accessible through Sulekha software. It is now possible to take a closer look into the detailed year-wise and scheme-wise data of the local body balance-sheets for all the 1200 local bodies in Kerala and divide the 136 minor expenditure heads into the major three baskets of functional classifications. After doing this exercise, if we add-up the social service expenditures incurred directly by the state government and that through the local governments, we would get the aggregate picture of social service spending in the state. Since, the local governments are dependent on the transfers of the resources from the state government for financing their plan and non-plan expenditures to a great extent, large part of their spending can be considered to be coming from the state exchequer. To calculate the aggregate expenditure on general services, the transfer amount should be deducted from the state expenditure on general services and the local government spending on general services should be added. If we look at the composition of the aggregate government expenditure including the state government and the local governments after making these adjustments, the picture would become clearer. This empirical exercise might be useful for implementation of the 13th V-year plan for the state of Kerala. It is needless to mention that the data analysis would also give us lot of insights about the disaggregated macro-picture of local body financing in Kerala.

Chart 1.2 State Government Expenditure in Kerala As Percentage of GSDP



Source: Finance Accounts, RBI Study of State Budgets and Information Kerala Mission.

Chart 1.3 State Government Expenditure in Kerala As Percentage of GSDP



Source: Finance Accounts, RBI Study of State Budgets and Information Kerala Mission.

Chart 1.2 shows the functional classification of the State Government expenditure from 2007-08 to 2017-18 (BE), without doing the above-mentioned adjustment. Chart 1.3 shows the same thing after making the adjustment. It is clearly evident from the above two charts that the general service expenditure, which was at least 1% of GSDP higher than the social service expenditure, is actually more or less equal to that of the social service expenditure after adjustment. Of course it took some time for social service expenditure to match the general service expenditure, but 2012-13 onwards, they are going hand in hand as proportion of GSDP. Here it is important to mention that, we have considered the functional classification of local body expenditure only under the State plan fund, which is only around 60% of the total expenditure incurred by the local bodies (for which we have the disaggregated data). If we had considered the total expenditures by the local bodies, the social sector spending would have definitely gone up above the expenditures under the general services. Without doing this adjustment, it is particularly unfair for Kerala to look at the functional classification of the State Government expenditures because the degree of decentralisation has been much higher in the State as compared to the other States in the country following the peoples' plan campaign and decentralisation. In fact, this decentralisation is one of the most important policy initiatives, which is an integral part of the Kerala model of development.

In the next chapter, we would briefly review the selected literature on decentralisation, in general, and on Kerala model of peoples' plan campaign and decentralisation, in particular. In the third chapter, the local-body finances in Kerala has been analysed for the financial year 2017-18, in detail. In the fourth chapter, the changes in local-body finance over the last decade (2007-08 to 2017-18) has been analysed at disaggregated level with the help of Information Kerala Mission (IKM) data. This study report ends with a concluding chapter on policy implications.

Chapter 2: Review of Literature on Decentralisation

The literature on Fiscal decentralisation is fairly vast. “Fiscal decentralisation is in vogue. Both in the industrialised and in the developing world, nations are turning to devolution to improve the performance of their public sectors.” (Oates, 1999). According to Oates (1999), “the first half of the twentieth century was characterised by a strong trend towards increased fiscal centralisation. The second half of the twentieth century has seen the extent of centralisation in most of the industrialised countries reach some sort of peak in the modest swing back in the direction of evolution of public sector activity. There are important forces working in both directions, and one can expect the net effect to move in different directions as nations evolve over time.” Oates (1993), while writing on Fiscal decentralisation and economic development says “decentralised finance appears, in principle, to have a potentially useful role to play in economic development. But the translation of this potential into a real contribution to economic growth depends on a number of crucial conditions regarding the responsiveness of the local institutions to local welfare which, in turn, depends importantly on the proper structure of the fiscal institutions.” Bird and Vaillancourt (1998), in an essay on Fiscal decentralisation in developing countries, observe “decentralisation has taken many different forms in different countries at different times, and given same variety may have very different effects under different conditions. Recent years has seen world-wide interest in fiscal decentralisation. Developed countries are reshaping their inter-Governmental fiscal structure to be more in tune with the realities of the ‘post-welfare State’. The countries in transition in Eastern and Central Europe are busily setting up new systems of local and inter-Governmental finance. Many developing countries are also turning to various forms fiscal decentralisation as one possible way of escaping from the gaps of ineffective and inefficient Governments, macroeconomic instability and inadequate economic growth.” In the opinion of Oates (1999) “what does seem to be taking place is a growing complexity and specialisation in the vertical structure of the public sector.” He (Oates, 2005) observed in another essay on a second generation theory of fiscal federalism, that “many industrialised and developing countries, major programs have been introduced to shift decision-making from centre to provincial and local Governments.” “with local outputs, tailored to the demands (and particular conditions) of each jurisdiction will clearly provide a higher level of social welfare than one in which the Central Government a single, uniform level of public output in all jurisdictions.” “parts of the second-generation theory (of decentralisation) are moving beyond a purely static view of the incentive structure and potential performance of federal institutions to a broader consideration of the evolution of the Federal structure over time. With attention to the stability of institutions, and their capacity to be ‘self-enforcing’ a successful system of fiscal federalism must be able to sustain itself over time.” In an empirical study on evidence of policy lessons in Bolivia and Colombia, Faguet (2007) observes, “in both countries, investment shifted from infrastructure to social services and human capital formation. Resources were rebalanced in favour of poorer districts. In Bolivia, decentralisation made Government more responsive by redirecting public investment to areas of greatest need. In Colombia, municipalities increased investments significantly while running costs fell.” Therefore, decentralisation seems to have effective influence on re-prioritisation vis-à-vis the composition of public expenditure. Also, with the same amount of public spending, with greater degree of decentralisation, the public sector intervention seems to become more effective and efficient. Since the political representatives of the lower tires of the Government are relatively more approachable from the point of view of the common people, with decentralisation, the governance seems to become relatively more responsive and accountable. Therefore, decentralisation has direct linkage with deepening of democracy.

While talking about the new agenda of decentralisation in Kerala, Isaac and Tarakan (1995), claims, “What is evident is the lack of political will, compulsions of coalition politics, sectarian interest and persisting bureaucratic hassle in the way of effective decentralisation.” However, according to them, “an issue on which there was a consensus at the Congress (the International Congress on Kerala studies) was the imperative need for democratic decentralisation of administration and development planning." Bandopadhaya (1997), while expressing his views on Peoples' participation in Planning in Kerala, stated, "there has been little effort at getting the mass of the people involved in the planning process or in the setting of the planned priorities. In this process, the interests of the silent though numerically stronger section of the people are not addressed. The Kerala model of the peoples' campaign for decentralised planning aims at resolving this issue." Again, Isaac and Harilal (1997) while writing on Planning for empowerment: Peoples' campaign for decentralised planning in Kerala, noted that "the newly constituted Kerala State planning Board headed by I. S. Gulati, resolved in its first meeting itself to initiate a peoples' campaign in order to empower the panchayats and the municipal bodies to draw a 9th plan schemes within their respective areas of responsibility. It is hoped that 35% to 40% of the 9th plan would consist of schemes formulated and implemented from below." They have also opined that, "the peoples' campaign for the 9th plan represents an initiative to make use of the legacy of collective social intervention and the strength of the mass movement to meet the contemporary crisis of development." The current Finance Minister and the Member of the State Planning Board de-mystified the way of decentralisation in 1997 by clarifying that "the first stage in the planning process is identification of the needs of the people and the gaps in local development. This is sought to be achieved through discussions at the grama-sabhas in panchayats and ward conventions in municipalities." Dr. Thomas Isaac restated in 2000 that, "it was the decision to take the plunge and earmark 35%-40% of the planned funds for the local self-Government." While talking about the campaign for democratic decentralisation in Kerala, he reminded that "for the first time in India, the gram panchayats and municipalities throughout an entire State prepared local area plans." The current Finance Minister of Kerala (then a member of the State Planning Board during 9th plan), reminded that, "Grama-sabhas, the assemblies of voters in every gram panchayat or hamlet or ward within the gram panchayat provided an ideal starting block for peoples' planning. Through discussions in these assemblies, people identify local development problems, analyse the factors responsible and put forward suggestions for possible solutions." He also stated that particular emphasis was put on gender equality and social emancipation of the scheduled caste and scheduled tribes and other deprived communities.

Raghuram (2000), while commenting on Kerala's democratic decentralisation, opined that "the democratic decentralisation campaign of Kerala is of unique significance in the history of India for it establishes a politics of social change which restructures the systems of power, of production and relations, especially between State, Government and people who image the alternative and build them." In his opinion, "the real debate will be whether you will opt for the neo-liberalised version of the reduced State or the emergence of the responsible nation-State whose social base excludes no citizen." He has also claimed that "decentralisation is ultimately going back to the people for a referendum, and, in the last instance, this is a political issue, not just for Kerala, but for all of India." Balan (2000-2001), while writing on the democratic decentralisation experiment in Kerala in the socio-economic and political context, mentions "an important feature of the campaign in Kerala which distinguishes it from decentralisation elsewhere, is that it is a peoples' movement: a movement by the people to establish their rightful role in decision-making by empowering themselves and local self-Governments as opposed to the usual apologetic propaganda to manufacture popular consent for what the State does from above." Chaathukulam and John (2002), while commenting on Five years of participatory planning in Kerala, pointed out that "Kerala's uniquely successful experiment in participatory planning has seen the mobilisation of several thousand of people in the implementation of the 9th five year plan through a process starting right from the level of the Grama-sabha." They remembered "the patronage and inspiration extended by E.M.S. Namboodiripad, whose commitment to decentralisation well-known, served as a key motivating force in the campaign effort." While listing out the positive development of the peoples' planning experience, they have mentioned following points. "The first relates to the planning exercise, which was de-mystified and freed from its technical and bureaucratic moorings and made within the reach of the ordinary people in a language that is understandable to them. The second relates to the evolution of a methodology of participatory planning. Thirdly, Kerala allocates highest amount of planned funds to the local bodies in the country and of these around 90% is given as untied funds with broad sectoral guidelines to prevent excessive spending in any one sector. Fourthly, a 10% earmarking of funds has been done for projects exclusively meant for women, etc." Regarding Decentralisation Kerala: Peoples' plan Mohanakumar (2002) mentions that "the new guidelines (10^{th} plan) would dilute the participatory character of the peoples' planning process." "peoples' planning is getting bureaucratised-giving the responsibility of the development strategy for LSGIs to bureaucrats would undermine the very concept of the elected bodies and Grama-sabha." He has critically noted that "the peoples planning program, launched in Kerala in 1997 in Kerala heralded a new approach towards decentralised planning and the participation of people in development program, especially by women and backward classes. However, the UDF, which took over the Government last year has diluted many of the provisions of this program, including funding, which may proved to be a setback of the functioning of this unique plan." Sharma (2003), in a paper on Kerala's decentralisation: idea in practice, claimed that "the discourse on decentralisation in Kerala also has relevance for the whole country as the peoples' campaign has offered a new paradigm for the participatory countries. The issues it has thrown up can help to focus attention on what needs to be done to make decentralisation a meaningful exercise in other States." She also mentions that "as the story of Kerala's decentralisation develops, in other parts of the country too, after the 73^{rd} and the 74^{th} amendments (of Indian Constitution), the focus on decentralisation sharpens. The public discourse on development that the peoples campaign has fostered in Kerala is relevant for the whole country and is indeed the essence of decentralisation."

In more recent literature, Vijayanand (2009) mentions that "a highly participatory planning methodology has been developed. Rigid adherence to the rule-based adherence of funds has ensured that resources have flowed smoothly to every corner of the State and more to the backward pockets. Participation has improved transparency, decentralisation has improved targeting of benefits mainly due to the open and normative process for selection of beneficiaries. Decentralisation seems to have reduced costs, thereby increasing efficiency of expenditure.", while writing on Kerala-a case study of classical democratic decentralisation. Kannan (2015), while talking about the new Panchayat Raj in Kerala: reflections on its institutionalisation and development record, stated that "the Kerala experience in the institutionalisation of the new Panchayat Raj as well as its novel idea of 'people's planning as a means for decentralised development is widely appreciated and acknowledged. What imparted the Kerala context a distinctive character was the prior existence of strong peoples' organisations that not only mobilised the people across the State but also developed models and experiments in decentralised development." Oommen (2015), opined that "there is a strong case for assigning local Governments a viable fiscal space in Indian federal system as an integral strategy toward building sustainable local democracy. However, the Indian federation has a built in bias in favour of the union with vertical imbalances in the resources and responsibilities at the State level and the local Government with an amorphous functional domain and weak fiscal space. In fact, local Governments do not occupy a respectable space in public finance of India." While writing on the local Governments in the fiscal space of Indian federalism: towards more rational arrangements, he mentions "a necessary condition of all transfers (grants, tax-sharing etc.) should be to ensure equalisation of fiscal capacity to all local Governments. All local Governments should have the fiscal capacity to provide comparable levels of public services so that no citizen suffer deprivation due to their choice of residential locations." In an interesting micro-level study on Social classes and participation in planning in Kerala, Pillai and Prakash (2016) observes that "the peoples' participation in the decentralised planning process at the panchayat level is witnessing a steady decline in the State. The participation comes only from the poor and the lower middle class people. The growing tendency of the middle classes and the relatively better off sections of the people to keep away from participation in the grama-sabha meetings is obvious. However, the decline in participation is not exclusively the result of class behaviour. There are inherent problems in the methodology of planning which needs to be addressed to ensure better administrative co-ordination and co-operation in decentralised planning."

The literature on decentralisation, in general, suggest that fiscal decentralisation and decentralisation of the planning process is welcome step from the point of view of deepening of democracy. Although the international experience vary from country to country, decentralisation increases the efficiency of the public spending in general. Moreover, the local needs perceived by the people are better represented under a relatively more decentralised environment. The Kerala experience of peoples' plan campaign of 1996 followed by the 73rd and 74th amendment of the Indian constitution made a history. The idea of decentralisation has been implemented in reality in Kerala by the 9th five-year plan and subsequent plans of the State. Substantial proportion of the functional responsibilities and that of the States' planned fund were resolved to be devolved to the local bodies. Effective peoples participation was ensured in the planning process was ensured through the Grama-sabhas. This was an exemplary development and effective implementation of the constitutional provision for decentralisation in India. Along with other things, this has also helped Kerala to maintain its high Human Development Indicators in the country.

Chapter 3: The Decentralisation Scenario in Kerala in 2017-18

There are six corporations in Kerala namely, Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode and Kannur. Apart from these corporations in big cities, there are 87 municipalities in 14 districts of Kerala to take care of urban local body activities. As far as the rural areas are concerned, there are 941 Grama Panchayats, 152 block Panchayats and 14 district Panchayats in Kerala in 2017-18. Therefore, there are total 1200 local bodies in the state of Kerala to cover the entire population of 3.44 crore (approximately in 2017-18) across 15000 square miles or 39000 square kilometres.

If we look at the state budget of Kerala, we see that the total plan outlay including the central sector schemes in 2016-17 has been Rs.22438 crores, which is around 3.6% of Kerala's GSDP (617034.66 crore in 2016-17 at current prices). Including Kerala State Electricity Board's (KSEB) contribution, the total plan outlay was 24000 crore in 2016-17, out of which Rs.5000 crore has been devolved to the local self-governments (LSGs), which has been around 21% of the plan outlay (Source: Economic Review of 2017, State Planning Board, Kerala). During the 12th Plan period from 2012-13 to 2016-17, the LSG development fund has been 23% of the plan outlay as compared to 25% recommendation of the 4th State Finance Commission of Kerala.

Table 3.1: The Size of the Plan Expenditure in Kerala (In Rupees Crore)

Year	Plan Revenue Expenditure	Rev. Expd. CSS CPS PSU	Plan Capital Outlay	Cap. Expd. CSS CPS PSU	Total Plan Outlay
2016-17	13492.35	3499.56	8945.65	419.45	22438
2017-18 BE	18937.35	7844.34	7442.18	477.75	26380
2017-18 RE	14021.42	3728.75	7253.43	466.84	21275
2018-19 BE	19421.36	7513.19	8694.26	639.95	28116

Source: Budget 2018-19, Govt. of Kerala.

According to the Information Kerala Mission (IKM) data, in the year 2017-18, the total budgeted grant-in-aid to the local bodies has been Rs.6195 crore, which was divided into general fund of Rs.4847 crore, scheduled caste sub-plan (SCSP) of Rs.1172 crore and tribal sub-plan (TSP) of Rs.176 crore. Including the unspent money of the last financial year, the available fund with the local-bodies was more than Rs.8000 crore in 2017-18. However, the total spending has been only Rs.5200 crore, which is merely 65% of the available funds. This was even less than the current budget allocation for the year 2017-18. The state government of Kerala has now taken a decision that the unutilised money would not be allowed to carry forward in the next financial year. It was perceived that more than 35% of the fund remained unutilised (among other things) mainly because of delay in approving the annual plans of the local bodies and transferring the money to them from the state treasury. To solve this problem, all the local-bodies have been asked to submit their annual plans for the financial year 2019-20 within December 2018 so that the process of approval can be completed within March 2019 and the local bodies get the money in the very beginning of the financial year to execute their plans. Hopefully, because of this reform, in 2019-20, the utilisation of the money would be much better than that in 2017-18.

As far as the 2017-18 IKM data is concerned, 6 corporations together got 10.9% of total budgeted grant-in-aid, 87 urban municipalities got 14.4% of the funds, the rest around 75% of the fund went to the rural local-bodies. 12.8% of total budget went to district and block panchayats and 49.2% went to the different grama panchayats in 2017-18. The spending efficiency of different types of local bodies are given below.

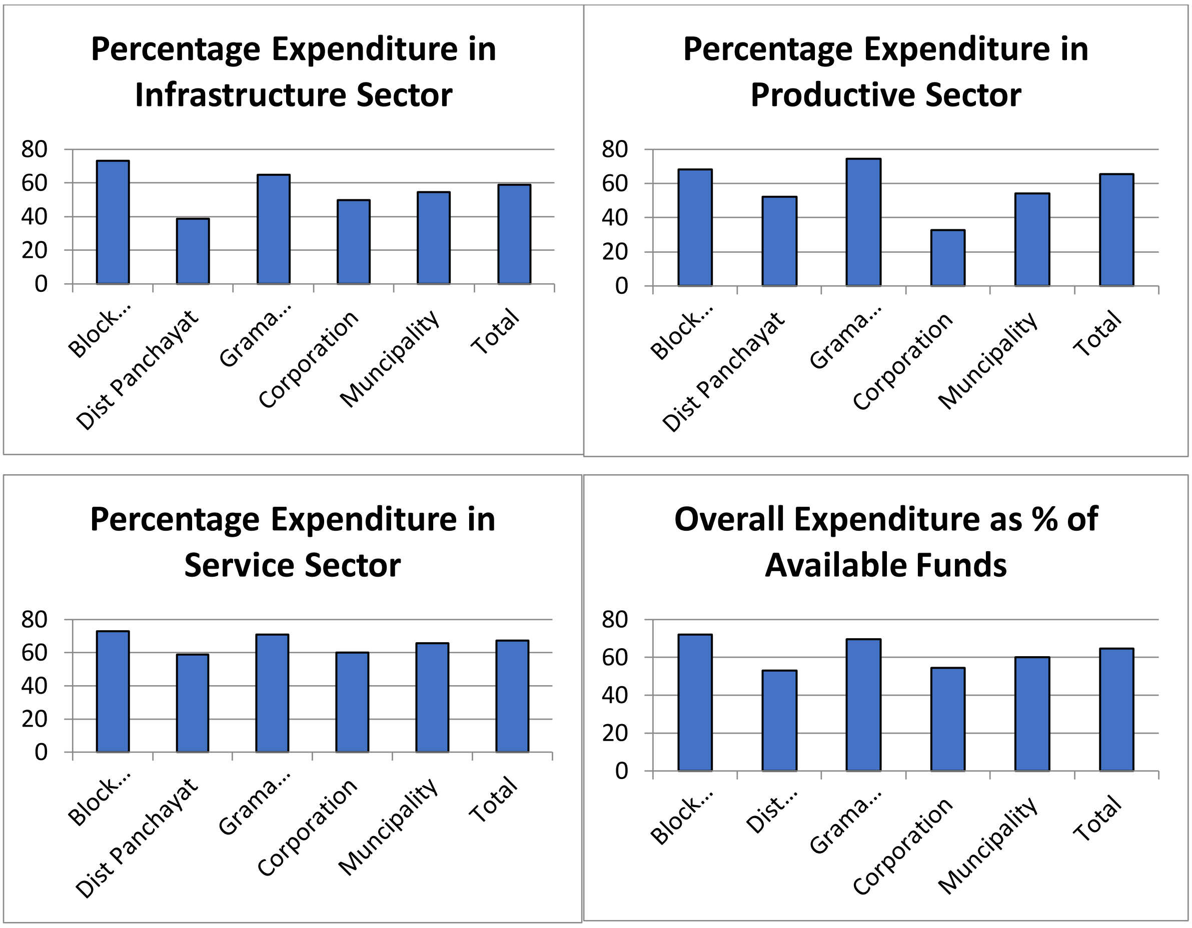
Table 3.2: Expenditure as Percentage (%) of Available Funds in 2017-18

Local Body Type	Gen	SCP	TSP	Total
Block Panchayats	72.3	71.1	73.6	72.1
District Panchayats	54.2	49.4	57.1	53.1
Grama Panchayats	71.1	65.7	61.6	69.7
Corporation	55.8	45.5	33.6	54.6
Municipality	61.2	55.2	49.8	60.3
Total	**65.6**	**61.1**	**62.5**	**64.6**

Source: Information Kerala Mission Database, 2017-18.

It is clearly evident from the above table that the fund utilisation by the rural local bodies are much better than the urban local bodies, in general. Although, district panchayats could spend only 53% of their available fund. The overall fund utilisation is around 65% of the available funds and 35% of the funds remained unutilised in 2017-18. However, as proportion of the budget allocation, the expenditure was, on the whole, around 84%. If we look at the sector-wise fund utilisation by different rural and urban local-bodies, we see that the block panchayats and the grama panchayats have been able to spend around 70% of the available fund in all the major three sectors, *viz.* infrastructure, productive and service sectors. Fund utilisation has been abysmally low by the district panchayats in infrastructure sector and that by the city corporations in the productive sector in 2017-18 in Kerala.

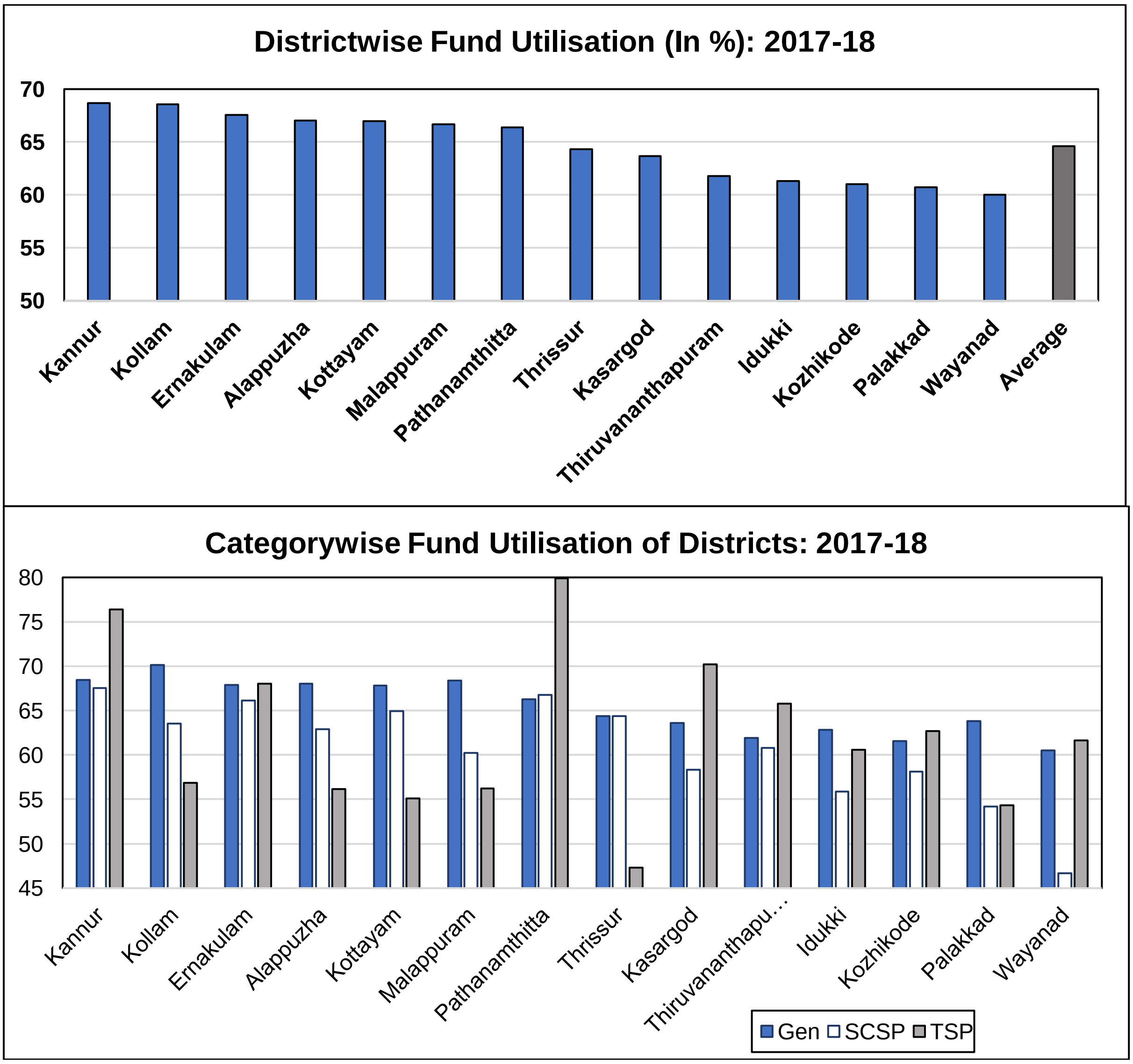
Chart 3.1: Sector-wise Fund Utilisation by Different Types of LSGs



Source: Information Kerala Mission Database, 2017-18.

The expenditure as proportion of available fund also varies district to district. For example, in 2017-18, the utilisation percentage in Kannur and Kollam were more than 68.5% as compared to that of less than 61% in Palakkad and Wayanad. However, all the districts spent more than 60% and less than 70% of their available funds in Kerala. If we look at the category-wise fund utilisation of different districts, we see that the utilisation under TSP varies widely from 80% in Pathanamthitta to 47% in Thrissur. Utilisation under this category is lower than the average in districts like Palakkad, Malappuram, Kottayam, Alappuzha, Kollam and in Thrissur. As far as the SCSP fund utilisation is concerned, it is abysmally low in Wayanad district (47%) and it is maximum in Kannur but, that too is only 67.5%.

Chart 3.2: District-wise Category-wise Fund Utilisation in 2017-18

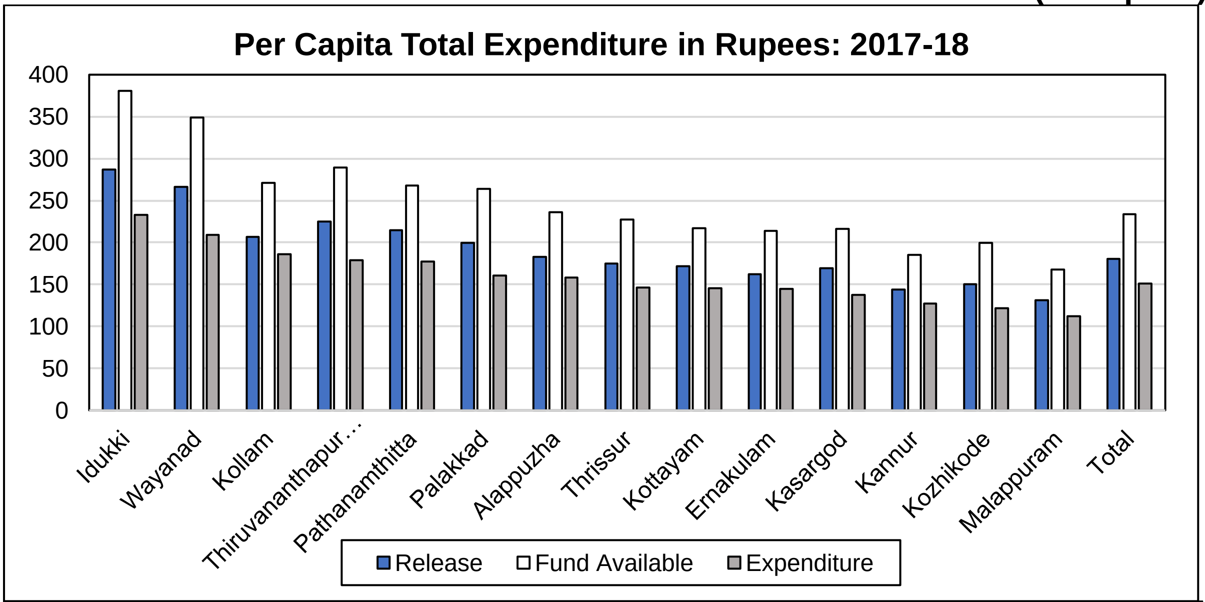


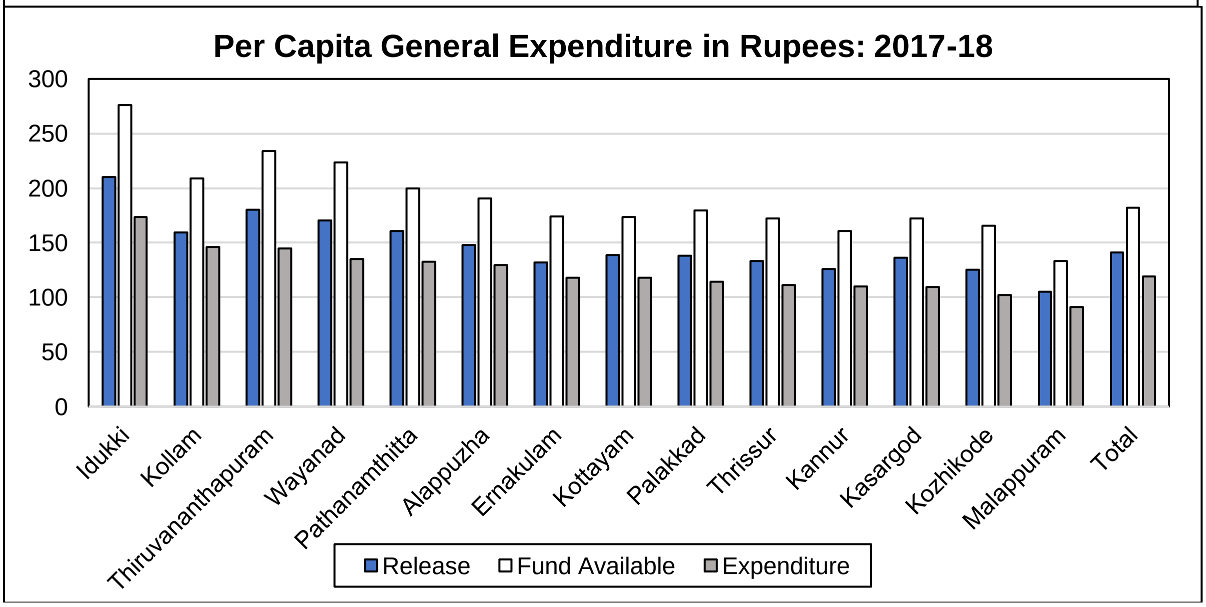
Source: Information Kerala Mission Database, 2017-18.

Therefore, there are some factors for all the districts because of which the fund utilization has been lower, in general; and there must be some regional factors as well which, caused the fund utilisation of specific types to be particularly low in some of the districts. Somewhere, there must be a mismatch between the local priorities and the prescribed guidelines of fund utilisation. We want to discuss this point later in greater details while discussing the spending proportions at further disaggregated levels.

Chart 3.3: Per-capita Budget, Available Fund and Spending in 2017-18

(In Rupees)

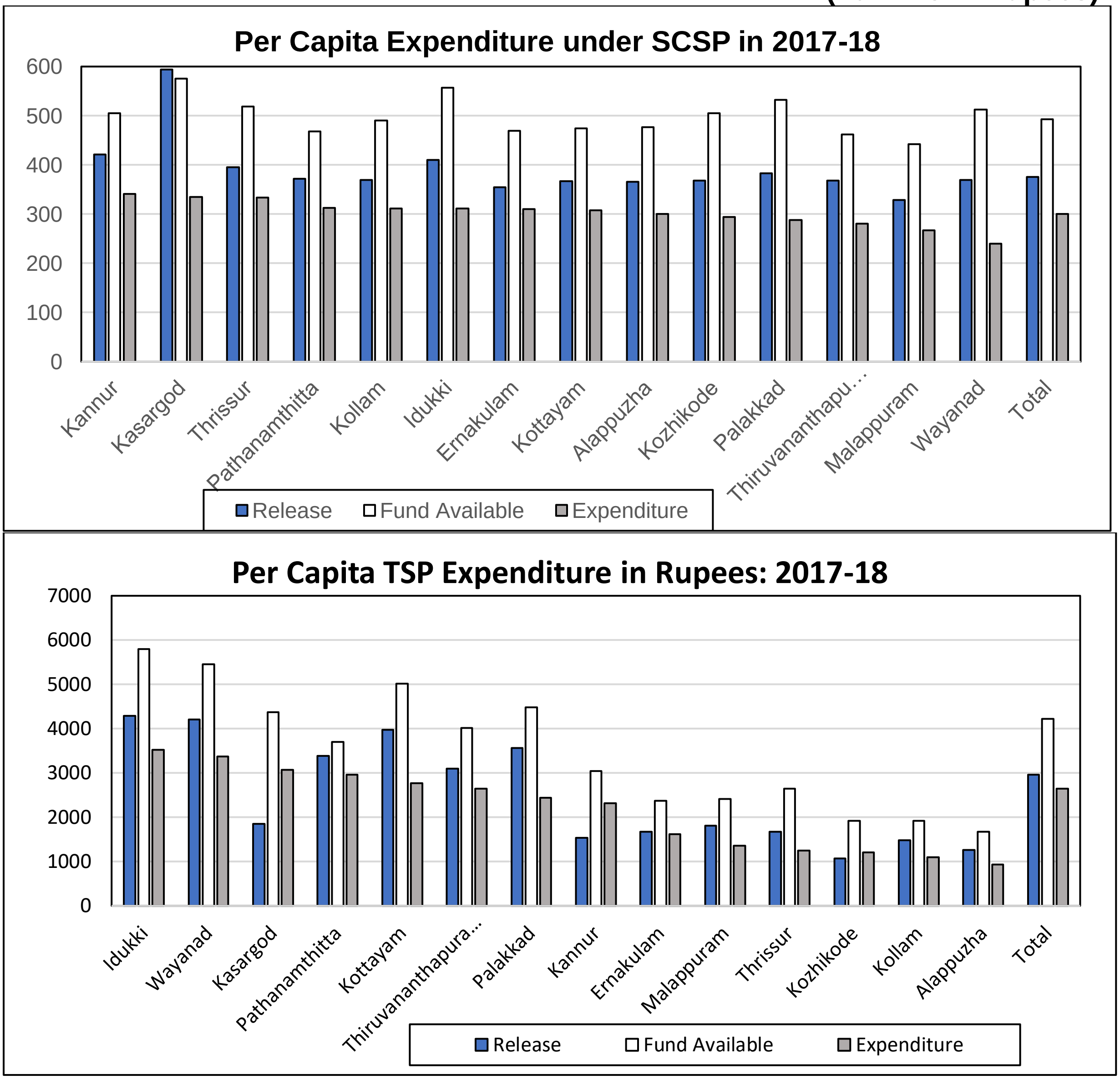




Source: Information Kerala Mission Database, 2017-18.

In per-capita terms, in 2017-18, the total expenditure under state plan schemes by the local bodies has been Rs.150 in Kerala. Although, available fund was Rs.234 per person. The spending varied from Rs.233 to Rs.112 in different districts. Vis-à-vis district-wise per capita total and general expenditures, it is clearly evident from the above two graphs that the per-capita spending has been relatively higher in Idukki, Kollam, Wayanad, Thiruvananthapuram etc. and it has been relatively low in districts like Kasaragod, Kozhikode, Kannur, Malappuram etc. However, if we look at the per-capita SCSP (divided by the district-wise estimated SC population in 2017-18) and per-capita TSP (divided by the district-wise estimated ST population in 2017-18), the scenario turns out to be as the following.

Chart 3.4: Per-capita Budget, Available Fund and Spending under SCSP & TSP (2017-18 in Rupees)



Source: Information Kerala Mission Database, 2017-18.

The proportion of SC population in Kerala is 9.1% according to the census 2011. Districts like Palakkad, Pathanamthitta, Idukki, Kollam, Thiruvananthapuram, Thrissur and Alappuzha have proportionately more than average SC population in the State. Excepting Wayanad and Malappuram, the per capita expenditure on SC sub-plan has been around Rs.300 in all other districts in 2017-18. In Kannur, Kasaragod and Thrissur, it has been Rs.330 to 340 as compared to Rs.280 to Rs.290 in Palakkad and Thiruvananthapuram. Although, available fund for SCSP was around Rs.500 per head for almost all the districts in Kerala.

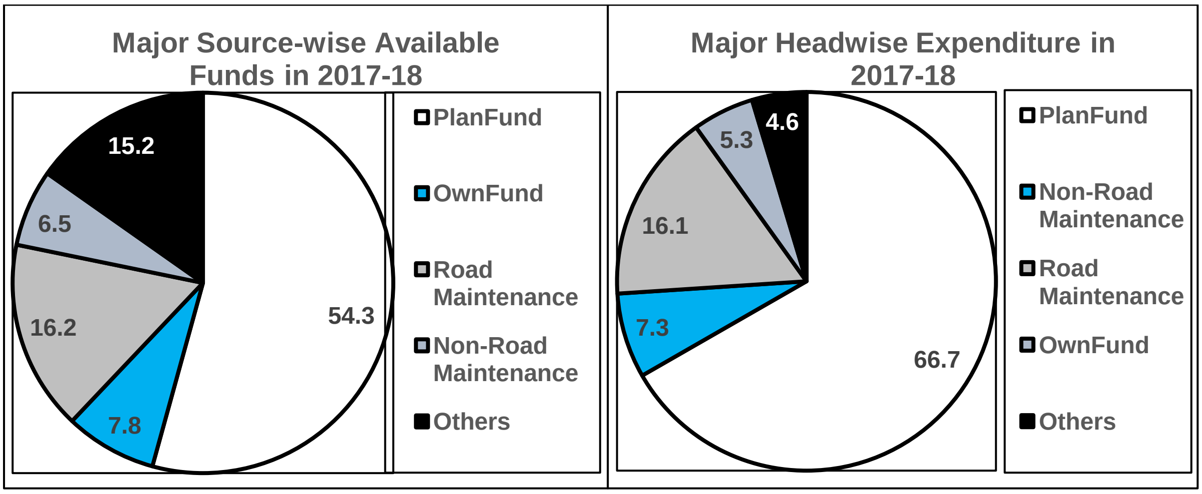
The availability of TSP fund was more than Rs.4000 per tribal people in the State. But the expenditure has been more than Rs.3000 per head only in Idukki, Wayanad and Kasargod districts. In districts like Malappuram, Thrissur, Kozhikode, Kollam and Alappuzha the actual spending has been below Rs.1500 per head. According to the 2011 census data, 31% of total tribal population of Kerala lives in Wayanad district alone, followed by Idukki (11.5%), Palakkad (10%) and Kasaragod (10%) districts. It is interesting to note that per capita spending under TSP has also been higher in the districts with higher proportion of tribal population. In the districts with less than 5% tribal population, the per capita spending has also been relatively lower in 2017-18.

Palakkad district has more SC as well as ST population, however, it is evident from chart 3.2, under both SCSP and TSP, the expenditure as proportion of available fund has been relatively very low (less than 55%) in the district. Interestingly, utilisation of general fund has been around 65% in Palakkad district in 2017-18. Idukki is another district where, SC population is higher than the state average but, the utilisation of SCSP fund has been only 55% of the available money in 2017-18. It has already been mentioned that in Wayanad and in Thrissur the utilisation of SCSP and TSP funds respectively have been less than 47.5% in 2017-18.

In the year 2017-18, more than 54% of the funding of the local-bodies in Kerala came from the State Plan Fund, 23% came under road and non-road maintenance funds, 8% was their own funds and the rest 15% came from various other sources like under various central sector schemes, state sector schemes, loans, benevolent fund, institutional fund, self-spend fund, NABARD, MLA fund, MP fund and so on. Almost 67% of the total spent money by the local-bodies came from the state plan fund in 2017-18. Only 7.3% of total expenditure was financed by the own funds of the local-bodies, 21.4% was financed by road and non-road maintenance funds and only 4.6% of total spending was financed by all other sources in 2017-18.

If we look at the financing of local-body spending in Kerala in 2017-18, there is a difference in the composition of available fund and composition of funds that have been actually spent. For example, 54% of the available funds was from the state plan funds and 67% the spent money came from state plan funds. Similarly, if we look at the funds from sources other than state plan fund, own fund, maintenance funds for road and non-road, it's share was 15% of the available fund but, only 4.6% of the actually spent fund (see the pie charts 3.5 below) in the financial year 2017-18. These other funds comprise of central sector schemes, state sector schemes, loans, benevolent fund, institutional fund, self-spend fund, NABARD, MLA fund, MP fund and so on. Clearly, the fund utilization of the local-bodies varies, at the aggregate level, depending on the source of funding.

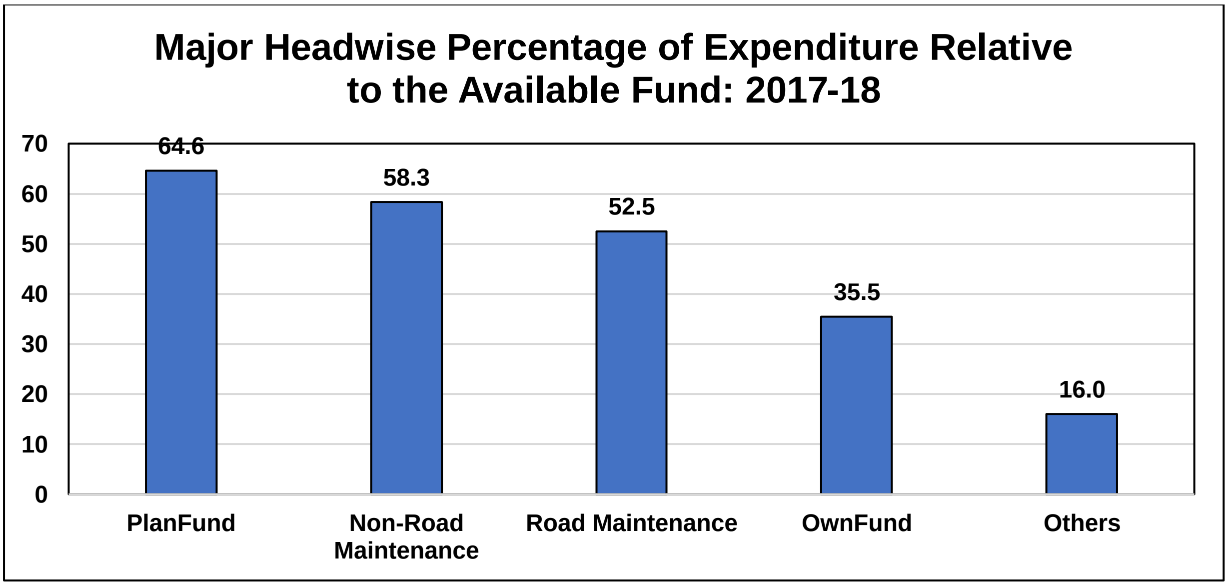
Chart 3.5: Source-wise Funding of Local-bodies in Kerala during 2017-18



Source: Information Kerala Mission Database, 2017-18.

If we look at the graph on source-wise utilisation of funds at the aggregate level below (Chart 3.6), we see that utilisation of available state plan fund has been around 65%, followed by the maintenance fund on non-road (58%) and road (52.5%). Around 65% of own funds of the local-bodies and 84% of other funds like CSS, SSS, loans, benevolent fund, institutional fund, self-spend fund, NABARD, MLA fund, MP fund external aids etc. remained unutilised in 2017-18. In absolute numbers, this 84% of unutilised other funds means almost Rs.1900 crore, which accounts for 27% of total unutilised fund in 2017-18.

Chart 3.6: Source-wise Utilisation of Available Fund of Local-bodies in Kerala



Source: Information Kerala Mission Database, 2017-18.

In table 3.3, source-wise unutilised funds during 2017-18 have been tabulated. Total unutilised fund was Rs.7000 crore as compared to the total spending of local-bodies Rs.7800 crore. Therefore, at aggregate level, out of total Rs.14800 crore amount of available money, only 52.5% could be utilised and rest 47.5% remained unspent in 2017-18. Rs.2850 crore of state plan fund remained unspent, Rs.750 crore of own fund remained unutilised, Rs.1550 crore of maintenance grant remained unutilised, more than Rs.500 crore of available CSS and SSS funds could not be utilised. More than Rs.450 crore amount of loans remained unutilised, which is 97.5% of the total loan amount. It is surprising because the borrowing then does not make any sense.

Table 3.3: Source-wise Unutilised Funds (In Rs. Crore) during 2017-18

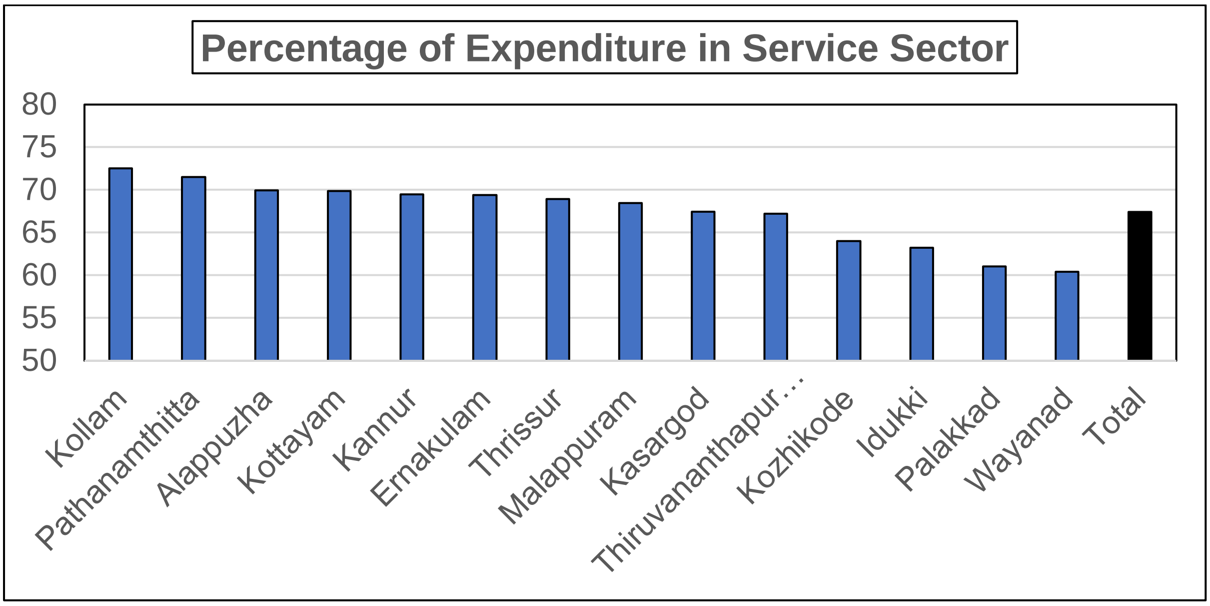
	Available Fund	Expenditure	Unutilised Fund
Plan Fund	8048	5200	**2848**
Own Fund	1154	410	**745**
Road Maintenance	2395	1258	**1137**
Non-Road Maintenance	970	566	**404**
CSS	443	75	**368**
SSS	156	9	**147**
Fin Loan	388	8	**380**
Local Self Loan	72	3	**69**
Bene Fund	13	1	**12**
Insti Fund	187	55	**133**
Self-Spend Fund	253	27	**226**
DP	209	60	**149**
BP	190	94	**96**
GP	107	6	**101**
Ext Aid Fund	93	12	**81**
NABARD	36	3	**33**
Nirmal	7	1	**5**
Consol Fund	6	1	**5**
MLA Fund	9	0	**9**
MP Fund	3	0	**3**
BK Fund	86	7	**79**
Total	**14827**	**7795**	**7032**

Source: Information Kerala Mission Database, 2017-18.

Therefore, underspending is a serious cause of concern for the local-bodies, in general. Ofcourse, the degree of mismatch between available fund and actual spending vary district to district and local body to local body, sector to sector and scheme to scheme. We would discuss these in details in terms of available disaggregated data provided by the Information Kerala Mission (IKM).

If we look at the district-wise data on expenditure only in the service sector as percentage of the available fund under state plan funds for service sector, we see that 67.4% of available fund has been utilised in service sector in 2017-18 in Kerala. Districts like Kollam and Pathanamthitta could utilise more than 70% of the available fund and districts like Kozhikode, Idukki, Palakkad and Wayanad could spend less than 65% of the fund during 2017-18 (See Chart 3.7 below).

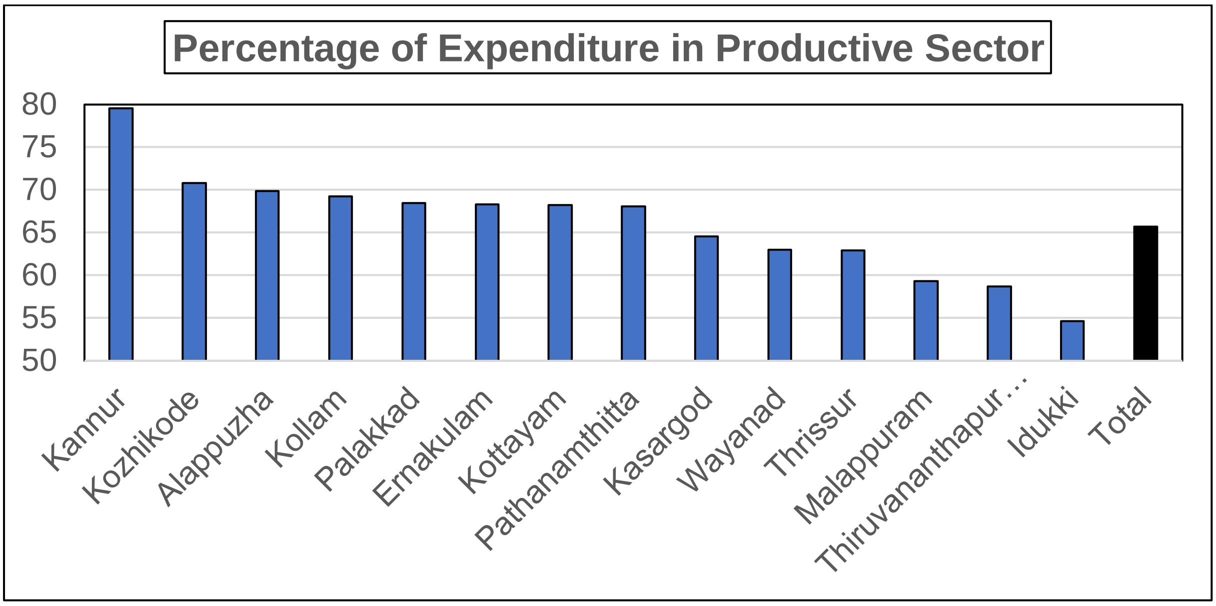
Chart 3.7: Service Sector Expenditure as % of Available Fund in 2017-18



Source: Information Kerala Mission Database, 2017-18.

If we look at the district-wise data on expenditure separately for the productive sector as percentage of the available fund under state plan funds for productive sector, we see that 65.7% of available fund has been utilised in productive sector in 2017-18 in Kerala. Districts like Kannur and Kozhikode could utilise more than 70% of the available fund and districts like Malappuram, Thiruvananthapuram and Idukki could spend less than 60% of the fund during 2017-18 (See Chart 3.8 below). The variation in spending efficiency in case of productive sector is relatively much wider – where almost 80% fund could be spent in Kannur district as compared to less than 55% of available fund could be utilised in Idukki district.

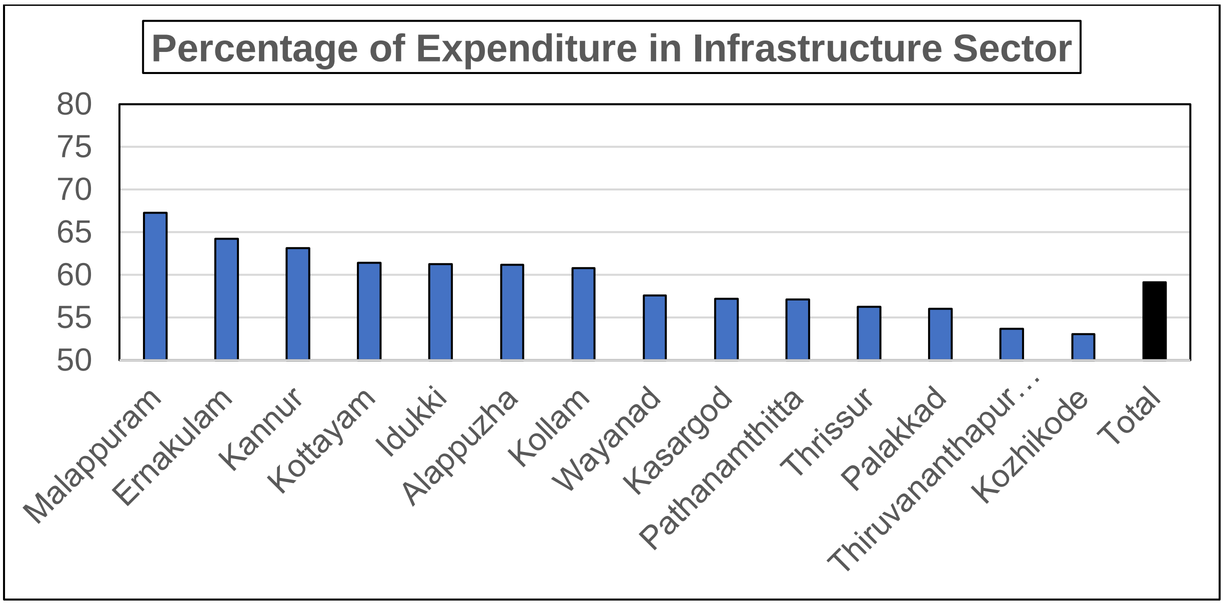
Chart 3.8: Productive Sector Expenditure as % of Available Fund in 2017-18



Source: Information Kerala Mission Database, 2017-18.

Relative to service and productive sectors (more than 65%), the performance of the infrastructure sector has been relatively poorer (less than 60%) as far as fund utilisation is concerned in 2017-18 financial year. Only Malappuram district could spend more than 65% of the available funds for the sector. Districts like Thiruvananthapuram and Kozhikode utilised less than 55% of the fund in 2017-18.

Chart 3.9: Infrastructure Sector Expenditure as % of Available Fund in 2017-18

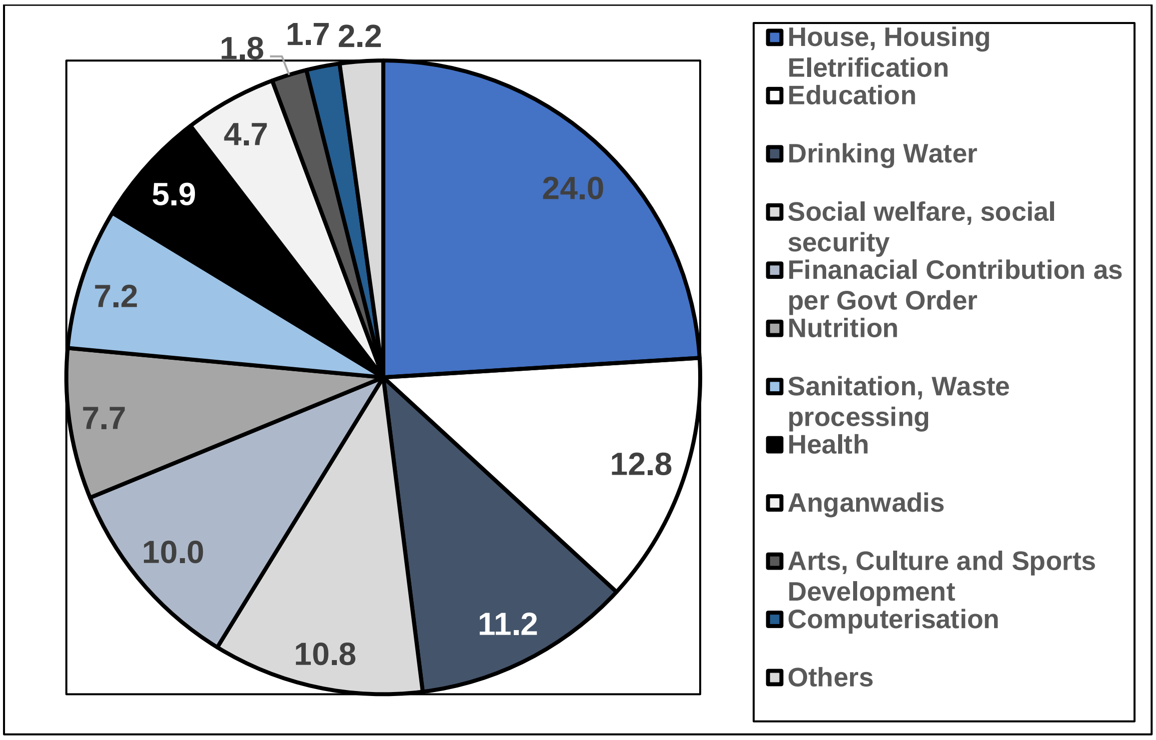


Source: Information Kerala Mission Database, 2017-18.

a) **The Service Sector:**

55% of total state plan fund was allocated for service sector, 31% was allocated for the infrastructure sector and 14% was allocated for the productive sector in 2017-18. Around 67.5% of available fund for the service sector, 59% of infrastructure sector fund and 64.5% of productive sector fund could be spent. Among different components of the service sector, most important components are housing and house electrification, education, water supply and sanitation, social security, nutrition, health, anganwadi, art-culture-sports, computerisation, libraries etc. In the pie-chart below, it is evident that 24% expenditure goes to housing, 12.8% goes to education, 11.2% to drinking water supply, another 10.8% to social security/welfare, 7.7% to nutrition, 7.2% to solid waste management and sanitation, 5.9% to health, 4.7% to anganwadis etc.

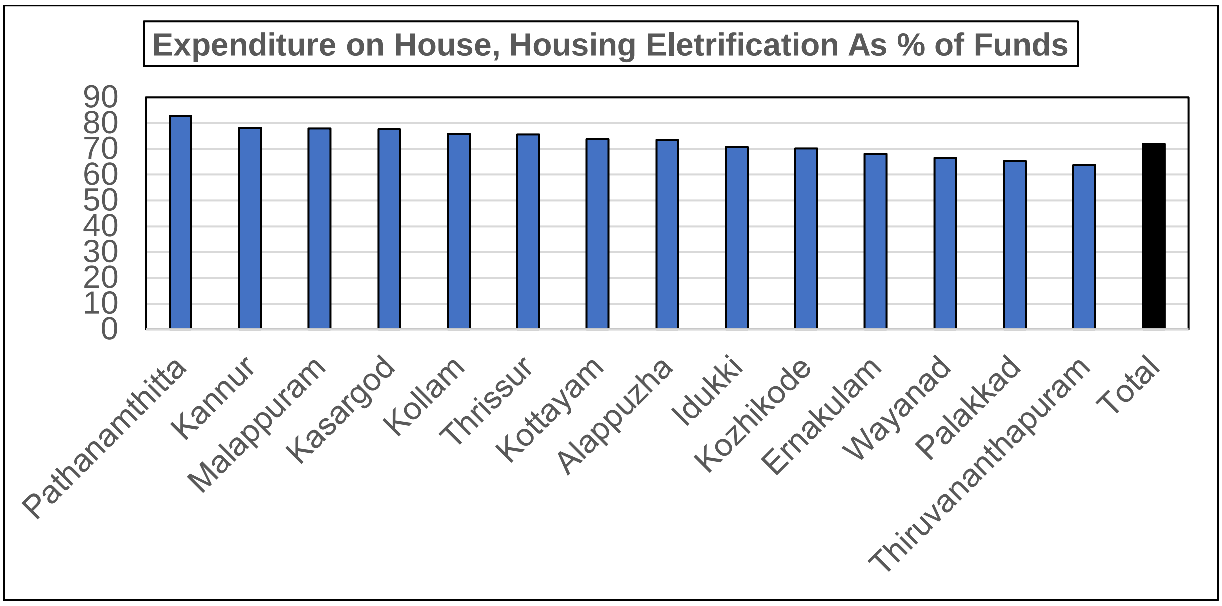
Chart 3.10: Major Components of Service Sector Spending by the LSGs under State Plan expenditure in 2017-18



Source: Information Kerala Mission Database, 2017-18.

More than 70% of the available fund for the local-bodies under the state plan fund for house and housing electrification could be spent in Kerala in 2017-18. In districts like Pathanamthitta, it was more than 80% and in districts like Thiruvananthapuram, it is less than 65% (see chart 3.11A below).

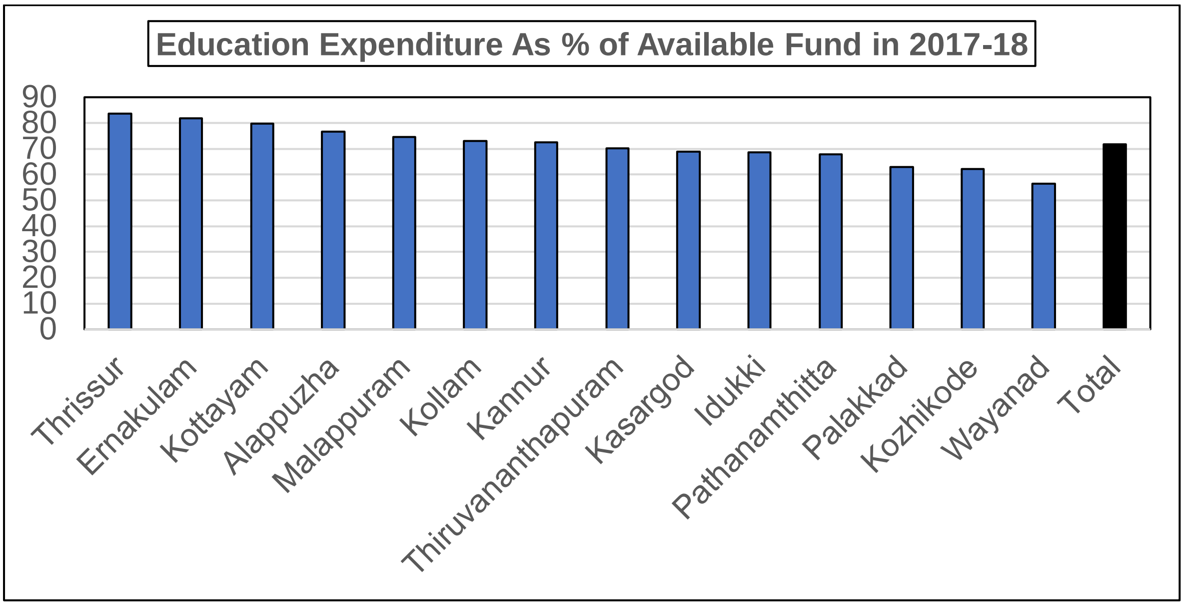
Chart 3.11A: State Plan Spending Efficiency in House and Housing Electrification by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

As far as education is concerned, all the local bodies in Kerala taken together could spend 70% of the available state plan fund, at aggregate level, in 2017-18. Districts like Thrissur, Ernakulam could spend more than 80% as compared to districts like Palakkad, Kozhikode, Wayanad etc. which have spent less than 65% of the available fund for education (see chart 3.11B below).

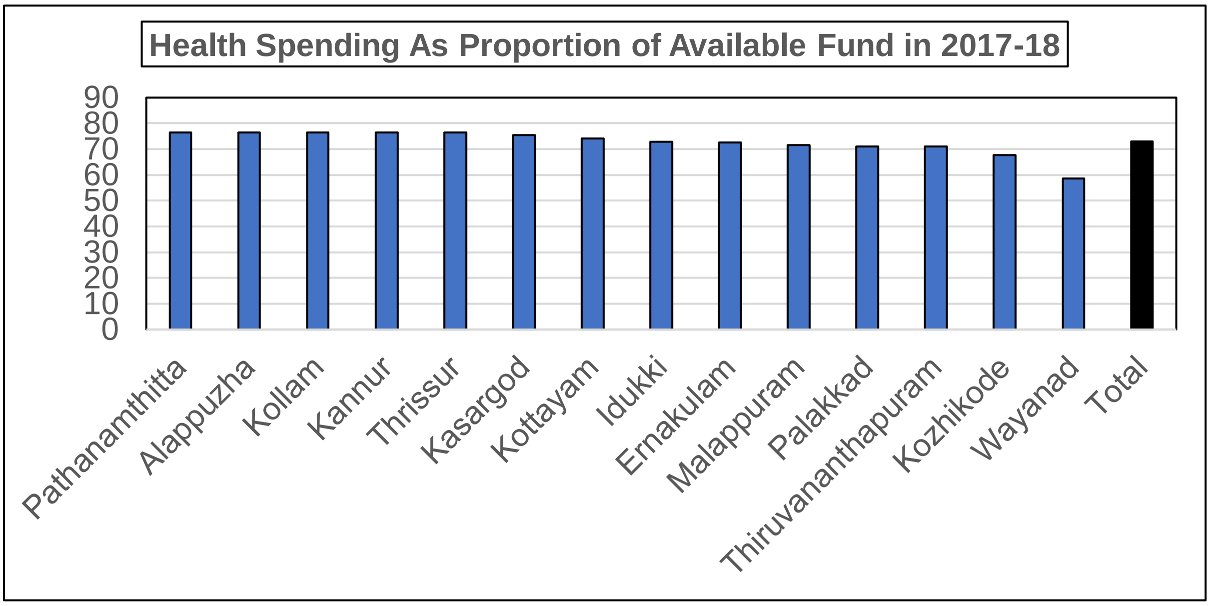
Chart 3.11B: State Plan Spending Efficiency in Education by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

As far as the health expenditure by the local self-governments under the state plan scheme is concerned, at aggregate level, 73% of the available fund could be spent in 2017-18. Barring Wayanad and Kozhikode, all other districts have spent between 70-80% of the fund as far as health is concerned. But, that is not the story necessarily for the other sub-sectors under the service sector (see chart 3.11C below).

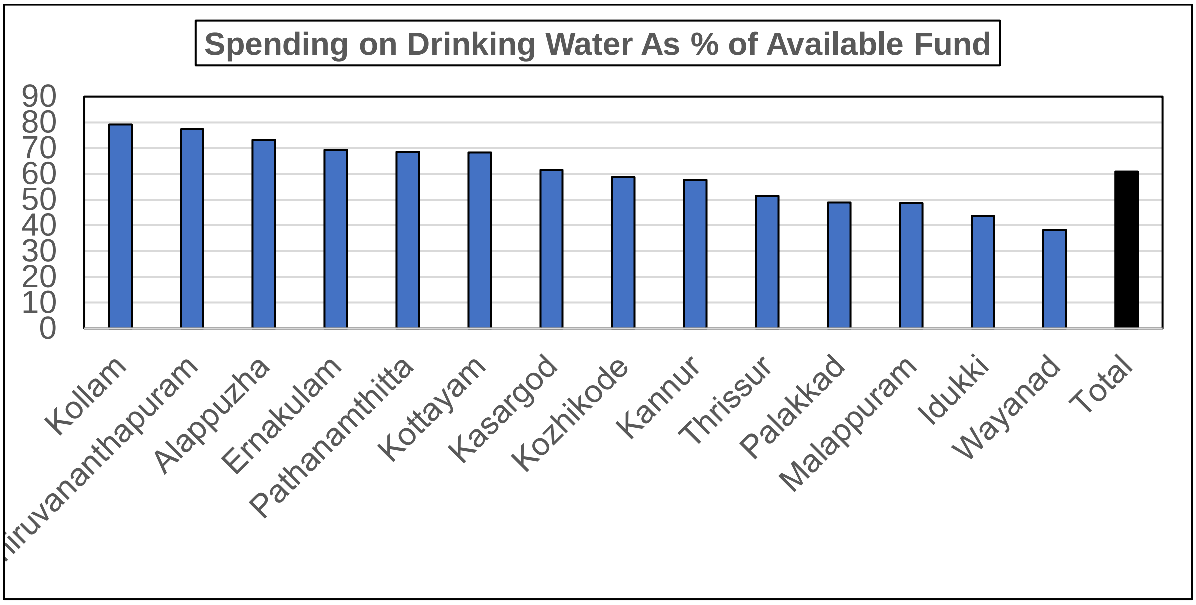
Chart 3.11C: State Plan Spending Efficiency in Health by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

One of the major responsibilities of the local-bodies is to supply clean drinking water and more than 11% of total state plan expenditure by the local-bodies is spent for this purpose. However, the spending efficiency is only 60% at the aggregate level and in districts like Thrissur, Palakkad, Malappuram, Idukki and Wayanad only 50% or less of the available fund has been spent. Only in three districts viz. Kollam, Thiruvananthapuram, Alappuzha the expenditure efficiency has been more than 70% in 2017-18 (see chart 3.11D below).

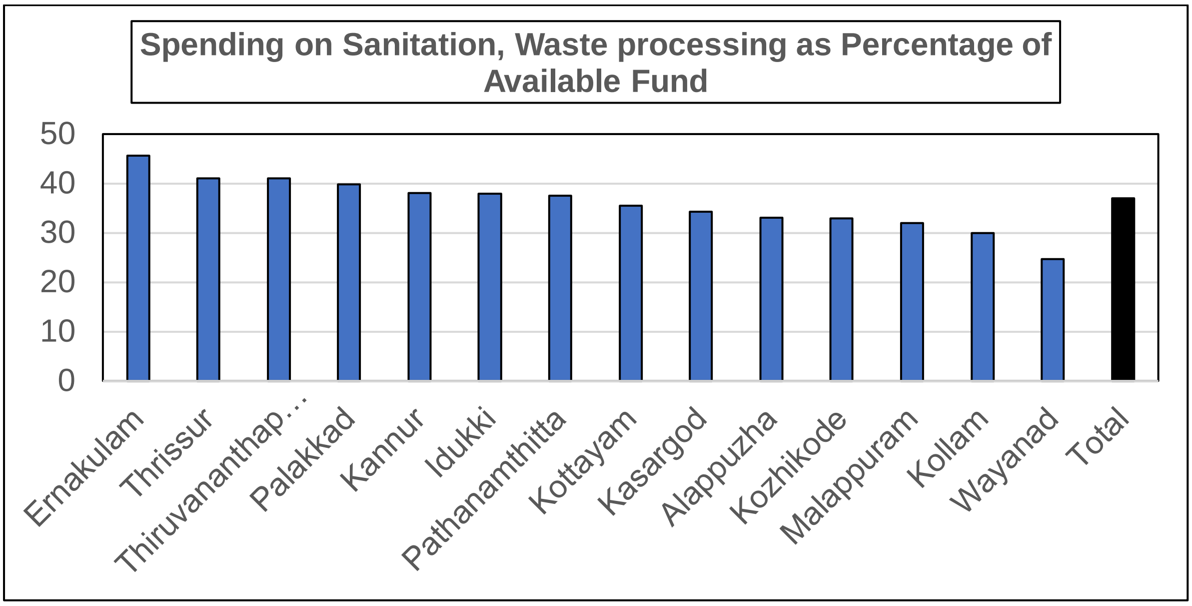
Chart 3.11D: State Plan Spending Efficiency in Drinking Water by the LBs



Source: Information Kerala Mission Database, 2017-18.

Another important service provided by the local-bodies is related to waste management and sanitation – little higher than 7% of the total state plan expenditure of the local-bodies is expended behind this. Unfortunately, none of the districts could spend even 50% of the available fund. In fact, only in Ernakulam, Thrissur and Thiruvananthapuram districts, spending has crossed 40%. Spending has been less than 25% in Wayanad district in 2017-18 (see chart 3.11E below).

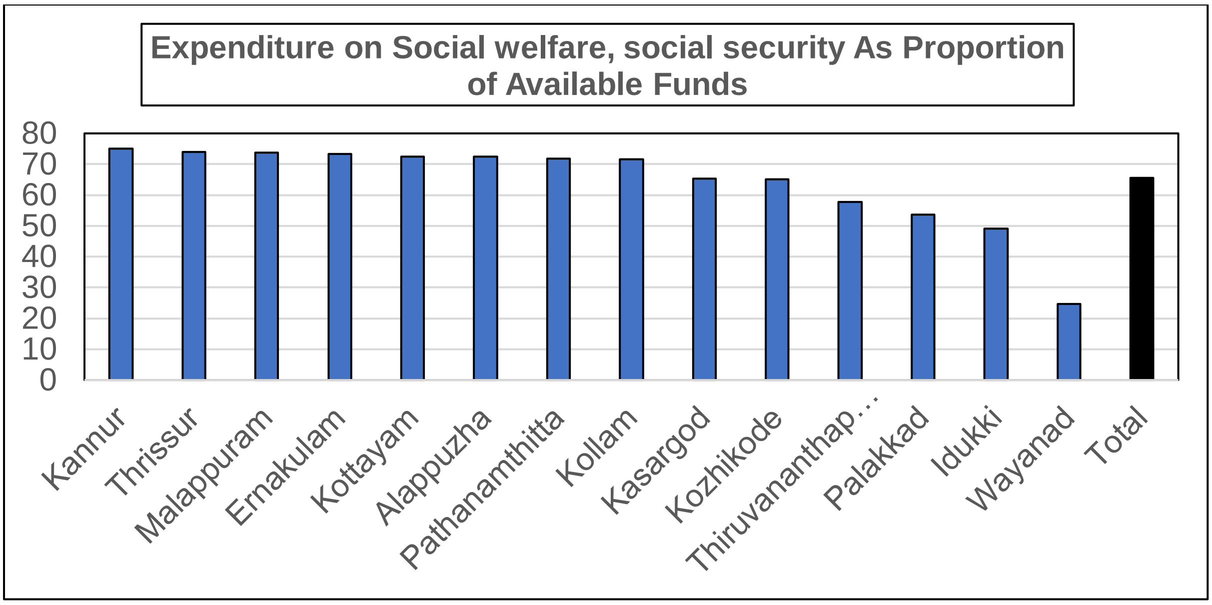
Chart 3.11 E: State Plan Spending Efficiency in Waste Processing & Sanitation



Source: Information Kerala Mission Database, 2017-18.

Another big component (almost 11%) of local-body spending is social welfare and social security. The average spending of all the districts in Kerala has been around 65% only. The districts which could spend less than the state average are Wayanad (only 25%), Idukki (49%), Palakkad, Thiruvananthapuram, Kozhikode and Kasargod.

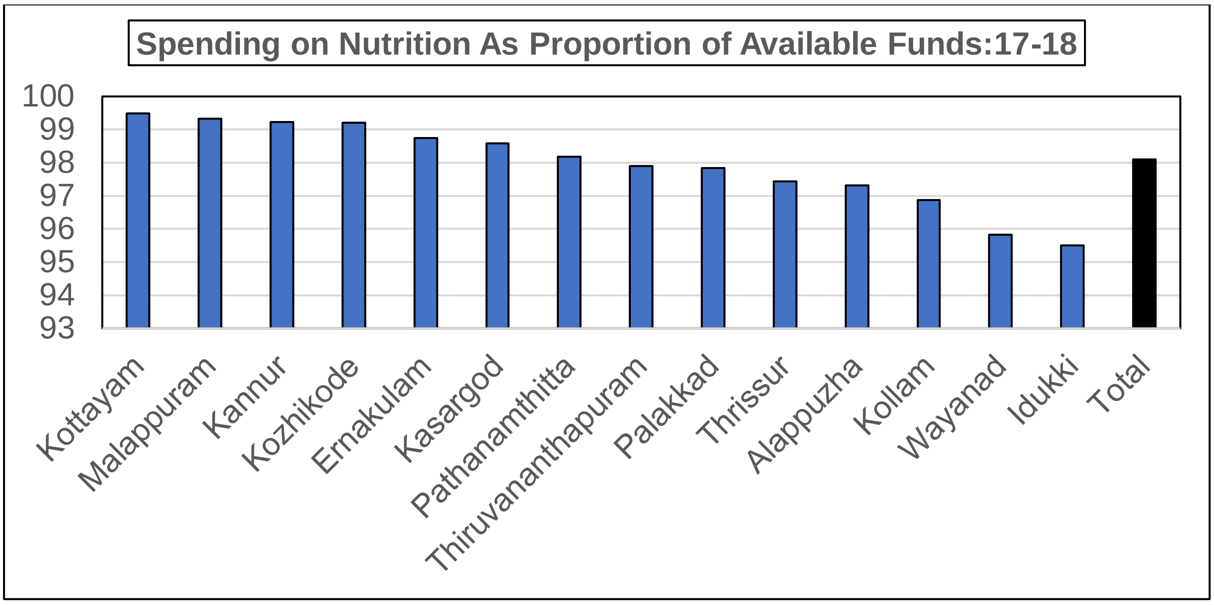
Chart 3.11 F: State Plan Spending Efficiency in Social Security and Social Welfare by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

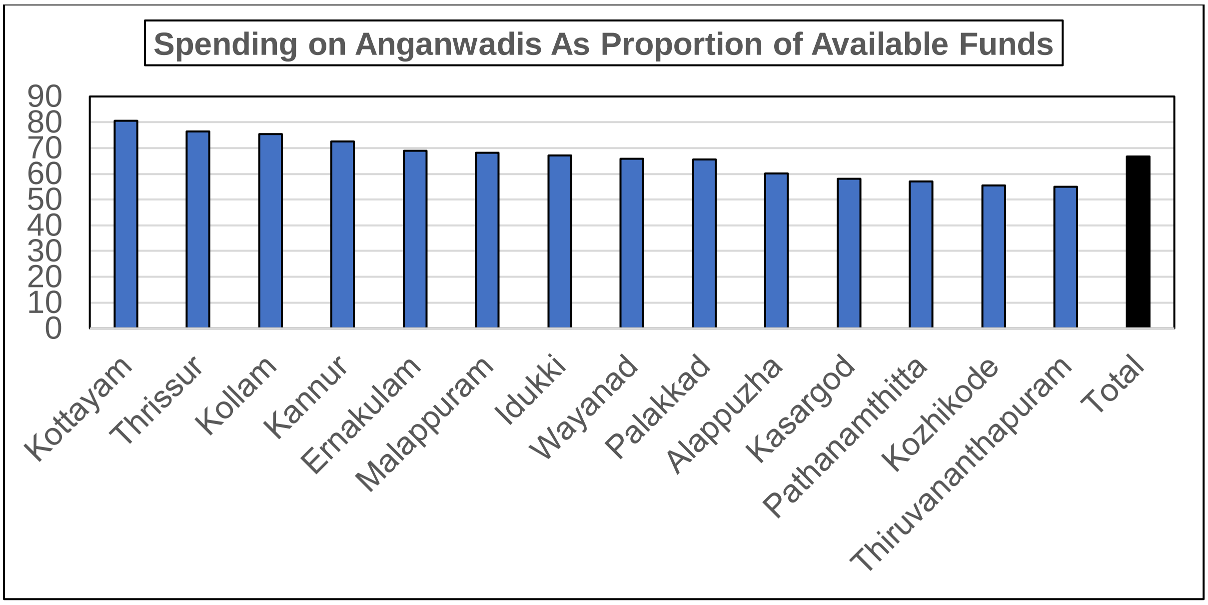
In 2017-18, 7.7% of local-body spending was directed towards nutrition and almost 100% of the available fund under the state-plan fund has been utilised (see the chart below) in Kerala. Therefore, it is not impossible to spend the available fund.

Chart 3.11 G: State Plan Spending Efficiency in Nutrition by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

Chart 3.11 H: State Plan Spending Efficiency in Anganwadis by the Local Bodies

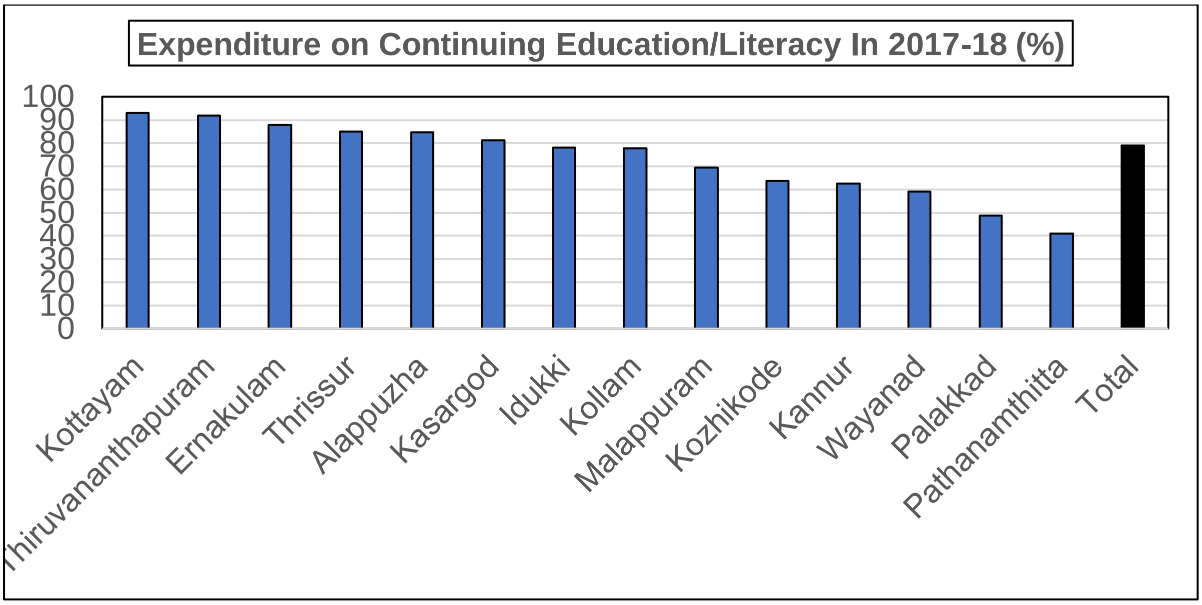


Source: Information Kerala Mission Database, 2017-18.

Expenditure behind Anganwadis has been 4.7% of total local-body expenditure under the state plan funds in 2017-18. The average spending was 66.7% of the available fund for the state as a whole. In Thiruvananthapuram and Kozhikode districts, it has been only 55% and in Kottayam, it has been more than 80%. It has been more than 75% in Thrissur and Kollam districts (see chart 3.11H).

Among the relatively smaller heads, spending on continuing education and literacy, computerisation, energy protection, that on reading-rooms, libraries, grama sabha/ward sabha centres, on art, culture, sports, tourism are important. The district-wise spending as proportion to available fund in 2017-18 on continuing education is given in chart 3.11I below. It is evident that the state average is 79% of the available fund for this purpose. Districts like Kottayam and Thiruvananthapuram could spend more than 90% of the fund; whereas, Pathanamthitta and Palakkad could spend less than 50% of the available fund in 2017-18.

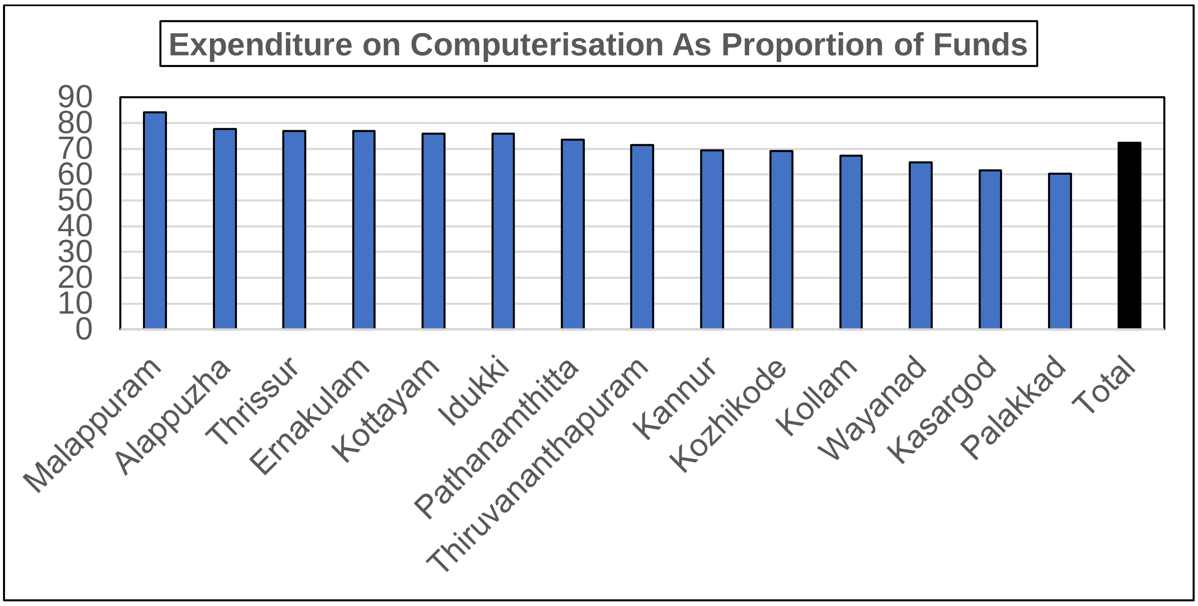
Chart 3.11 I: State Plan Spending Efficiency in Adult Education and Literacy



Source: Information Kerala Mission Database, 2017-18.

As far as the spending efficiency of different districts in computerisation is concerned, districts like Kasaragod and Palakkad could spend around 60% of the available fund and Malappuram could spend more than 80% of the available fund in 2017-18. On an average more than 70% of the available funds meant for this purpose could be utilised in the State (see chart 3.11 J).

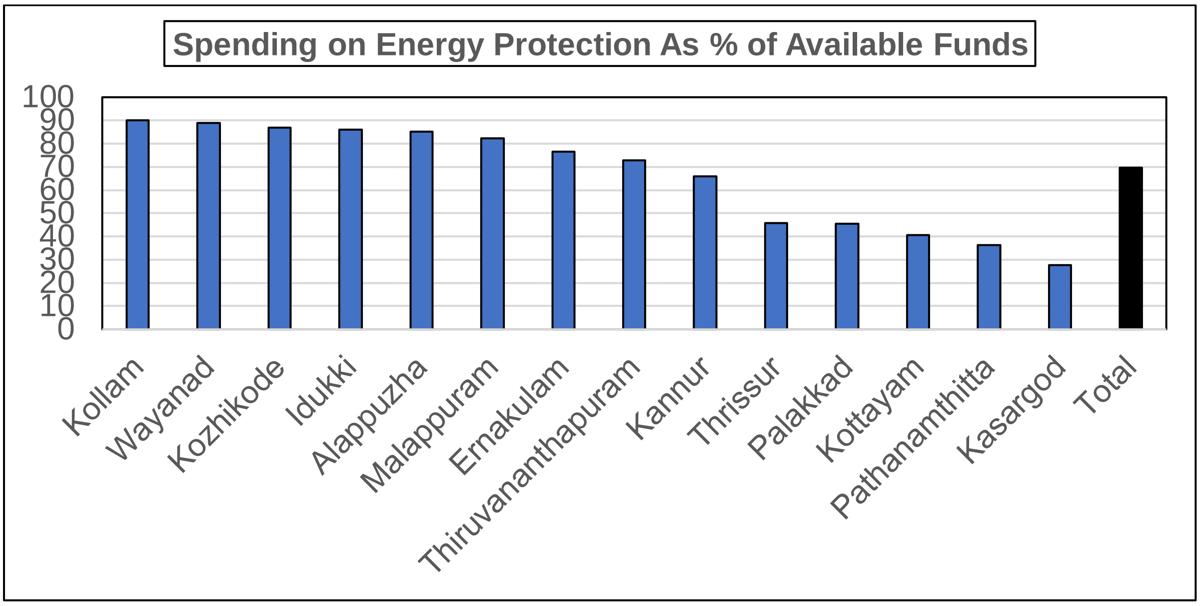
Chart 3.11 J: State Plan Spending Efficiency in Computerisation in 2017-18



Source: Information Kerala Mission Database, 2017-18.

On energy protection, little less than 70% of the available funds could be utilised in Kerala in 2017-18 (see chart 3.11 K below). Kasaragod could spend less than 30% of the available fund for this purpose in 2017-18. In fact, spending in districts like Pathanamthitta, Kottayam, Palakkad, Thrissur has been less than 50% under this head. Whereas spending in Kollam, Wayanad, Kozhikode, Idukki, Alappuzha has been more than 85% for energy protection on an average in 2017-18.

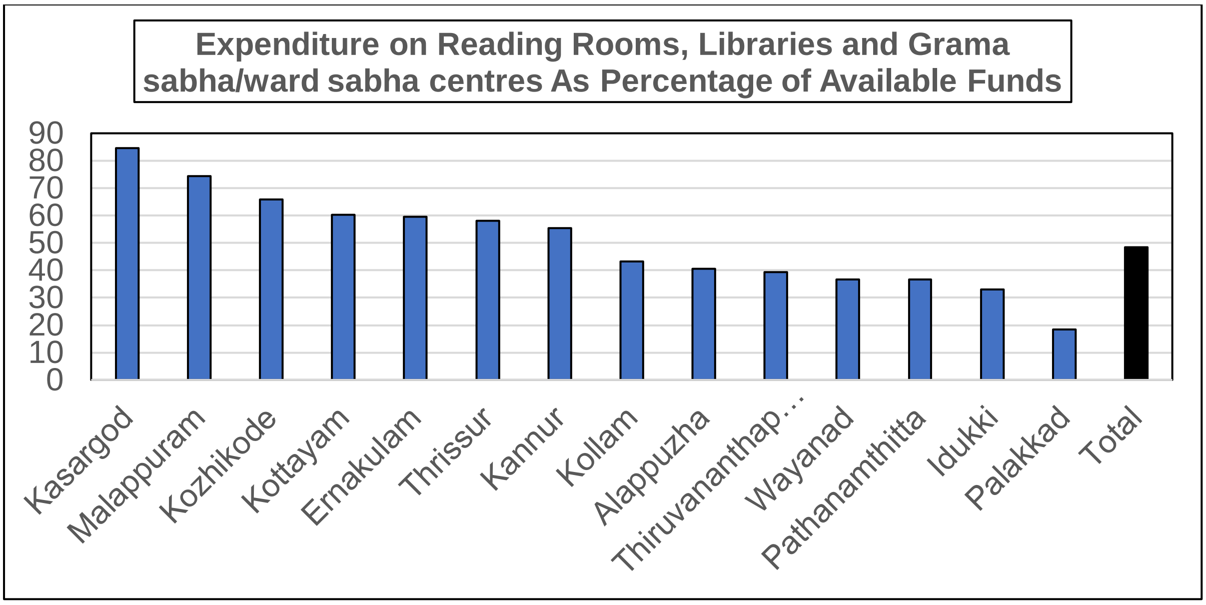
Chart 3.11 K: State Plan Spending Efficiency in Energy Protection by the LBs



Source: Information Kerala Mission Database, 2017-18.

Less than 50% of the available fund for Reading-room, Libraries, Grama Sabha/Ward Sabha Centres under the state plan fund could be spent by the local-bodies of Kerala, on an average, in 2017-18. In the districts like Palakkad (18%), Idukki (33%), Pathanamthitta (37%), Wayanad (37%) and Thiruvananthapuram (39%), the spending under this head has been less than 40% (see chart 3.11 L).

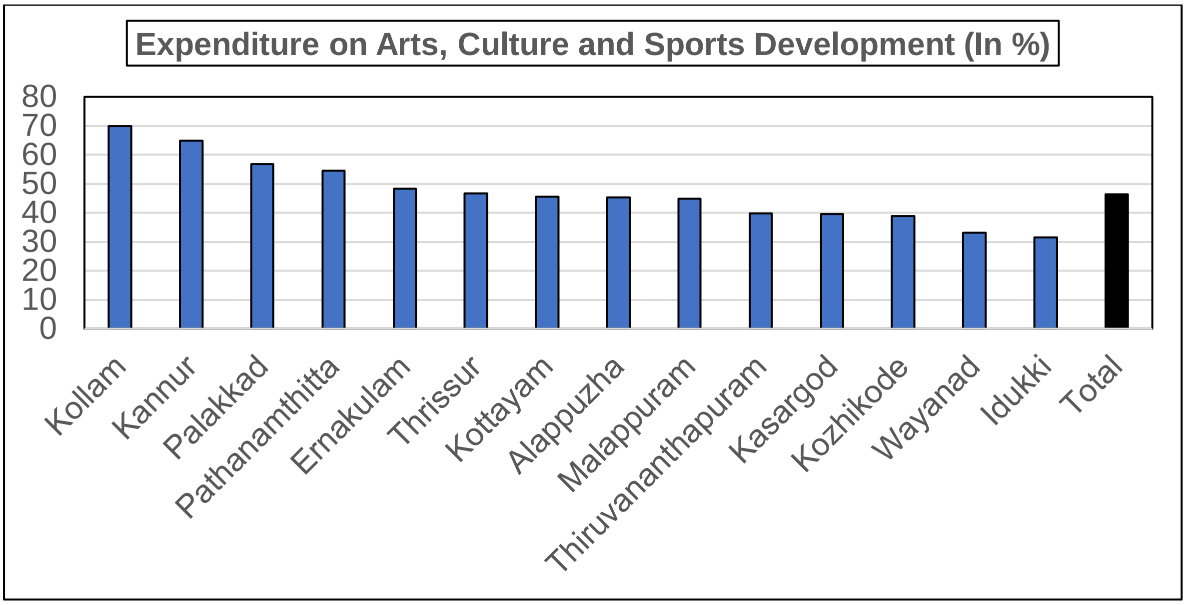
Chart 3.11 L: State Plan Spending Efficiency in Reading Room, Libraries, Grama Sabha/Ward Sabha Centres by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

As far as the art, culture and sports development is concerned, the state average spending has been below 50% of the available fund in 2017-18. In districts like Idukki and Wayanad, the spending was less than 35% of the available fund under this head (see chart 3.11 M below).

Chart 3.11 M: State Plan Spending Efficiency in Arts, Culture and Sports Development by the Local Bodies

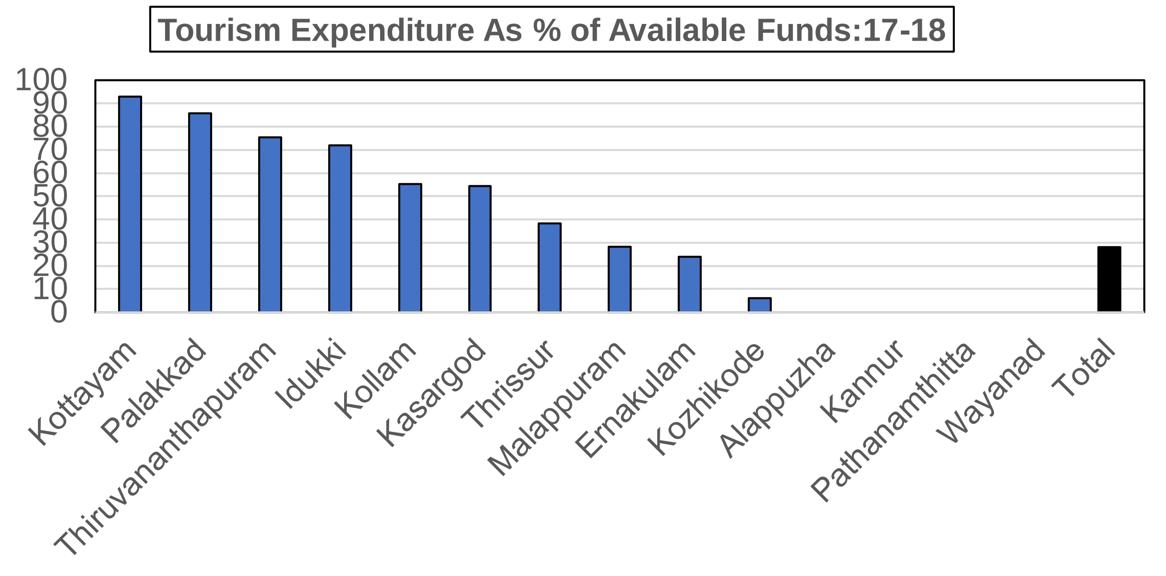


Source: Information Kerala Mission Database, 2017-18.

In chart 3.11 N below, district-wise tourism expenditure as proportion of the available fund has been depicted. The state average has been less than 30% in 2017-18. In some districts like Kottayam, Palakkad, Thiruvananthapuram and Idukki, more than 70% of this fund could be utilised but, there has been absolutely zero expenditures by the local-bodies of Alappuzha, Kannur, Pathanamthitta and Wayanad.

If we summarise the above picture of the social service (sector) expenditure we get the following table (3.11). It is evident that the districts like Kollam, Pathanamthitta, Alappuzha, Kottayam, Kannur, Ernakulam, Thrissur, Thiruvananthapuram are relatively better performing districts as compared to the districts like Wayanad, Palakkad, Idukki, Kozhikode, Thiruvananthapuram, Kasaragod, Malappuram local-bodies as far as the 2017-18 data is concerned. Expenditure efficiency cannot be the only indicator however, it is definitely one of the main indicators of performance.

Chart 3.11 N: State Plan Spending Efficiency in Tourism by the Local Bodies



Source: Information Kerala Mission Database, 2017-18.

Table 3.11: Service Sector Performance of Districts in Kerala in 2017-18

Sector	State Average	Best Performing Districts	Poorest Performing Districts
House, Housing Electrification	72%	Pathanamthitta	Thiruvananthapuram
Education	72%	Thrissur, Ernakulam	Wayanad, Kozhikode, Palakkad
Health	73%	Pathanamthitta, Alappuzha, Kollam, Kannur	Wayanad, Kozhikode
Drinking Water	61%	Kollam, Thiruvananthapuram	Wayanad, Idukki, Malappuram, Palakkad
Sanitation, Waste Processing	37%	Ernakulam, Thrissur, Thiruvananthapuram	Wayanad, Kollam, Malappuram, Kozhikode, Alappuzha
Social Welfare, Social Security	66%	Kannur, Thrissur, Malappuram, Ernakulam	Wayanad, Idukki, Palakkad, Thiruvananthapuram
Nutrition	98%	Kottayam, Malappuram, Kannur, Kozhikode	Idukki, Wayanad, Kollam
Anganwadis	67%	Kottayam, Thrissur, Kollam, Kannur	Thiruvananthapuram, Kozhikode, Pathanamthitta, Kasaragod
Continuing Education/Literacy	79%	Kottayam, Thiruvananthapuram	Pathanamthitta, Palakkad
Computerisation	72%	Malappuram	Palakkad, Kasaragod, Wayanad, Kollam
Energy Protection	70%	Kollam, Wayanad	Kasaragod, Pathanamthitta, Kottayam, Palakkad, Thrissur
Reading Room/Libraries	48%	Kasaragod, Malappuram, Kozhikode	Palakkad, Idukki, Pathanamthitta, Wayanad
Art, culture, sports	46%	Kollam, Kannur	Idukki, Wayanad, Kozhikode
Tourism	28%	Kottayam, Palakkad	Wayanad, Pathanamthitta, Kannur, Alappuzha
Social Service	**67%**	**Kollam, Pathanamthitta**	**Wayanad, Palakkad**

Source: Information Kerala Mission Database, 2017-18.

b) The Productive Sector:

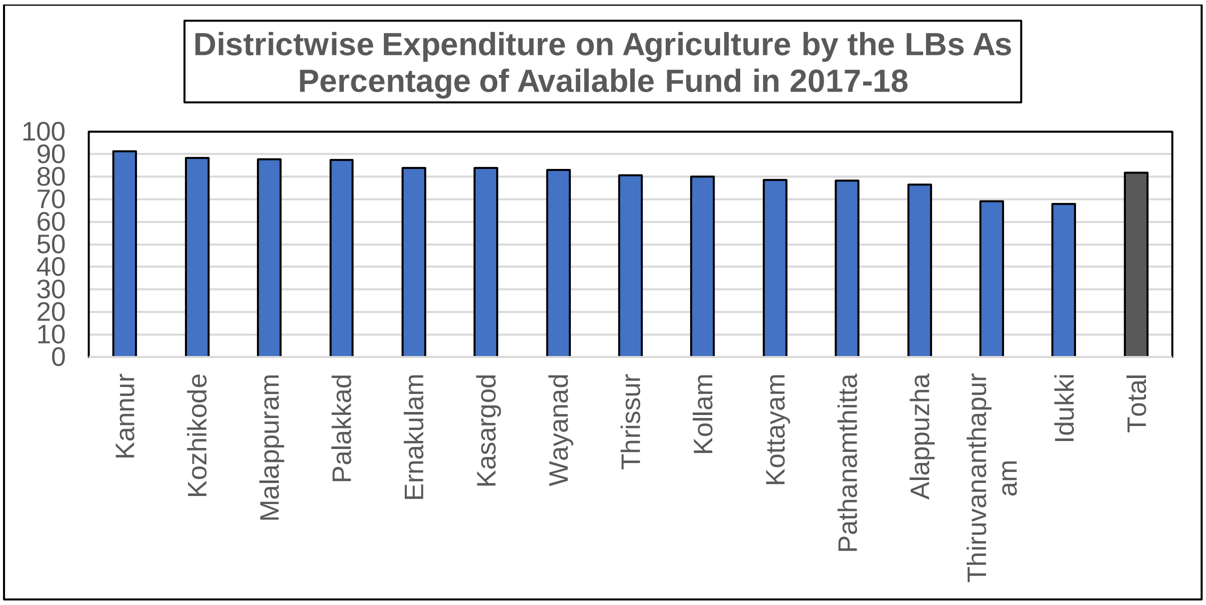
It is evident from the table below that almost 42.5% of total productive sector expenditure by the local-bodies has been in the area of agriculture in 2017-18. The next important sector is animal husbandry (21%), followed by dairy development (13%), irrigation (8.3%), industry (7.7%), soil and water conservation (4%), energy generation (2.2%) and fisheries (1.2%).

Table 3.4: Weights of Different Sub-Sectors within Productive Sector 2017-18

	As Percentage (%) of Total Fund Allocation/Expenditure of Productive Sector	
Sub-sector	**Fund Allocated**	**Expenditure**
Agriculture	34.10	42.45
Animal Husbandry	19.75	21.26
Diary Development	9.01	12.98
Irrigation	12.95	8.27
Industry, Self-Employment Promotion & Marketing	13.48	7.71
Soil and Water Conservation	6.24	3.78
Energy Generation	2.57	2.18
Fisheries	1.75	1.16
Total Productive Sector	**100**	**100**

Source: Information Kerala Mission Database, 2017-18.

Chart 3.12 A: State Plan Spending Efficiency in Agriculture by the Local Bodies

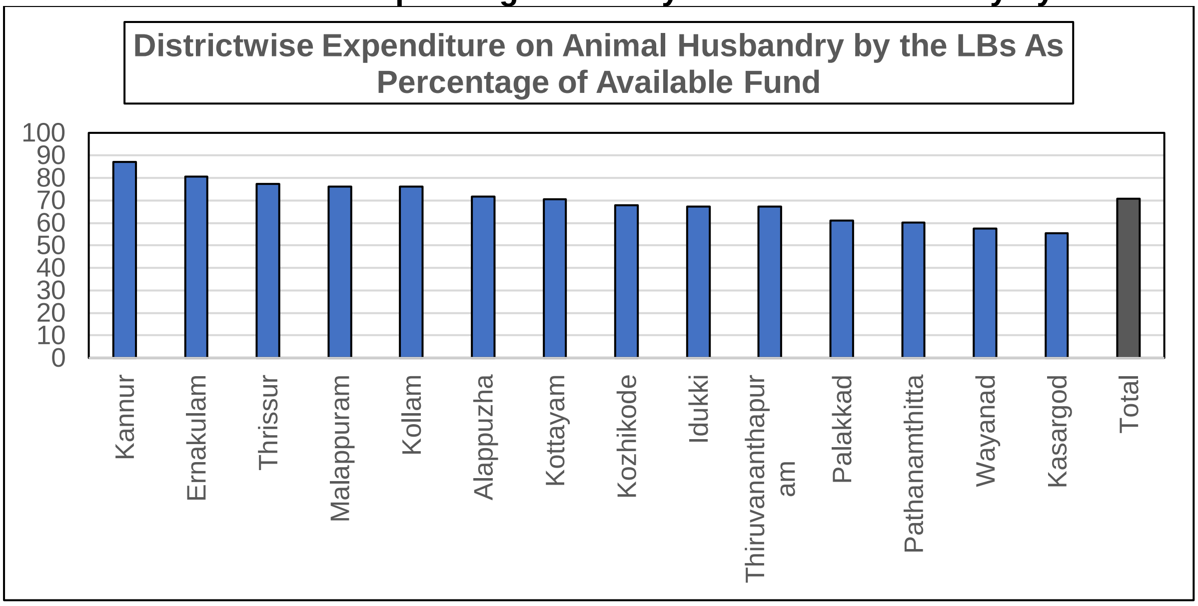


Source: Information Kerala Mission Database, 2017-18.

If we look at the district-wise spending on agriculture by the LSGs in Kerala in 2017-18, we see that the overall spending has been more than 80% of the available funds. In districts like Idukki and Thiruvananthapuram, however, the spending has been less than 70%. The actual expenditure has been more than 90% in Kannur (see chart 3.12 A above).

As far as animal husbandry is concerned, the average spending has been 70% of the available fund in the state in 2017-18. It has been less than 60% in districts like Kasaragod, Wayanad and Pathanamthitta and more than 80% in Kannur and Ernakulam (see chart 3.12 B below).

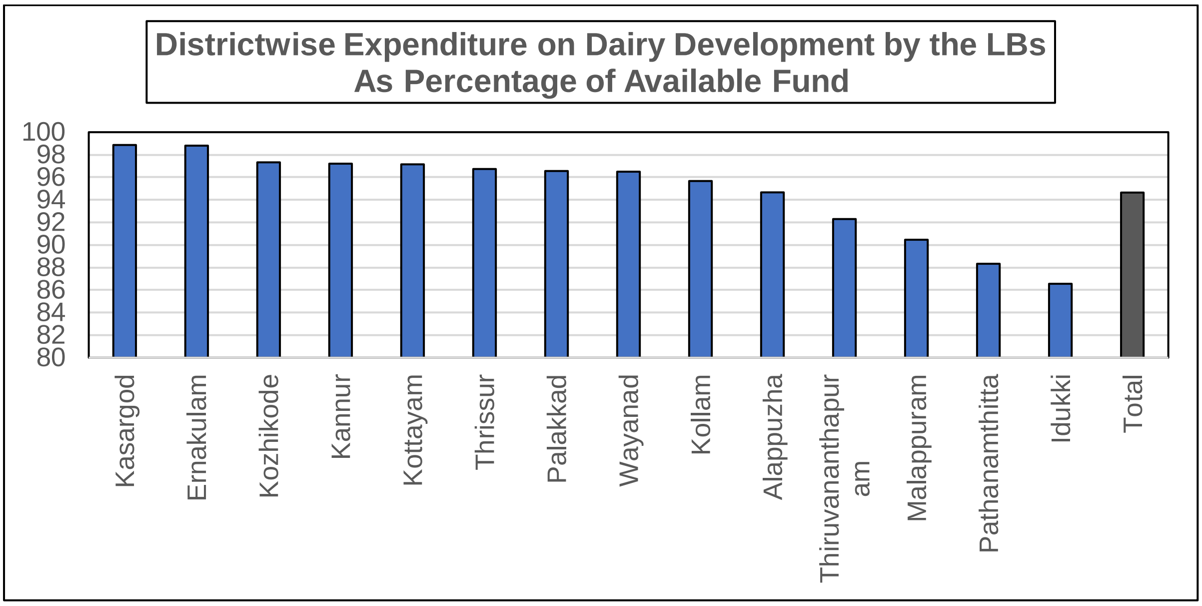
Chart 3.12 B: State Plan Spending Efficiency in Animal Husbandry by the LBs



Source: Information Kerala Mission Database, 2017-18.

The expenditure has been really impressive in dairy development. The state average spending has been 95% of the available fund for this purpose in the state in 2017-18. Most of the districts could spend more than 90% of the fund excepting Idukki (86.5%) and Pathanamthitta (88%) (see Chart 3.12 C below). Therefore, it is evident that the full utilisation of the available fund is possible.

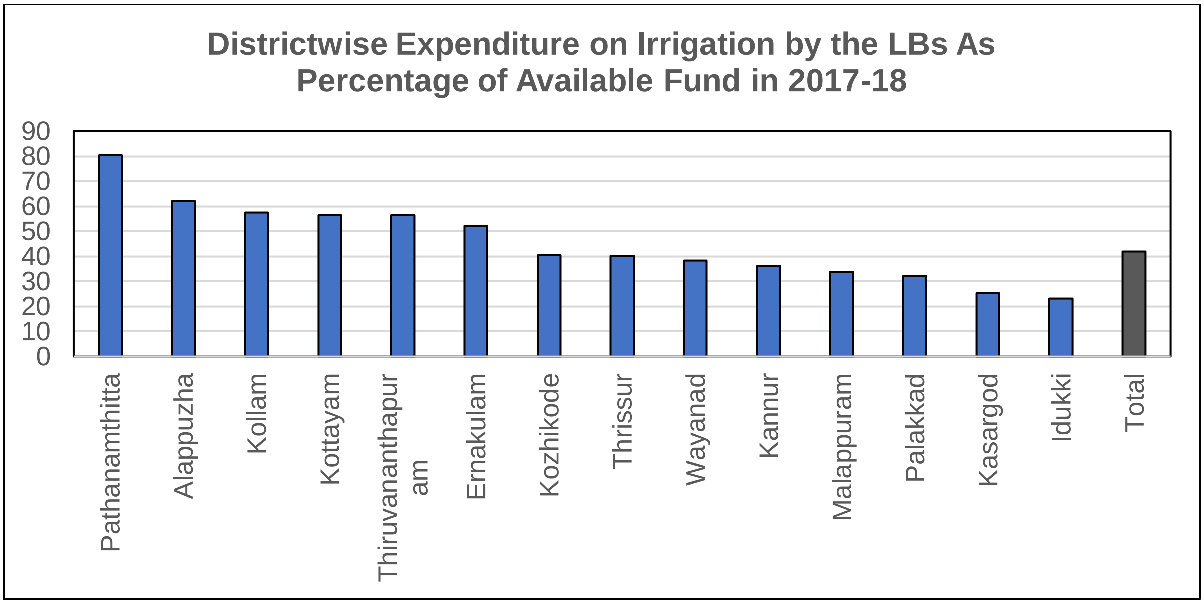
Chart 3.12 C: State Plan Spending Efficiency in Dairy Development by the LBs



Source: Information Kerala Mission Database, 2017-18.

In irrigation, on the other hand, the expenditure to available fund ratio has been only 40% in the state as a whole in 2017-18 (see chart 3.12 D below). The best performing district Pathanamthitta could spend 80% of the available money whereas, districts like Idukki, Kasaragod, Palakkad, Malappuram, Kannur, Wayanad, Thrissur and Kozhikode spent only 40% of below.

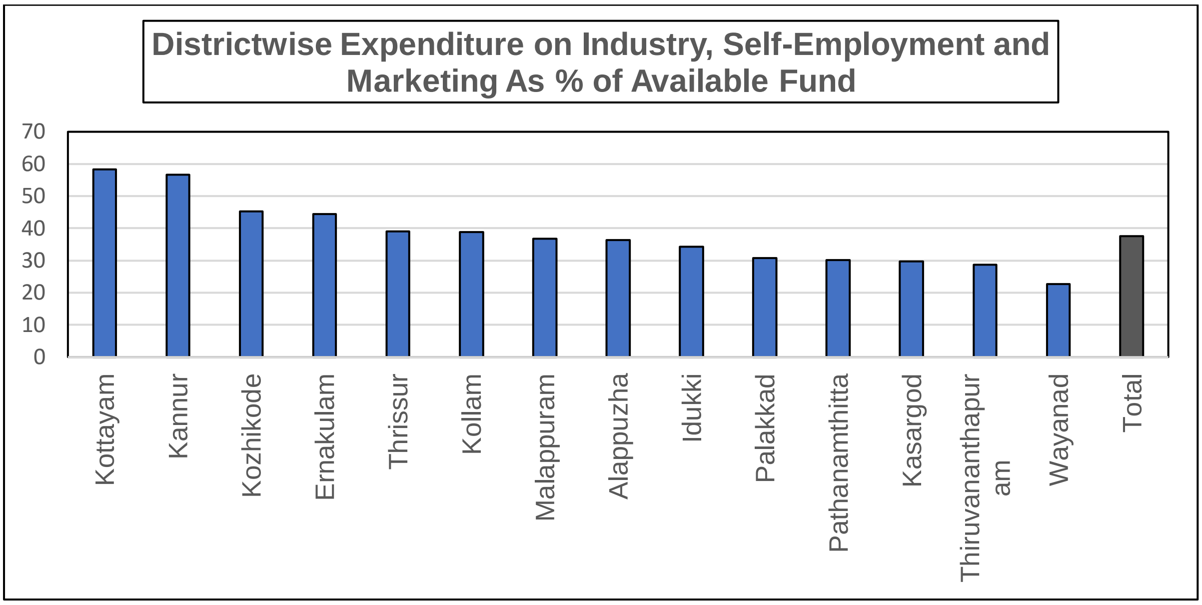
Chart 3.12 D: State Plan Spending Efficiency in Irrigation by the LBs



Source: Information Kerala Mission Database, 2017-18.

State average expenditure on Industry, self-employment and marketing has been only 37.5% in 2017-18. The best performing districts like Kottayam and Kannur also could spend less than 60% of the available fund for this purpose. Districts like Wayanad, Thiruvananthapuram, Kasaragod, Pathanamthitta and Palakkad could spend merely 30% of the fund or even below (see chart 3.12 E below).

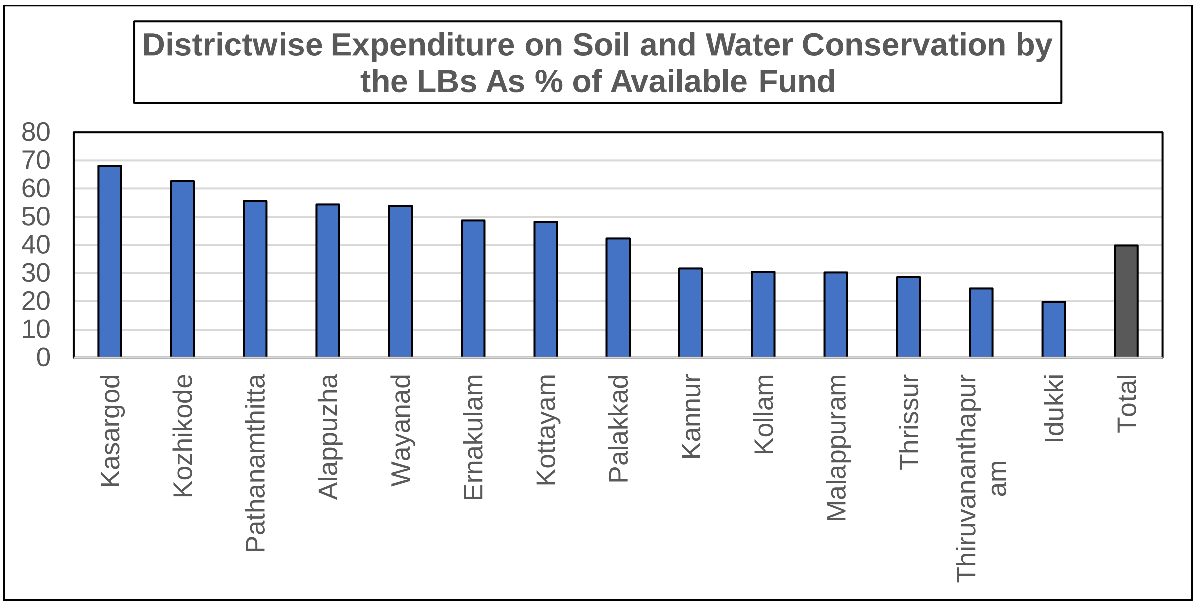
Chart 3.12 E: State Plan Spending in Industry and Employment Generation



Source: Information Kerala Mission Database, 2017-18.

The average spending efficiency in soil and water conservation in the State has been only 40% in 2017-18. The relatively better performing districts like Kasaragod and Kozhikode could spend more than 60% of the available fund and districts like Idukki, Thiruvananthapuram, Thrissur, Malappuram, Kollam, Kannur could spend only 30% of the available fund or even below (see chart 3.12 F below). Therefore, these are the areas where there are large mismatches between the available funds and the actual spending. It is not true for all the sectors and subsectors, but there is a need to pay special attention to these areas where average spending is below half of the available fund through approved demand for grants of the local-bodies. It raises serious questions like why are they demanding for funds if there is no need to spend that much money or they are unable to spend that money for some other reason!

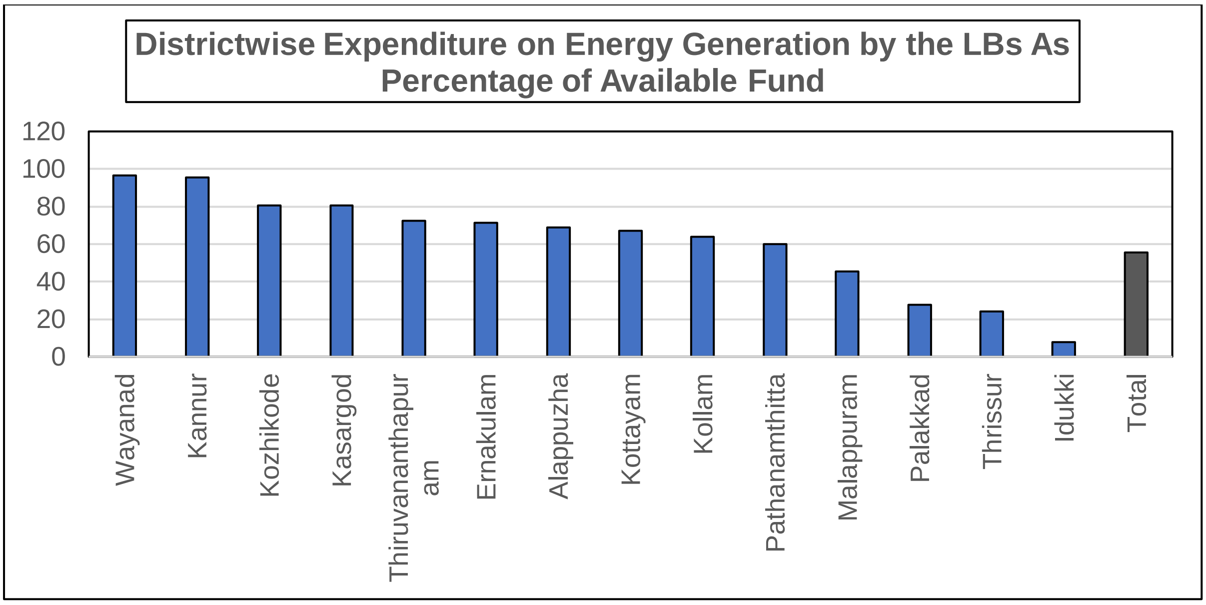
Chart 3.12 F: State Plan Spending Efficiency in Soil & Water Conservation



Source: Information Kerala Mission Database, 2017-18.

In case of energy generation, the average spending has been 55% of the available fund in the state in 2017-18. Wayanad and Kannur spent more than 95% of the available fund and local-bodies in Idukki could spent less than 10% on an average. Districts like Thrissur and Palakkad also could spend less than 30% (see chart 3.12 G below).

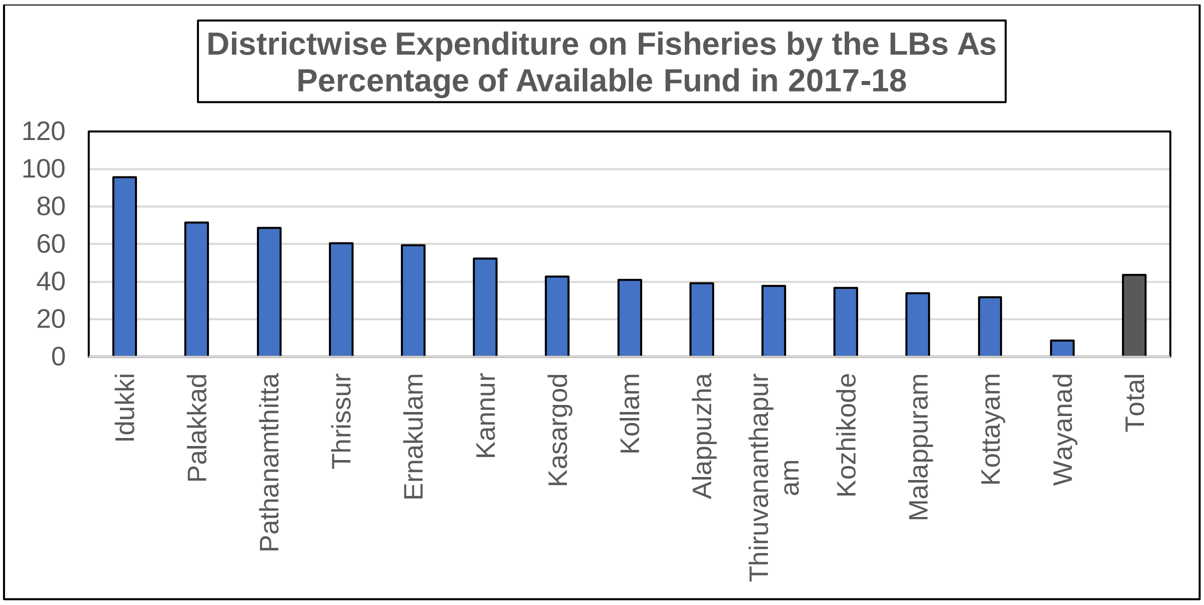
Chart 3.12 G: State Plan Spending Efficiency in Energy Generation by the LBs



Source: Information Kerala Mission Database, 2017-18.

The expenditure on fisheries by the local-bodies in Kerala has been little less than 45% of the available fund in 2017-18. This has been more than 95% in Idukki district as compared to less than 10% in Wayanad (see chart 3.12 H below).

Chart 3.12 H: State Plan Spending Efficiency in Fisheries by the LBs in 2017-18



Source: Information Kerala Mission Database, 2017-18.

Table 3.12: Productive Sector Performance of Districts in Kerala in 2017-18

Sector	State Average	Best Performing Districts	Poorest Performing Districts
Agriculture	82%	Kannur, Kozhikode, Malappuram, Palakkad	Idukki, Thiruvananthapuram
Animal Husbandry	71%	Kannur, Ernakulam	Kasaragod, Wayanad, Pathanamthitta, Palakkad
Irrigation	42%	Pathanamthitta	Idukki, Kasaragod, Palakkad, Malappuram, Kannur, Wayanad, Thrissur, Kozhikode
Industry	38%	Kottayam, Kannur	Wayanad, Thiruvananthapuram, Kasaragod, Pathanamthitta, Palakkad
Soil & Water Conservation	40%	Kasaragod, Kozhikode	Idukki, Thiruvananthapuram, Thrissur, Malappuram, Kollam, Kannur
Energy Generation	55%	Wayanad, Kannur	Idukki, Thrissur, Palakkad, Malappuram

Fisheries	44%	Idukki	Wayanad, Kottayam, Malappuram, Kozhikode, Thiruvananthapuram, Alappuzha, Kollam, Kasaragod
Productive Sector	**66%**	**Kannur**	**Idukki, Thiruvananthapuram, Malappuram**

Source: Information Kerala Mission Database, 2017-18.

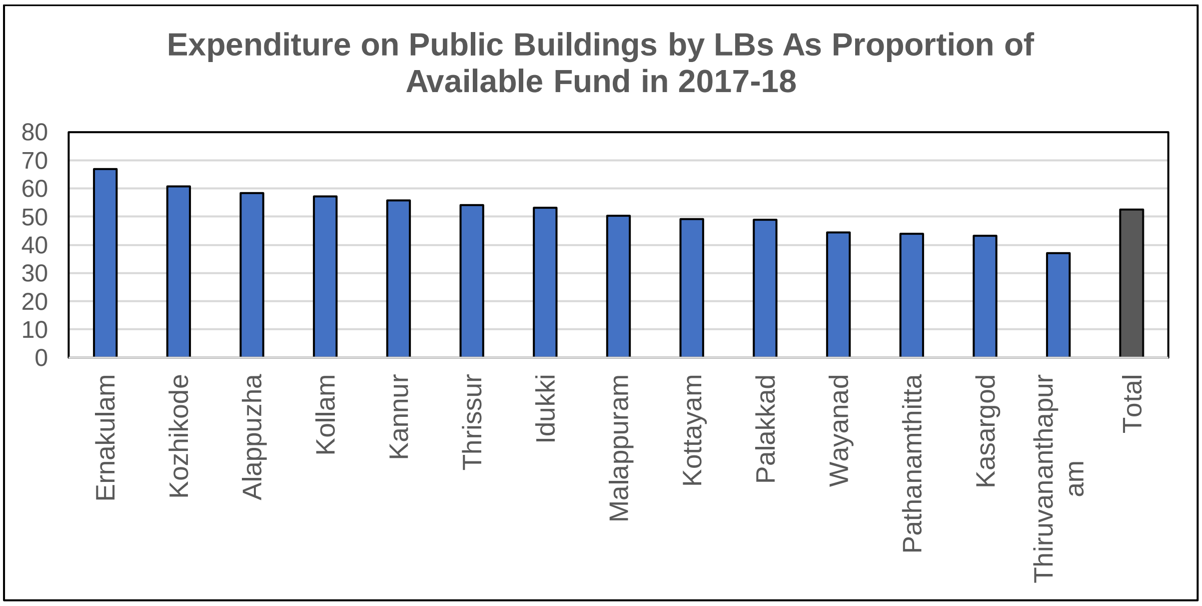
If we see the above table (3.12), it is evident that only 66% of the available fund for the productive sector could be spent in the State by the local-bodies under the state plan fund. The expenditure has been around 80% in Kannur district, whereas it has been just 55% in Idukki followed by Thiruvananthapuram and Malappuram (59%). Interestingly, both in service sector as well as in productive sector, the spending has been 66-67% of the available funds in 2017-18, as far as the state average is concerned. If we go deeper into the subsectors, the spending efficiency of the local-bodies vary widely district to district. It would also vary local-body to local-body within each district.

If the spending is 80% of the available fund, it seems to be good, in general. Local-bodies that are unable to spend 80% of the money in various sectors and subsectors, should introspect. Either their plans and therefore the demands for grants are unrealistic in the sense that they are mixing-up priorities or, the decentralised planning is not happening in true sense. Let us try to elaborate this important point. The local people are supposed to know local needs and priorities the best – this is the main justification for decentralised planning. However, it is not easy to plan – planning requires technical knowledge, which LSGs may lack. So, even if they know the local needs better than the state level planners, they are not being able to put appropriate weights on their needs in the plan. There is another possibility that they may actually plan better, however, they are operating under various constraints set by the state level authority. In other words, there are lot of structural rigidities because of which they are not being able to plan for themselves freely so that they can spend at least 80% of their own demands in various sectors and sub-sectors. Then one can argue that the decentralised planning is not decentralised enough.

c) **Infrastructure Sector:**

The major heads of the infrastructure sector are expenditure on public buildings, that on the other construction works, on street lights and office lights, on transport and that on purchase of vehicles. In 2017-18, the expenditure on public buildings has been little above 50% in the state, on an average. Local-bodies in Ernakulam and Kozhikode districts could spend more than 60% of the available funds whereas, LBs of Thiruvananthapuram, Kasaragod, Pathanamthitta, Wayanad, Palakkad, Kottayam and Malappuram districts could not even spend 50% of the available funds (see chart 3.13 A below) in 2017-18.

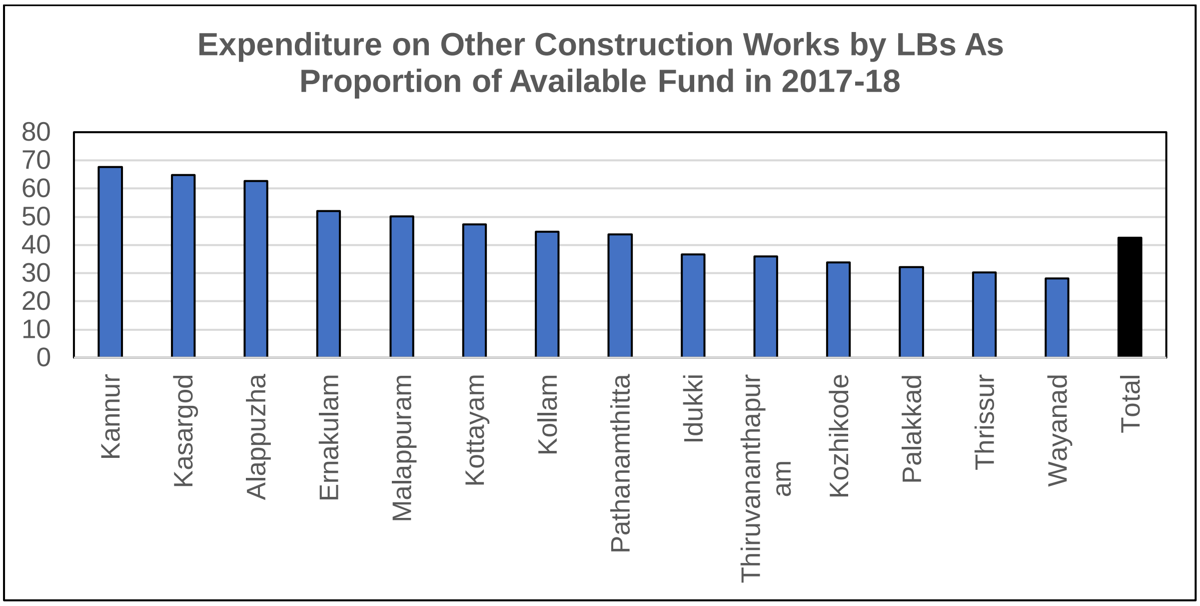
Chart 3:13 A: Spending Efficiency in Expenditure on Public Buildings



Source: Information Kerala Mission Database, 2017-18.

In case of other construction works, the average expenditure has been only 42.5% in the state in 2017-18. Districts like Kannur, Kasaragod and Alappuzha could spend more than 60% of the available funds but, Wayanad, Thrissur, Palakkad, Kozhikode could not even spend 35% of the available money (see chart 3.13 B below).

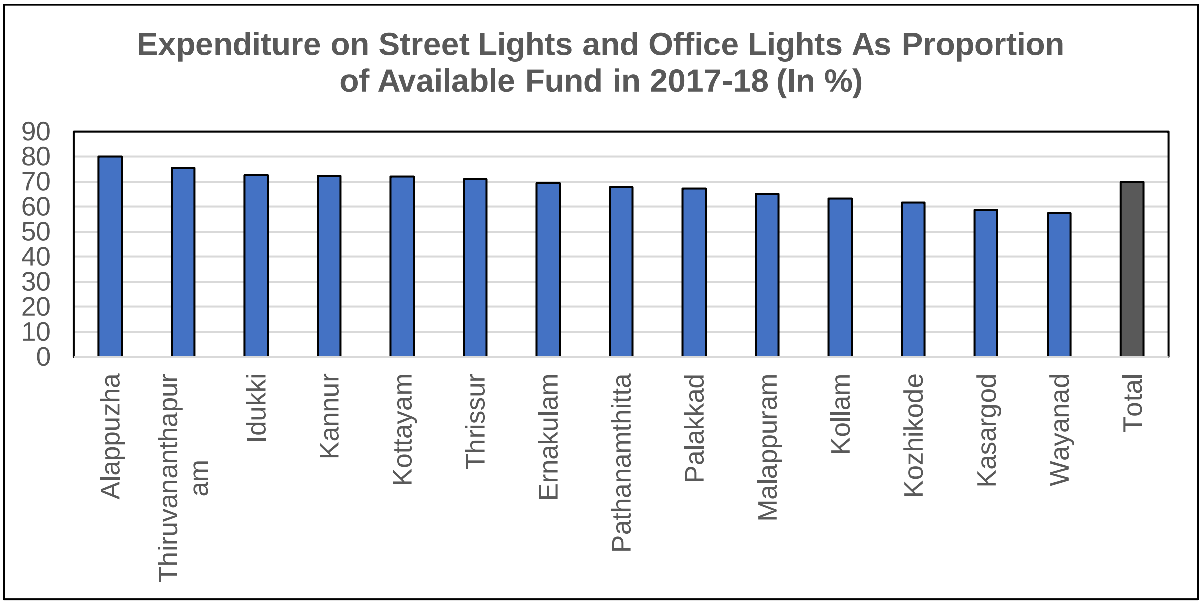
Chart 3:13 B: Spending Efficiency in Expenditure on Other Construction Works



Source: Information Kerala Mission Database, 2017-18.

It is clearly evident from the above graph (3:13 B) that the expenditure has been merely 43% spending of the available funds, on average, by the local bodies in other construction works. Expenditure has been more than 60% in districts like Kannur, Kasaragod and Alappuzha and that has been less than 30% in Wayanad and Thrissur.

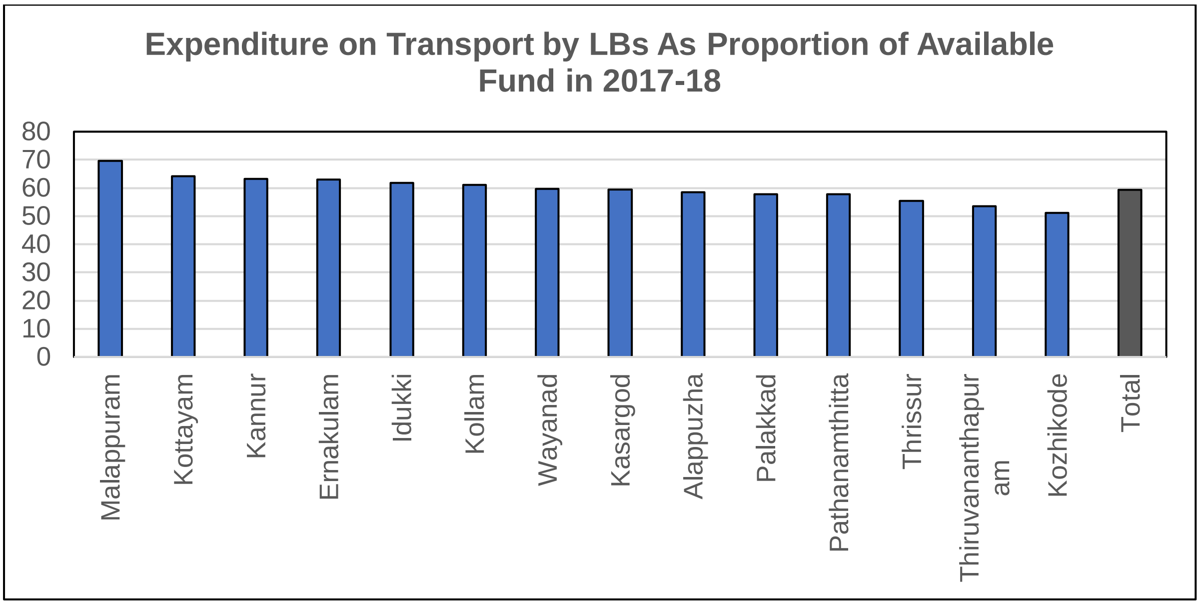
Chart 3:13 C: Spending Efficiency in Street Lights and Office Lights by the LBs



Source: Information Kerala Mission Database, 2017-18.

On street lights and office lights, expenditure has been 70% on an average. Alappuzha district could spend more than 80% of the available fund for this purpose in 2017-18. As compared to that spending has been less than 60% in districts like Wayanad and Kasaragod (see graph 3:13 C).

Chart 3:13 D: Spending Efficiency in Expenditure on Transport by the LBs

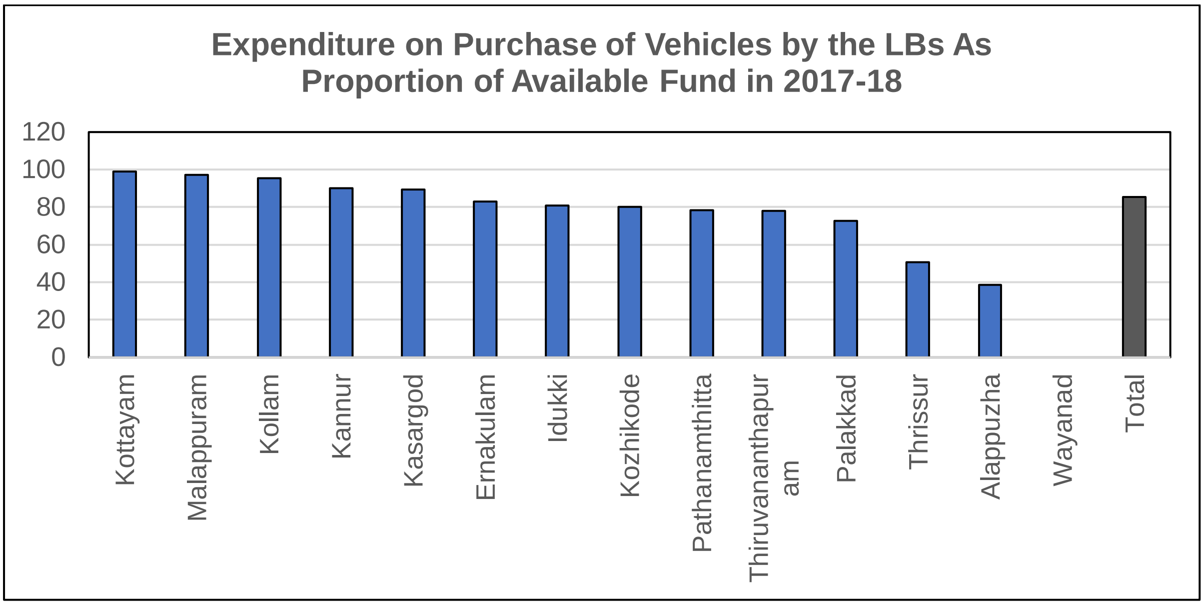


Source: Information Kerala Mission Database, 2017-18.

Less than 60% money could be spent on transport in the 2017-18 in Kerala. Spending in Malappuram district has been 70% as compared to that of 55% or less in Kozhikode, Thiruvananthapuram and that in Thrissur by the local-bodies (see chart 3:13 D).

Exhibit 3:13 E (chart below) shows that the spending on purchase of vehicles has been 85% in the state under the infrastructure sector. Districts like Kottayam, Malappuram, Kollam could spend more than 95% of the fund available for this purpose. In Wayanad district, local bodies could not spend a single penny on this. In Alappuzha and Thrissur, the expenditure has been less than or equal to 50% of the available fund in 2017-18. Therefore, the district-wise dispersion or the coefficient of variation has been large vis-à-vis the expenditure on purchase of vehicles in the State.

Chart 3:13 E: Spending Efficiency in Expenditure on Purchase of Vehicles



Source: Information Kerala Mission Database, 2017-18.

Table 3:13 Infrastructure Sector Performance of Districts in Kerala in 2017-18

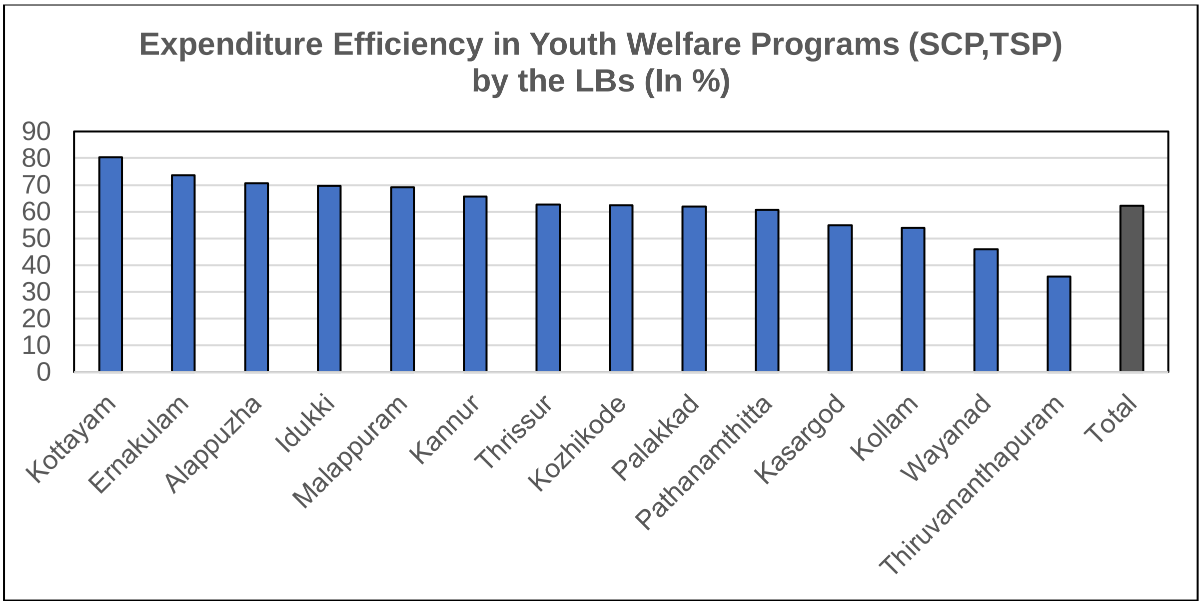
Sector	**State Average**	**Better Districts**	**Lagging Behind Districts**
Public Buildings	53%	Ernakulam	Thiruvananthapuram, Kasaragod, Pathanamthitta, Wayanad
Other Construction Works	43%	Kannur Kasaragod, Alappuzha	Wayanad, Thrissur, Palakkad, Kozhikode, Thiruvananthapuram, Idukki
Street Lights etc.	70%	Alappuzha	Wayanad, Kasaragod
Transport	59%	Malappuram	Kozhikode, Thiruvananthapuram, Thrissur
Expenditure on Vehicles	85%	Kottayam, Malappuram, Kollam	Wayanad, Alappuzha, Thrissur
Infrastructure Sector	**59%**	**Malappuram**	**Kozhikode, Thiruvananthapuram**

The above table (no. 3:13) summarises the above observations about the infrastructure sector spending by the local-bodies in 2017-18 in the state. The overall expenditure has been less than 60% in the state with Malappuram to be relatively better performing district and Kozhikode and Thiruvananthapuram to be relatively lagging behind districts.

d) Special Sector Plans:

Focussing on different social groups, there are seven major expenditure heads on special sector plans in the state *viz.* the women component plan, the Scheduled caste sub-plan (SCP) and the tribal sub-plan (TSP), programmes on differently abled people, that for other vulnerabilities, on palliative care, on Children and on transgender people.

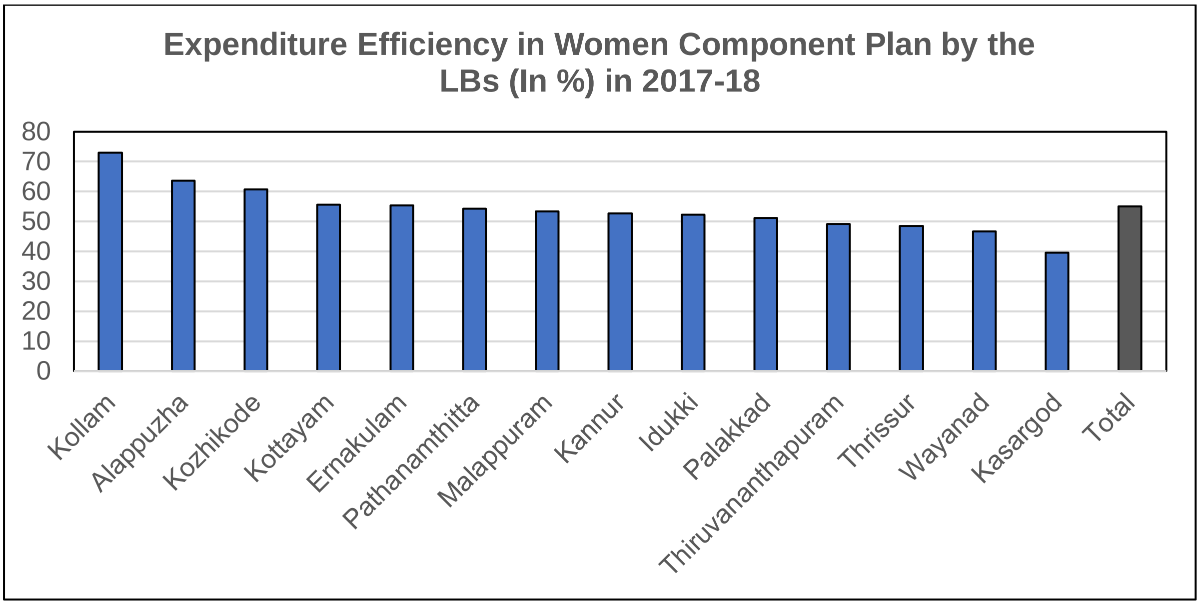
Chart 3:14 A: Spending Efficiency in Expenditure on Youth Welfare by the LBs



Source: Information Kerala Mission Database, 2017-18.

Under SCP and TSP, the total expenditure by the local-bodies has been only 62% of the available fund in the state in 2017-18. In Thiruvananthapuram district, the expenditure has been only 35% under this plan. With substantial tribal population, in Wayanad district, the expenditure has been only 46% of the available fund under this head. Therefore, there is something seriously wrong. In Kottayam, more than 80% of the fund could be utilised in 2017-18. In Ernakulam and Alappuzha, more than 70% of the money could be spent under the SCSP & TSP (see chart 3:14 A above).

Chart 3:14 B: Spending Efficiency in Expenditure on Women Component Plan

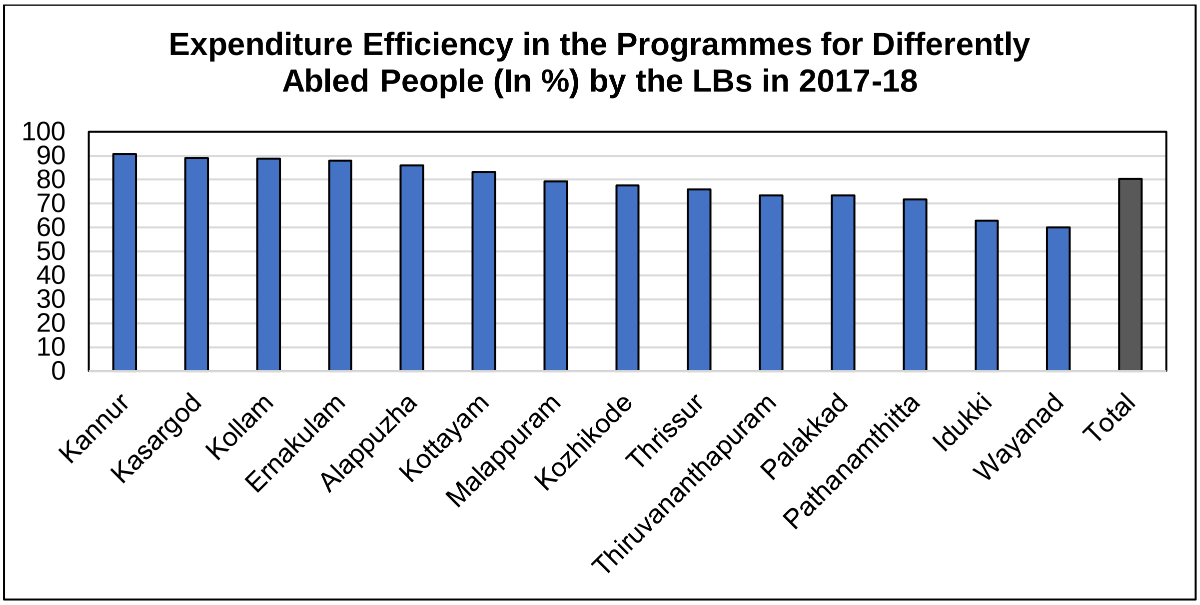


Source: Information Kerala Mission Database, 2017-18.

Only 55% of available fund under the women component plan could be utilised by the local-bodies in Kerala in 2017-18. Less than 40% of the available money could be spent by the local-bodies of Kasaragod district. Less than half of the available fund under WCP could be utilised by the districts like Wayanad, Thrissur and Thiruvananthapuram. Only the LSGs of Kollam district could utilise more than 70% of the WCP (see chart 3:14 B above).

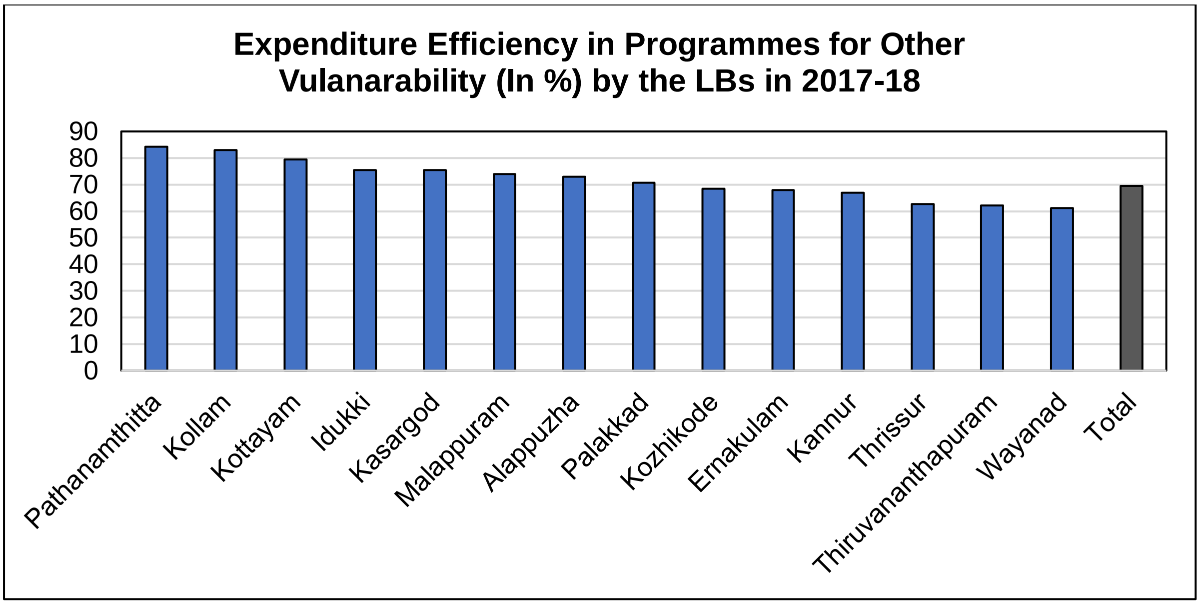
As far as the fund for differently abled people is concerned, more than 80% of the fund could be utilised in the state. LBs in Kannur, Kasaragod, Kollam and Ernakulam districts could utilise more than 88% of the fund. Wayanad could spend 60% of the money and Idukki could spend 63% in 2017-18 (see chart 3:14 C below). Around 70% of the available fund for other vulnerabilities could be utilised by the LBs in the state (see chart 3:14 D below). Pathanamthitta and Kollam districts could utilise more than 80% of available fund for this purpose whereas, districts like Wayanad, Thiruvananthapuram and Thrissur could spend little above 60% of the available money.

Chart 3:14 C: Spending Efficiency in Expenditure on Differently Abled People



Source: Information Kerala Mission Database, 2017-18.

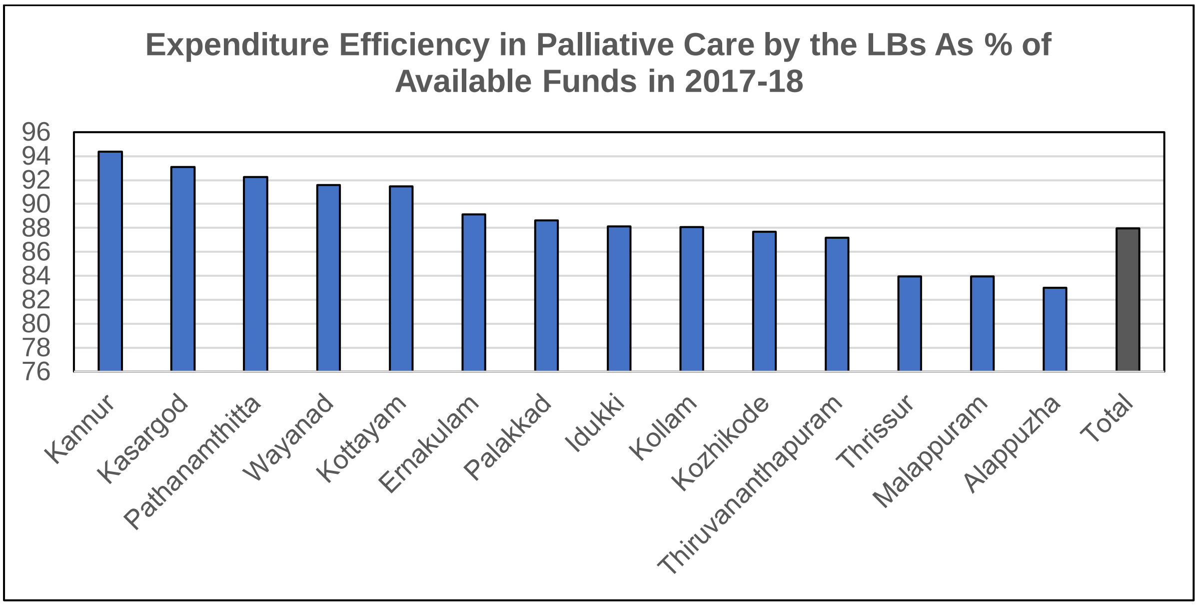
Chart 3:14 D: Spending Efficiency in Programmes for Other Vulnerabilities



Source: Information Kerala Mission Database, 2017-18.

Around 90% of the available funds for palliative care could be utilised in the state. Even the relatively lagging behind districts like Alappuzha, Malappuram and Thrissur could spend more than 83% of the available fund for this purpose in 2017-18 (see chart 3:14 E).

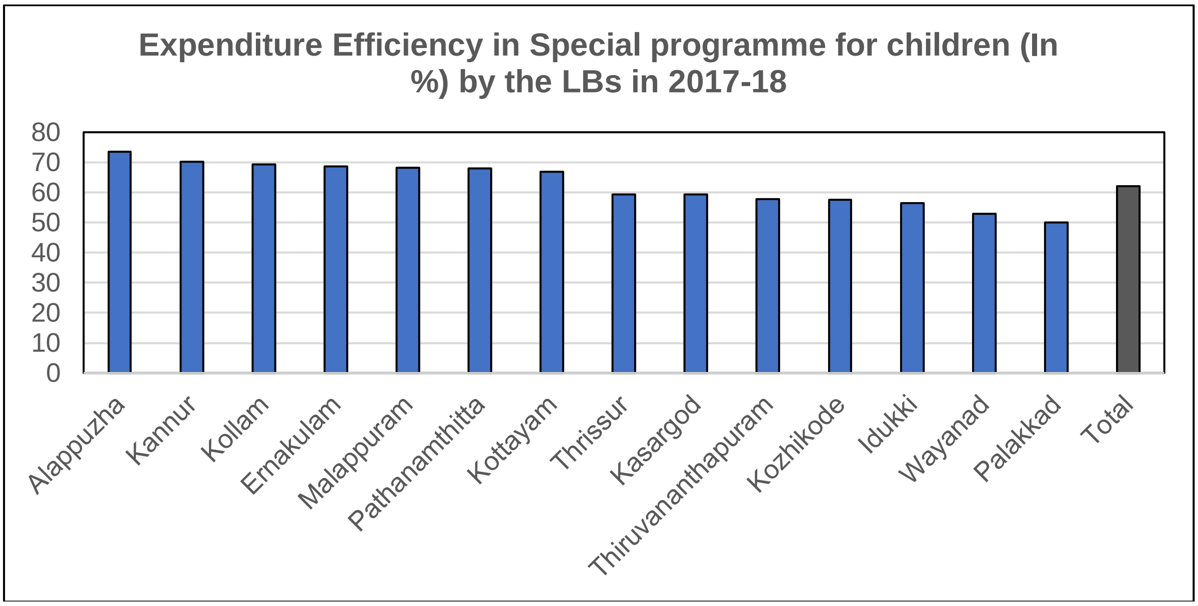
Chart 3:14 E: Spending Efficiency in Expenditure on Palliative Care by the LBs



Source: Information Kerala Mission Database, 2017-18.

Only 62% of the available fund for the programmes meant for children could be spent in the state. Alappuzha and Kannur could spend more than 70% of the fund whereas, Palakkad could spend about half of the available money (see chart 3:14 below).

Chart 3:14 F: Spending Efficiency in Expenditure on Children by the LBs



Source: Information Kerala Mission Database, 2017-18.

It is extraordinary for Kerala to think about the LGBT community in the state and have programmes for them. However, less than 20% of the fund meant for these programmes could be utilised in 2017-18. In fact, Alappuzha and Kasaragod districts could spend some money for these programmes and the local-bodies of other districts are yet to come up.

Chart 3:14 G: Spending Efficiency in Expenditure on Transgender People

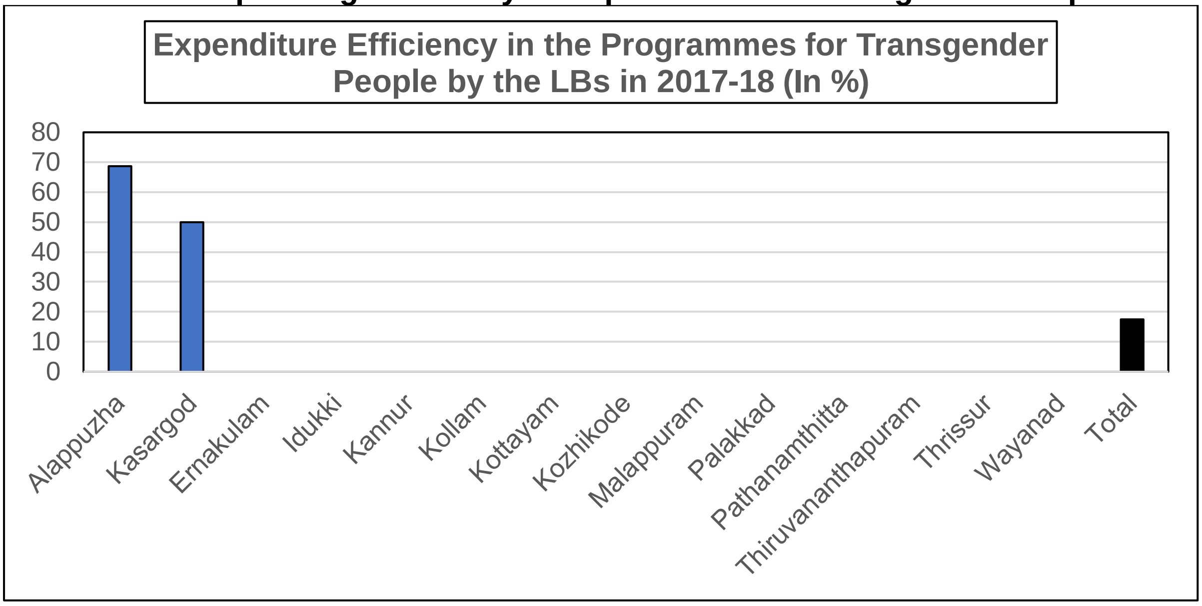


Table 3:14 Performance of Districts in Kerala in 2017-18 Regarding Special Sector Plans in 2017-18

Special Plans	Average Spending	Better Performing Districts	Lagging Behind Districts
SCP & TSP	62%	Kottayam, Ernakulam, Alappuzha	Thiruvananthapuram, Wayanad, Kollam, Kasaragod
WCP	55%	Kollam, Alappuzha, Kozhikode	Kasaragod, Wayanad, Thrissur, Thiruvananthapuram
Differently Abled	80%	Kannur, Kasaragod, Kollam, Ernakulam	Wayanad, Idukki
Other Vulnerabilities	69%	Pathanamthitta, Kollam, Kottayam	Wayanad, Thiruvananthapuram, Thrissur
Palliative Care	88%	Kannur, Kasaragod, Pathanamthitta	Alappuzha, Malappuram, Thrissur
Children	62%	Alappuzha, Kannur, Kollam	Palakkad, Wayanad, Idukki, Kozhikode, Thiruvananthapuram
Transgender	18%	Alappuzha, Kasaragod	…

Source: Information Kerala Mission Database, 2017-18.

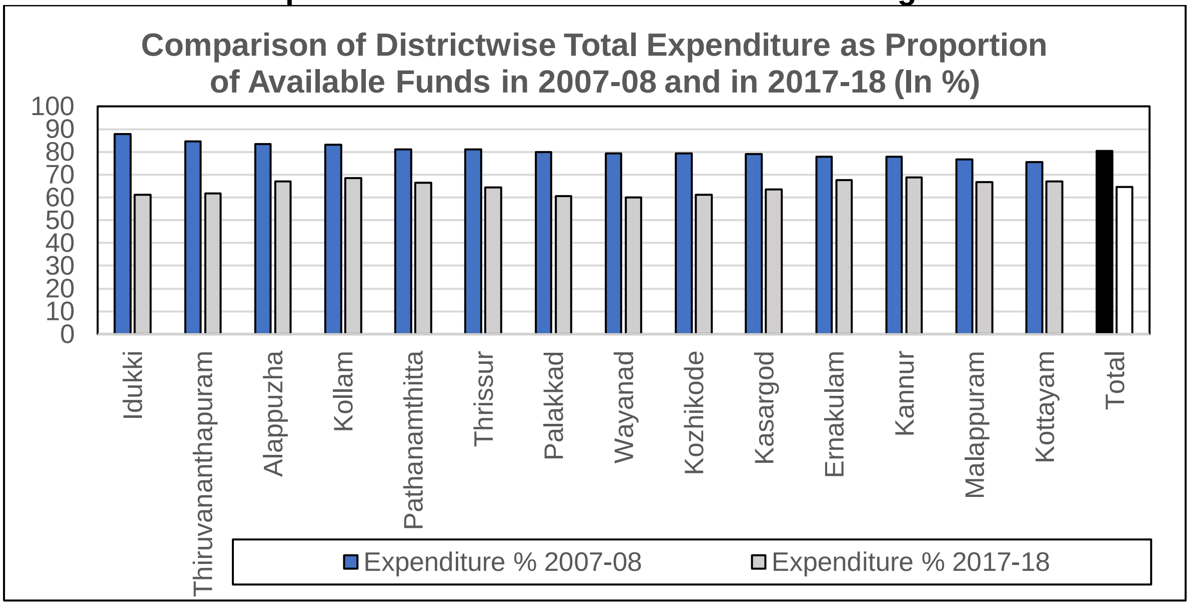
If we summarise the above observations, we see that the expenditure has been around 65% of the available funds in Kerala in 2017-18 taking all the three sectors together. Relatively better performing districts are Kannur, Kollam, Ernakulam etc. and relatively lagging behind districts are districts like Wayanad, Palakkad, Kozhikode, Idukki, Thiruvananthapuram and so on. However, some districts have performed better than the other districts regarding some heads and sub-heads. More importantly the standard deviation is quite wide relative to some sub-heads.

As we mentioned earlier that there is some problem with the ongoing decentralised planning process. It is worth mentioning in this regard that despite limitations, this process of decentralised planning is an exemplary one not only in the country but in the whole world. We emphasise more on the shortcomings for further improvement. It has been mentioned that expenditure of 80% of available fund is considered to be good. Otherwise, there is a need of introspection. But, why 80% and why not 100%? The answer probably lies in the areas of delay in approval of the local plans, that in actually transferring the money to the local bodies as so on. These are being addressed by the government and the planning board currently. Some projects continue in the next financial year, too. The bureaucracy at the local-body level also take lot of time in tendering, selecting the vendor, in giving them the money, in implementation. However, none of these problems are insolvable.

Too many guidelines from the above may limit the flexibility of the LSGs, however, absence of guidelines may also create problems. The art is to strike a balance between the two extreme situations. Probably, the local-bodies should be given a signal that guidelines are the guiding principles and the idea is not to create water-tight rigid compartments.

This chapter tries to do a comparative analysis between 2017-18 and 2007-08 to understand the changes or improvements over the last 10 years. The total expenditure by all the local-bodies in Kerala under the state plan fund was 80% of the available fund in 2007-08, which has come down to below 65% in 2017-18. This reduction is visible in all the districts, although the degree varies. In Idukki district, the reduction is around 27 percentage points, in Thiruvananthapuram district, the reduction is around 23 percentage points whereas, it is less than 10 percentage points in Kottayam and Kannur (see chart 4.1 below).

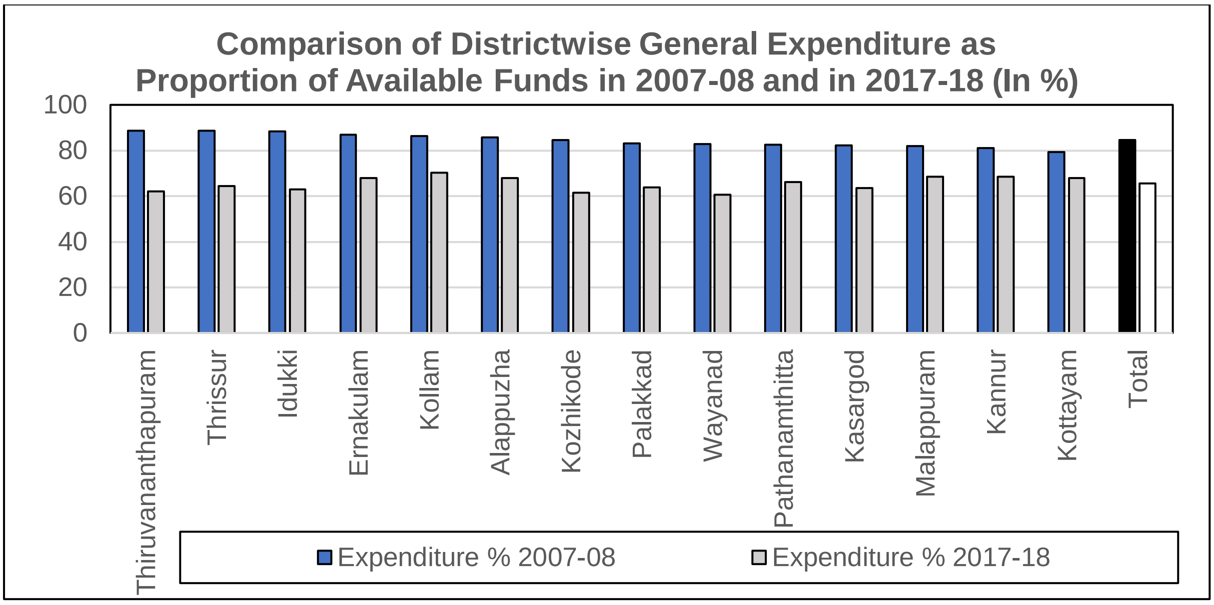
Chart 4.1: Total Expenditure as % of Available Funds During 2017-18 & 2007-08



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we want to divide the total expenditure into three major categories *viz.* general expenditure, SCSP and TSP, we get the following picture. When 2017-18 district-wise general expenditures as proportion of available funds are compared with that in 2007-08, we see that there has been a 19 percentage point decline in 2017-18 in expenditure efficiency. The allotted fund was relatively less 10 years back but, the utilisation of the available fund was much better before as compared to the current situation (see chart 4.2 below).

Chart 4.2: General Expenditure as % of Available Funds in 2017-18 & 2007-08

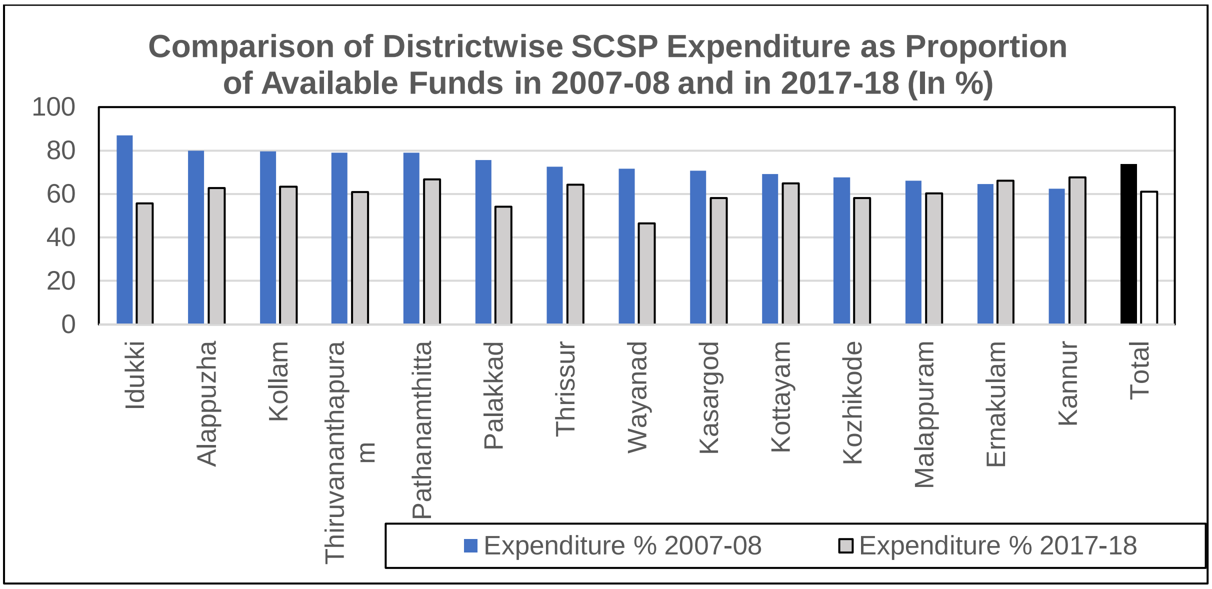


Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far as SCSP fund is concerned, the fund utilisation was 74% in 2007-08 as compared to only 61% in 2017-18. In Kannur and Ernakulam districts, in fact, the fund utilisation has improved in the recent past as compared to the situation 10 years back. But, barring these two districts, in all other districts the proportion of fund utilisation deteriorated than before. In Idukki and Wayanad districts, the reduction in fund utilisation as compared to 2007-08 has been really alarming (see graph 4.3 below).

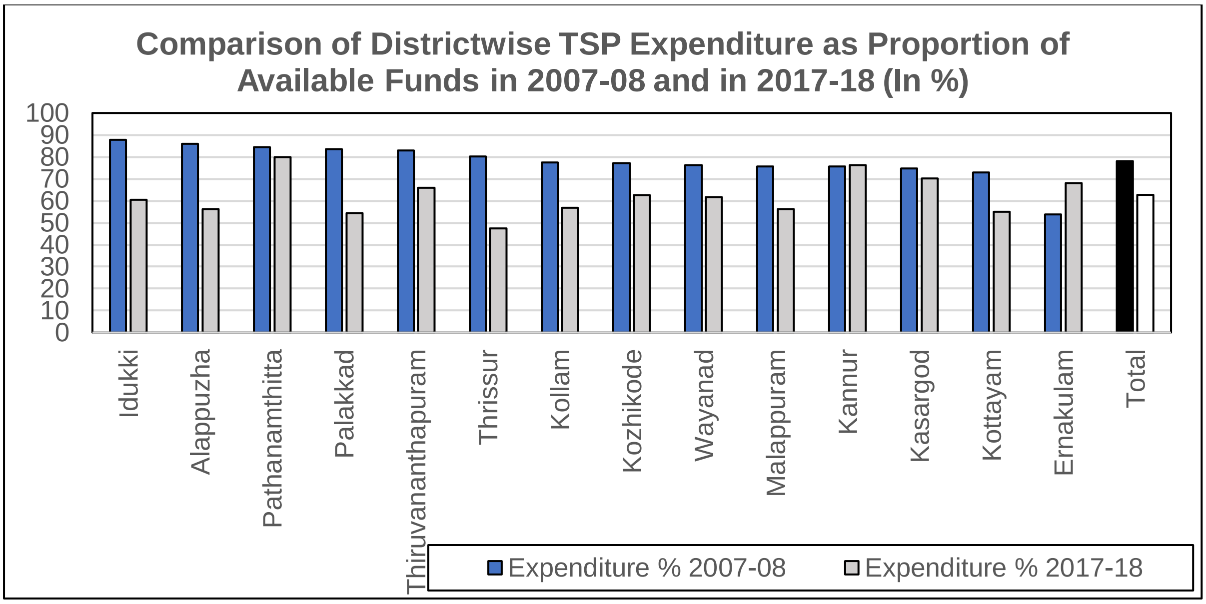
As far as the TSP fund is concerned, the overall fund utilisation has come down from 78% in 2007-08 to merely 63% in 2017-18. Therefore, something is seriously wrong. Interestingly, in Ernakulam and Kannur districts, the fund utilisation has improved than before in case of TSP, too. However, this has happened mainly due to the reason that the fund utilisation was relatively lower in these two districts in 2007-08 rather than because of exemplary improvement in 2017-18 (see graph 4.4 below). For all other districts, there has been a deterioration. Even in Wayanad district, the TSP fund utilisation has been only 61.5% in 2017-18 as compared to that of 76% in 2007-08.

Chart 4.3: SCSP Expenditure as % of Available Funds in 2017-18 & 2007-08



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

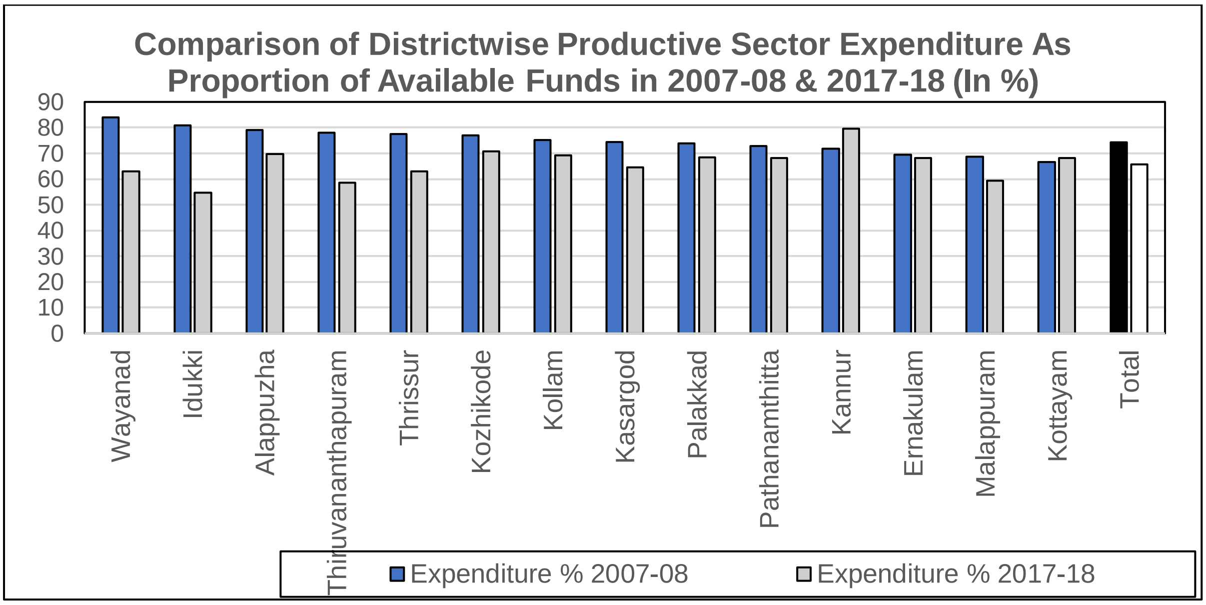
Chart 4.4: TSP Expenditure as % of Available Funds During 2017-18 & 2007-08



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Now, let us divide the expenditure into three main sectors *viz.* productive, service and infrastructure sector for the comparison sake (see chart 4.5, 4.6 & 4.7 below).

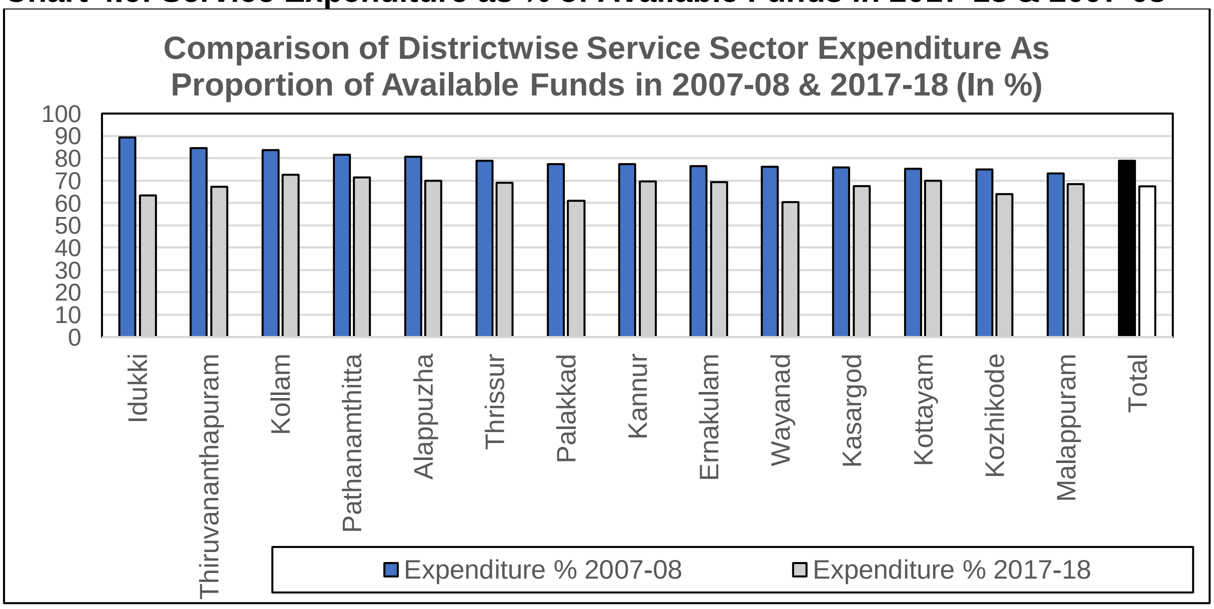
Chart 4.5: Productive Spending as % of Available Funds in 2017-18 & 2007-08



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

It is clearly evident from the above chart that the expenditure efficiency was 74% in 2007-08 in the productive sector, on an average, which has come down to 66% in 2017-18 (see chart 4.5 above). This is true for all the districts – the degree varies. The reduction in productive sector expenditure efficiency is particularly alarming for Idukki, Wayanad and Thiruvananthapuram districts.

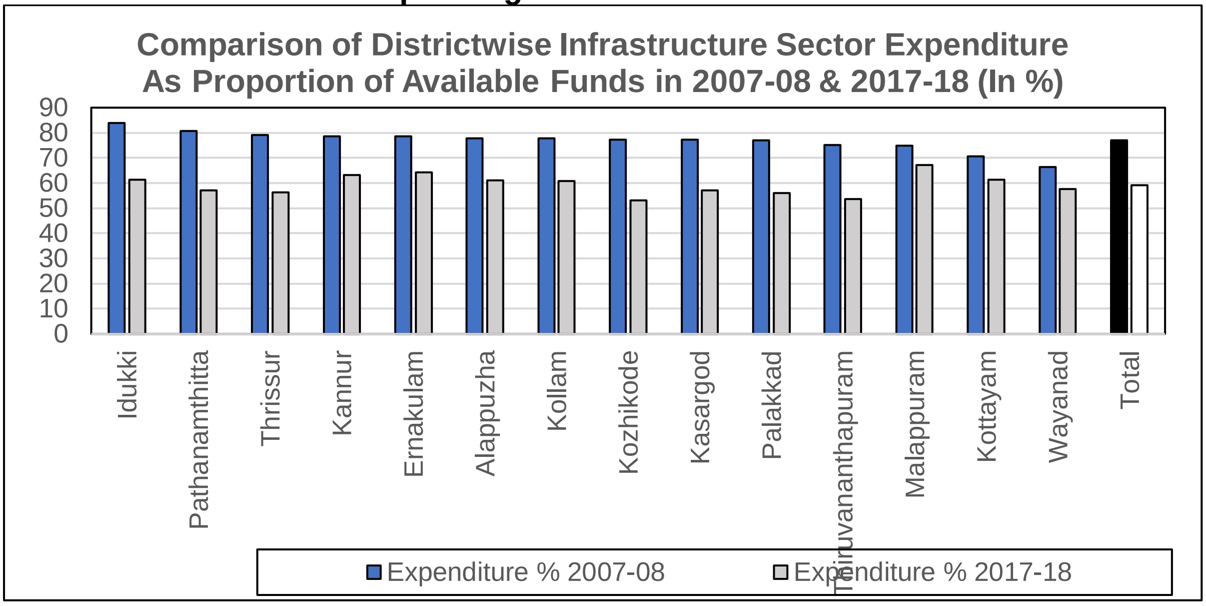
Chart 4.6: Service Expenditure as % of Available Funds in 2017-18 & 2007-08



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

It is evident from the above chart (4.6) that the expenditure efficiency was 79% in 2007-08 in the service sector, on an average, which has come down to 67% in 2017-18. This is true for all the districts – obviously, the degree varies. The reduction in productive sector expenditure efficiency is particularly alarming for Idukki, Thiruvananthapuram, Wayanad and Palakkad districts.

Chart 4.7: Infrastructure Spending as % of Available Fund in 2017-18 & 2007-08



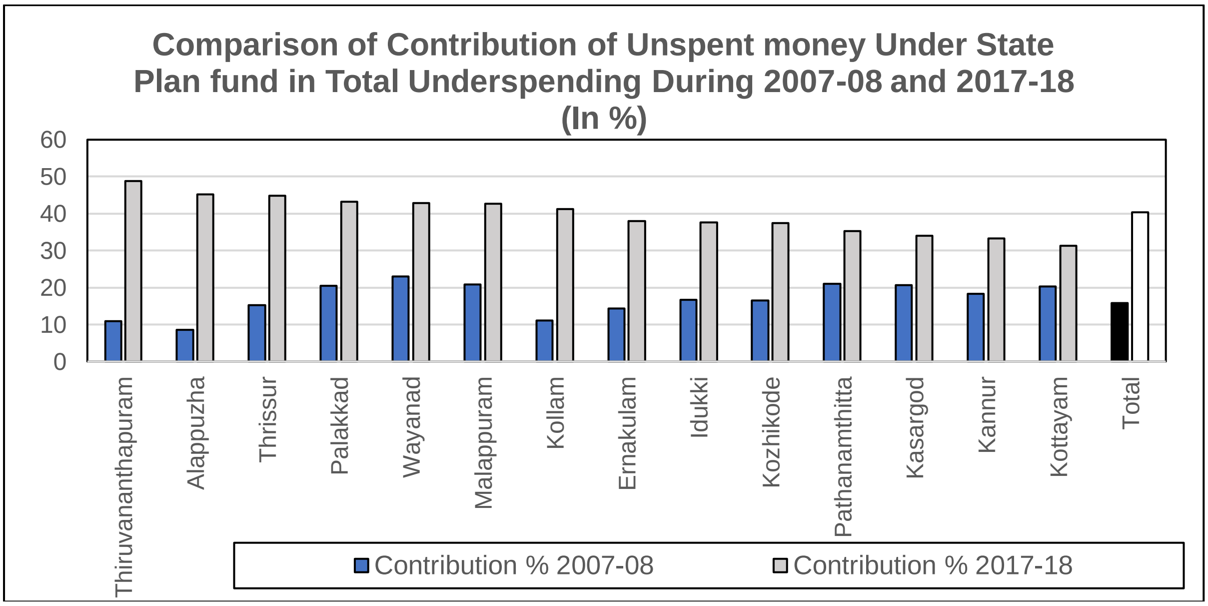
Source: Information Kerala Mission Database, 2007-08 & 2017-18.

In the infrastructure sector, the spending efficiency has come down from 77% in 2007-08 to only 59% in 2017-18. This is also a generalised story across all the districts in Kerala.

From the above analysis it is quite clear that the 80% of the available fund used to be utilised earlier, which has come down to around 65%, on an average. How to raise fund utilisation from 80% to near 100% is one kind of challenge. However, why it has come down from 80% to 65%, demands serious introspection. In 2016-17 also the average fund utilisation was around 65% but, it was a year of the government change. 2017-18 was perfectly a normal year, still the expenditure was only 65% of the fund.

If we look at the contribution of underspending in state plan fund in the overall unspent available fund, we see that this has gone up remarkably in the recent past (2017-18) as compared to the situation 10 years back in 2007-08. Underspending in all other funds apart from state plan funds is quite substantial because of lack of monitoring and accountability. However, proportion of underspending due to underspending in state plan funds has gone up substantially during last 10 years.

Chart 4.8: Underspending Due to Underspending of State Plan Fund (In %)



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

District-wise data on population is available for the Census years of 2001 and 2011. The proportion of Scheduled Caste and Scheduled Tribe population for the districts in Kerala are also available for the Census years. In order to calculate per capita expenditure by the Local bodies under different heads, we need year-wise total population, SC population and ST population for every district. First, we have calculated the compound growth rate of the district-wise total population during 2001-2011. Then, we have applied the same annual growth rates for calculating district-wise total population for every year since 2007-08 to 2018-19. After that, we have applied the proportions of SC and ST population of Census year 2011 on those district-wise annual population figure to calculate district-wise SC and ST population for the years 2007-08 to 2018-19. In Table 4.1, the calculated total SC and ST population for the years 2007-08 and 2017-18 for the districts in Kerala are presented along with district-wise percentages of the SC and ST population.

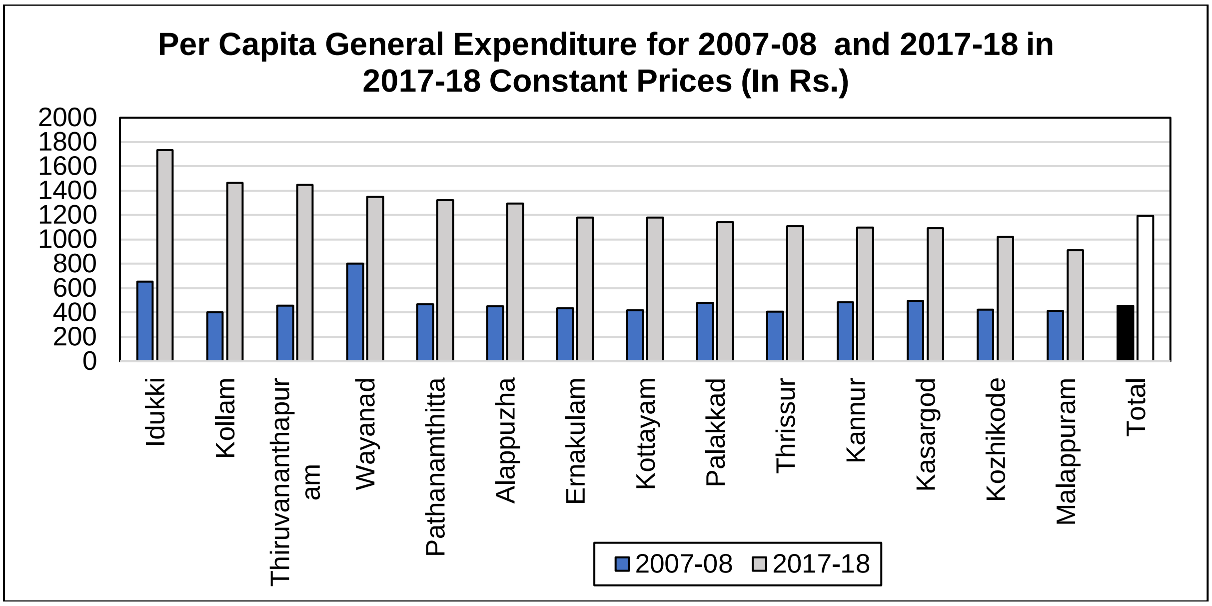
Table 4.1: District-wise Calculated Population in Kerala in 2007 and 2017

Head/Year	Total Population (in '000)		SC Population (in '000)		% SC	ST Population (in '000)		% ST
	2007	2017	2007	2017		2007	2017	
Alappuzha	2120	2139	201	202	9.46	6.55	6.61	0.31
Ernakulam	3211	3393	263	277	8.18	16.20	17.12	0.50
Idukki	1117	1097	147	144	13.12	56.22	55.21	5.03
Kannur	2477	2594	82	86	3.30	40.61	42.54	1.64
Kasargod	1265	1373	52	56	4.08	47.28	51.33	3.74
Kollam	2615	2666	326	332	12.46	10.68	10.89	0.41
Kottayam	1966	1987	153	155	7.79	21.88	22.11	1.11
Kozhikode	3002	3218	194	208	6.45	14.81	15.88	0.49
Malappuram	3911	4436	293	333	7.50	21.86	24.80	0.56
Palakkad	2731	2932	393	421	14.37	47.60	51.10	1.74
Pathanamthitta	1212	1176	166	162	13.74	8.21	7.96	0.68
Thiruvananthapuram	3274	3342	370	378	11.30	26.54	27.09	0.81
Thrissur	3062	3213	318	334	10.39	9.25	9.71	0.30
Wayanad	802	840	32	33	3.99	148.68	155.69	18.53
Total	**32765**	**34406**	**2990**	**3121**	**9.10**	**476**	**498**	**1.45**

Source: Calculated through extrapolation from the Census Data of 2011 and 2001.

For comparing the Per Capita Expenditures by the Local Bodies for 2007-08 and 2017-18, we have deflated the expenditure numbers by the GSDP deflator. If we look at the per capita general expenditure for 2007-08 and that for 2017-18, in 2017-18 constant prices, we see that it has gone up from Rs. 455 to Rs. 1194 for the State as a whole (see Chart 4.9). In districts like Idukki, Kollam and Thiruvananthapuram, the per capita expenditure has gone up more than average. However, in districts like Kannur, Kasaragod, Kozhikode and Malappuram, the increase has been lower than the all district average. All the districts (excepting Wayanad) have experienced more than double increase in per capita expenditures. Some districts have experienced more than triple increase in Per Capita General Expenditure at constant prices.

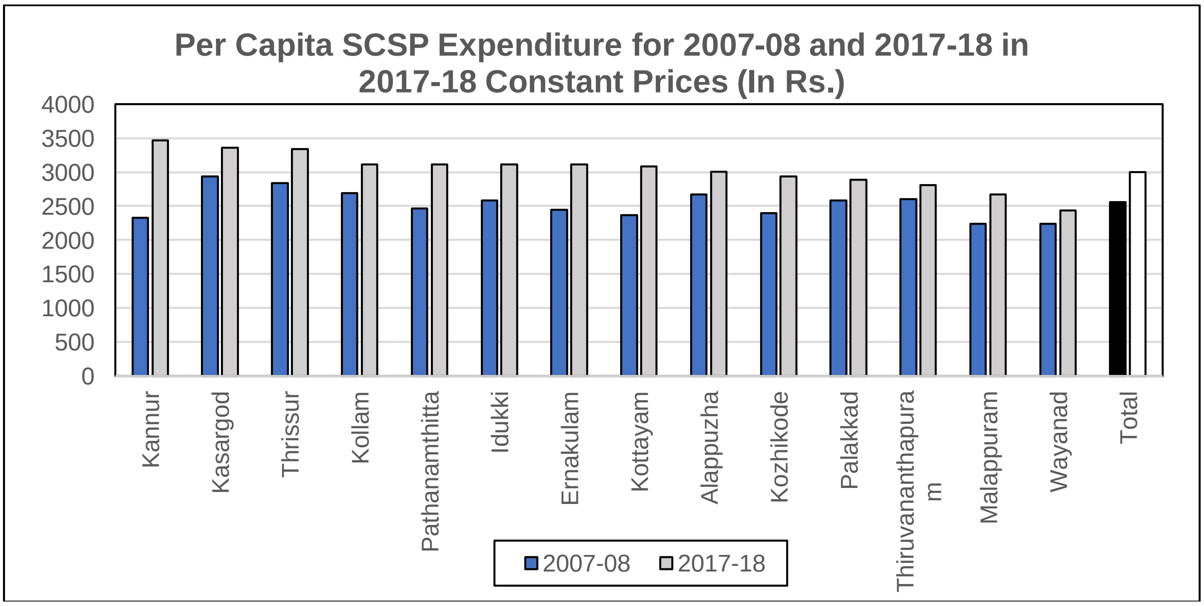
Chart 4.9:



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As compared to that, if we look at the per capita Scheduled Caste Sub-Plan Expenditure at 2017-18 prices, we notice that the increase has been merely 20%. Although in terms of absolute numbers, the State average has gone up from Rs. 2559 in 2007-08 to Rs. 3000 in 2017-18. Kannur district has experienced a substantial increase from Rs. 2325 to 3469 during the same period. The proportion of SC population is particularly high in districts like Palakkad (14.4%), Pathanamthitta (13.7%), Idukki (13.1%), Kollam (12.5%) and so on. However, increase in per capita SCSP expenditure in Palakkad and Kollam has been really low during the last 10 years (see Chart 4.10).

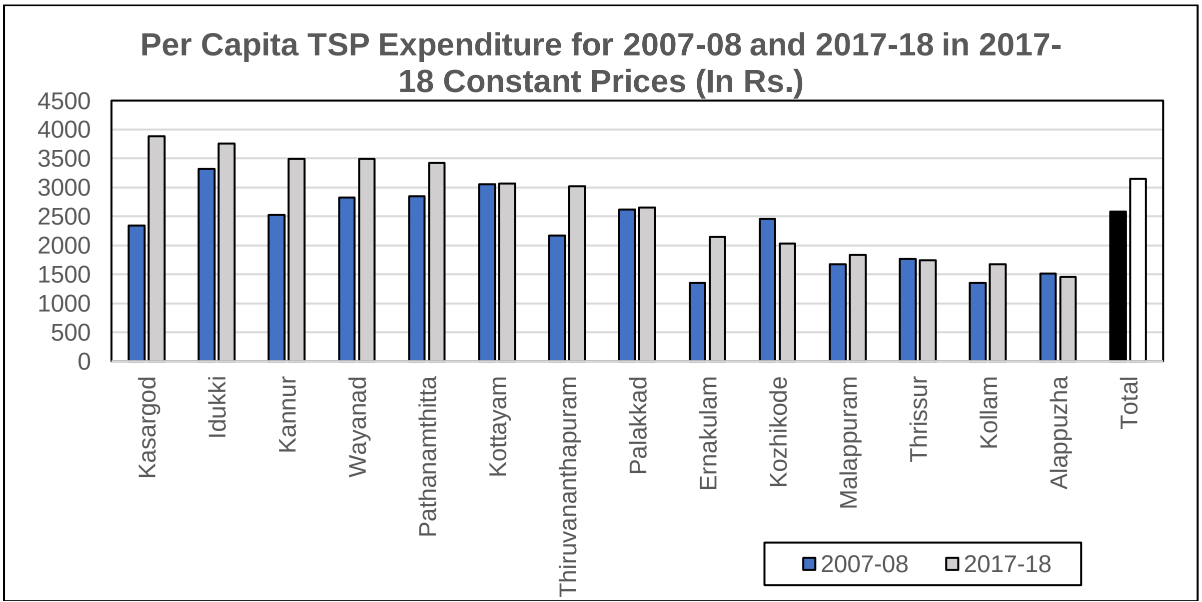
Chart 4.10:



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As per Per Capita Tribal Sub-Plan Expenditure in 2017-18 constant prices is concerned, this has also gone up merely by 20% for the State as a whole. For districts like Kottayam, Palakkad, Thrissur and Alappuzha, it has hardly gone up. The proportion of ST population is highest in Wayanad (18.5%) followed by Idukki (5%) and Kasaragod (3.7%). The Per-caipta TSP Expenditure has gone up substantially in Kasaragod and Wayanad, but not so much in Idukki and it has hardly increased in Palakkad (see Chart 4.11). It is important to mention here that the Per Capita SCSP and TSP Expenditures of each districts has been calculated by dividing the Total Expenditure at constant prices by the respective SC and ST population of those districts.

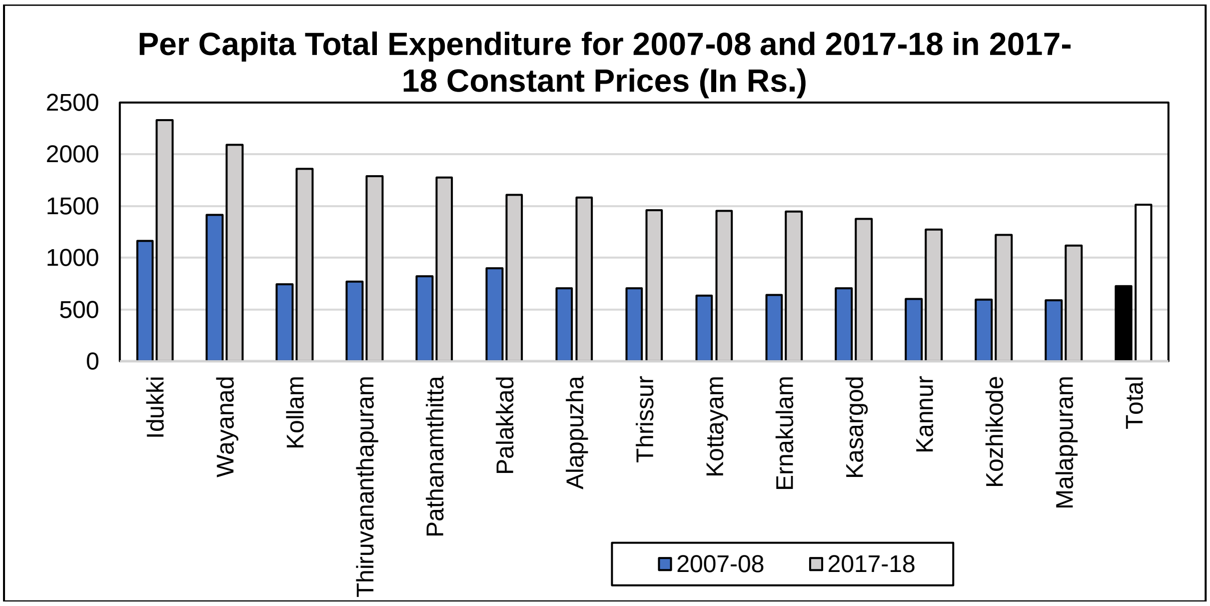
Chart 4.11:



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far total Per Capita Expenditure is concerned, it has gone up substantially from Rs. 726 in 2007-08 to Rs. 1513 in 2017-18 in Kerala. The per capita expenditure has been highest in Idukki and Wayanad district both in 2007-08 as well as in 2017-18. However, the increase has been substantial in every district in general. Therefore, the point is that per capita SCSP and TSP expenditure have increased at a much lower rate (around 20% in 10 years) as compared to increase in general expenditure (by more than 150%) or even overall expenditure (by more than 100% in ten years) at constant prices. This development might actually widen the social gap.

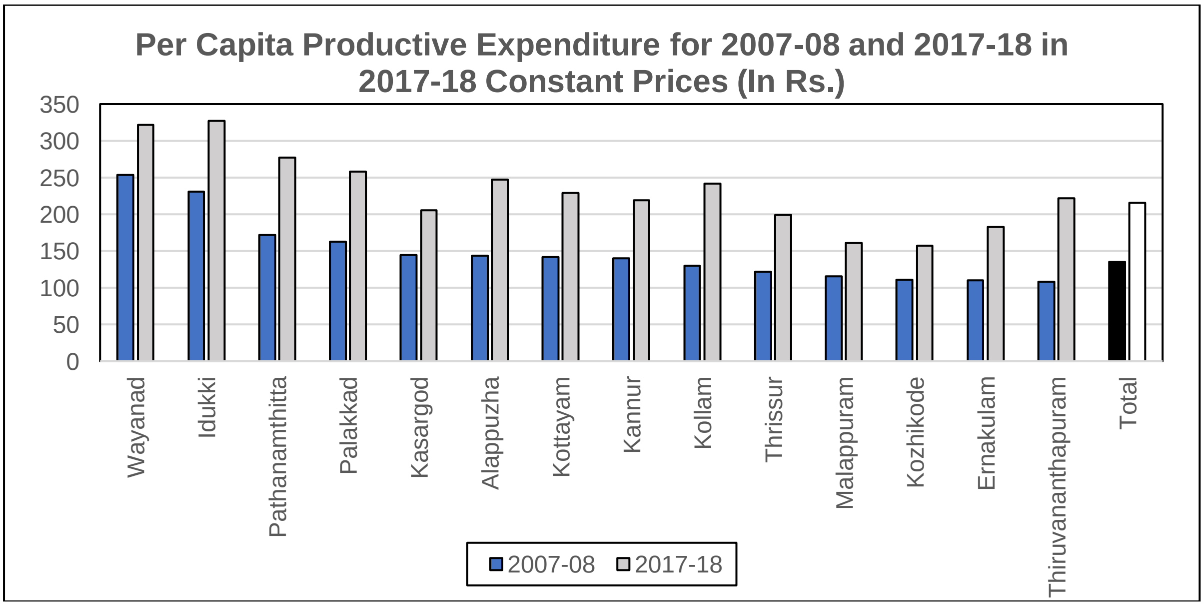
Chart 4.12:



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we compare sector-wise per capita expenditure in 2017-18 prices for 2007-08 and that for the year 2017-18, as far as productive sector is concerned, it has gone up from Rs 135 to Rs 216 in last 10 years. For districts like Thiruvananthapuram, Kollam, Alappuzha, Pathanamthitta etc., the increase has been relatively more as compared to districts like Wayanad or Kasaragod or Malappuram or Kozhikode (see Chart 4.13 below).

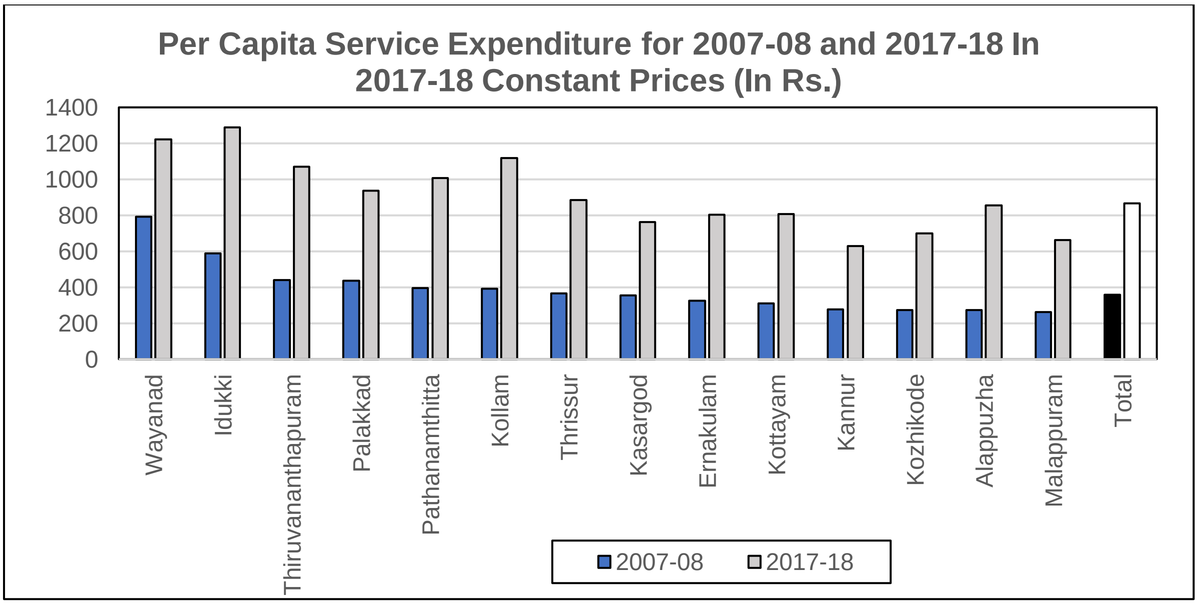
Chart 4:13



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Per capita service expenditure at constant prices has been more than doubled in last 10 years-from Rs. 358 in 2007-08 to Rs. 866 in 2017-18 for the state as a whole. The increase has been substantial for almost all the districts as far as per capita service sector expenditure is concerned (see Chart 4.14).

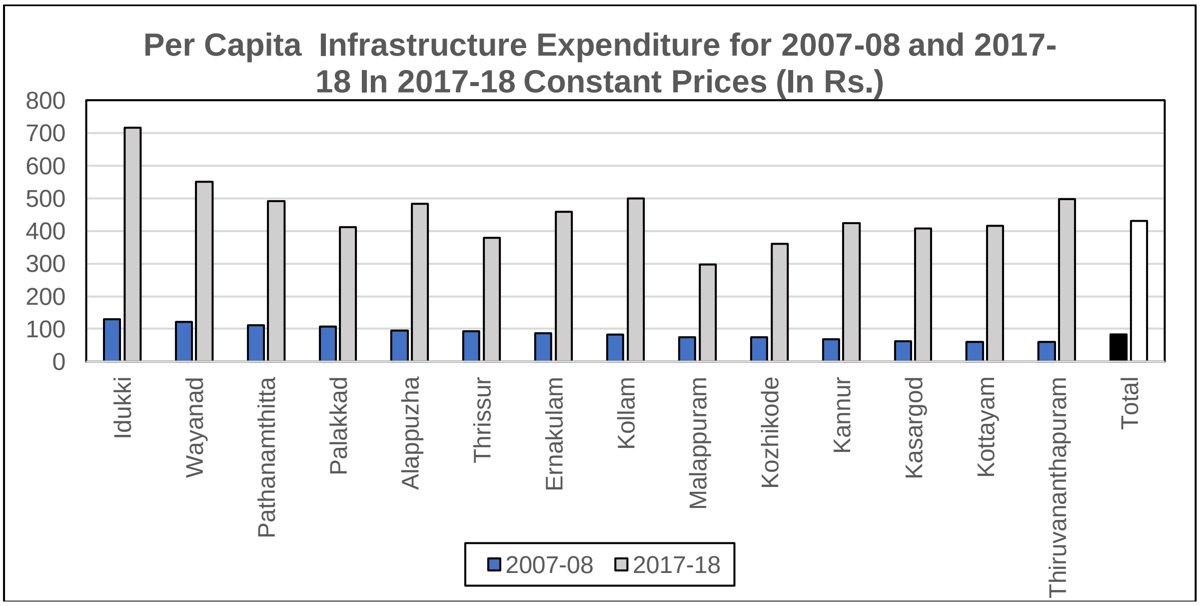
Chart 4:14



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Per capita infrastructure expenditure has gone up phenomenally from Rs. 83 in 2007-08 at 2017-18 prices to Rs. 430 in 2017-18 on an average. This story is true for all the districts in Kerala (see Chart 4.15).

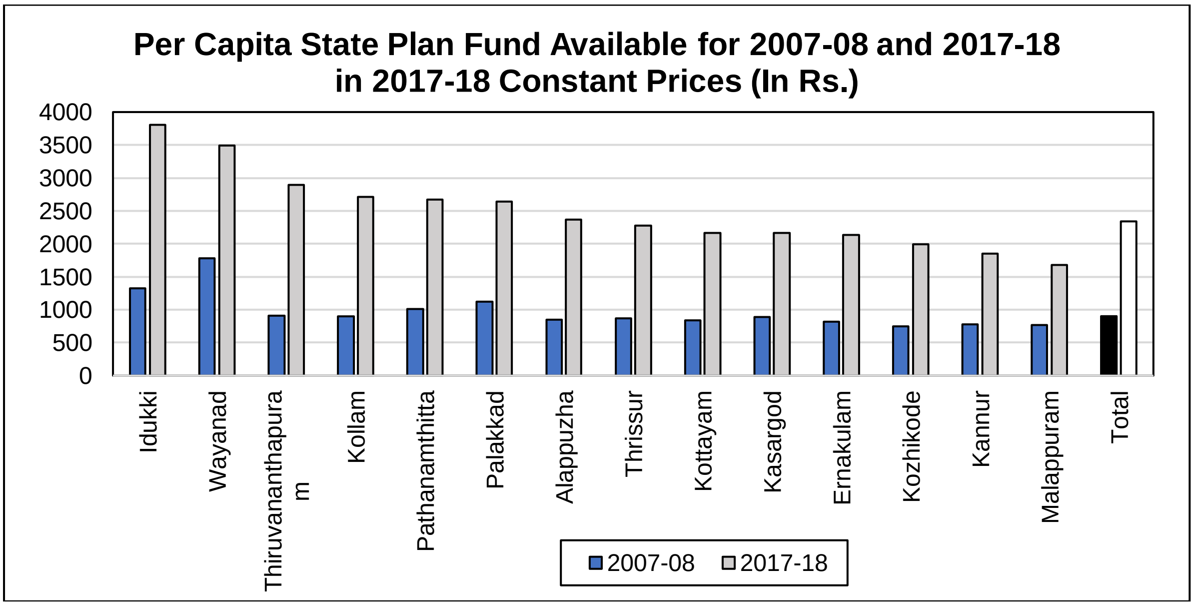
Chart 4:15



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Let us now look at the per capita availability of state plan fund for 2007-08 in 2017-18 prices and that for 2017-18. This has gone up substantially from Rs. 902 to Rs. 2341 on an average in last 10 years. The increase varies districts to districts. For districts like Idukki and Wayanad per capita availability of State Plan fund has been more than Rs. 3500 as compared to that of less than Rs. 2000 for Malappuram and Kannur. Here, it is interesting to note that 10 years back in 2017-18, the per capita fund availability was more or less comparable among various districts in Kerala. However, in 2017-18, the dispersion in terms of per capita fund availability has gone up (see Chart 4.16).

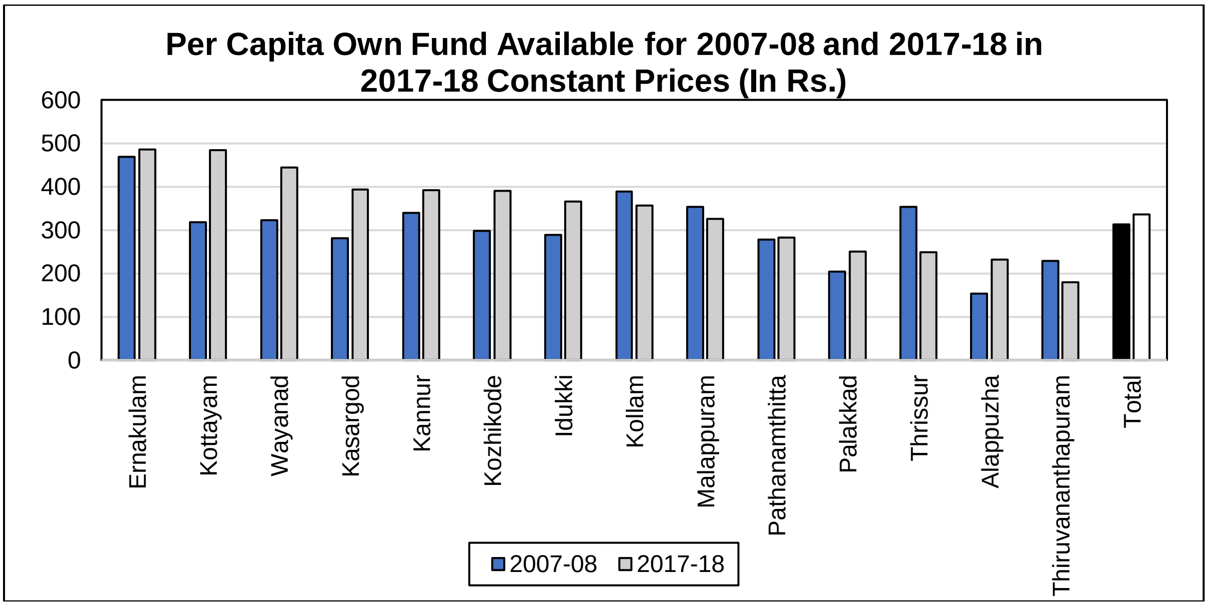
Chart 4:16



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at per capita availability of own funds of local bodies in Kerala at constant prices, it has hardly increased during last 10 years. In fact for some of the districts like Kollam, Malappuram, Thrissur and Thiruvananthapuram, it has actually come down in 2017-18 as compared to 2007-08 (in 2017-18 constant prices) (see Chart 4.17).

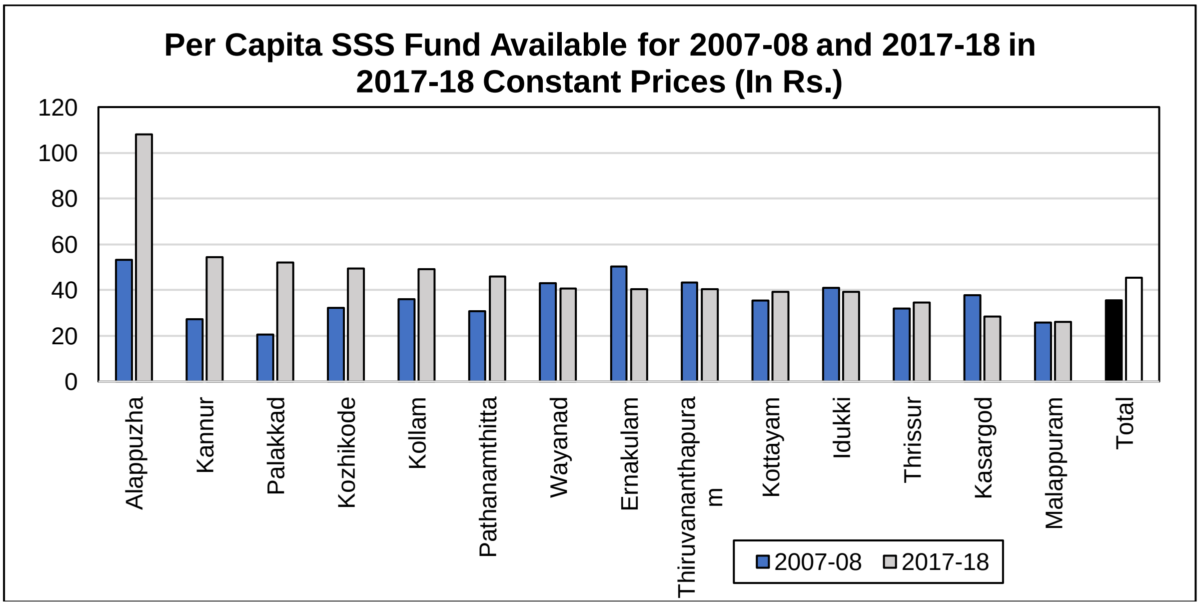
Chart 4:17



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far as state sector schemes are concerned, in constant prices, the per capita availability of funds has gone up from Rs. 36 in 2007-08 to Rs. 45 in 2017-18 for the State as a whole. However, in districts like Ernakulam, Thiruvananthapuram, Wayanad, Kasaragod, Idukki, the per capita fund availability under the state sector schemes have actually gone down in real terms. It has registered substantial increase in districts like Alappuzha, Kannur, Palakkad during last 10 years (see Chart 4.18).

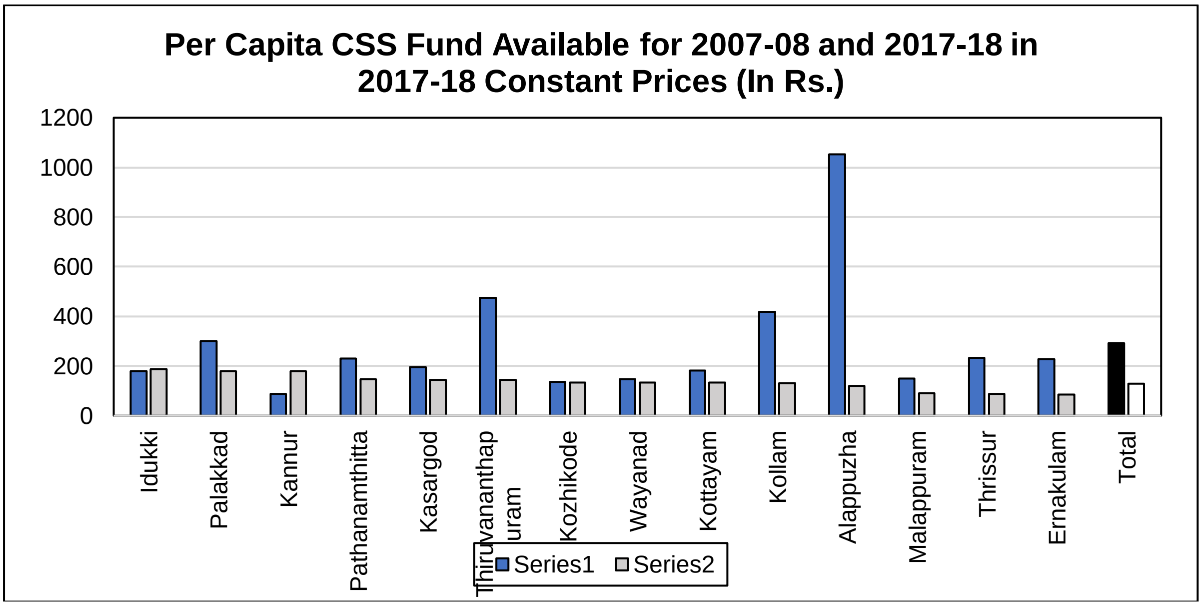
Chart 4:18



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Contrary to this, per capita fund availability under the Centrally Sponsored Schemes has gone down substantially in the State in 2017-18 as compared to that in 2007-08. Maximum reduction has taken place in districts like Alappuzha, Thiruvananthapuram, Kollam etc. (see Chart 4.19).

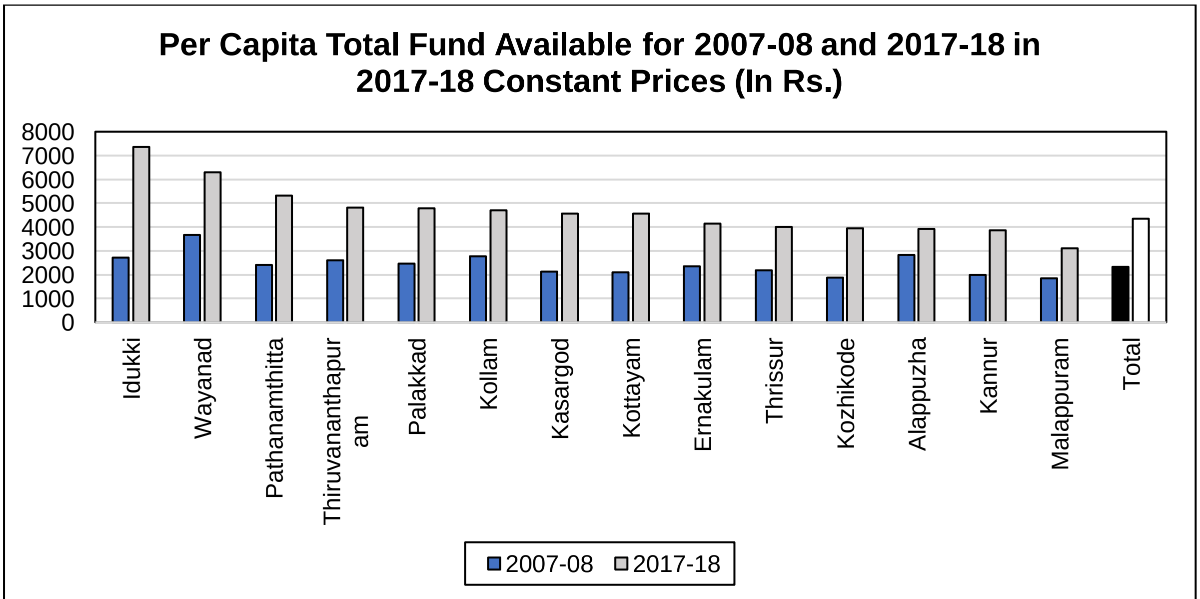
Chart 4:19



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far as total fund availability is concerned, in per capita real terms it has gone up from Rs. 2327 in 2007-08 to Rs. 4348 in 2017-18 in the State. It varies widely district to district from Rs. 7370 in Idukki and Rs. 6288 in Wayanad to Rs. 3116 in Malappuram (see Chart 4.20).

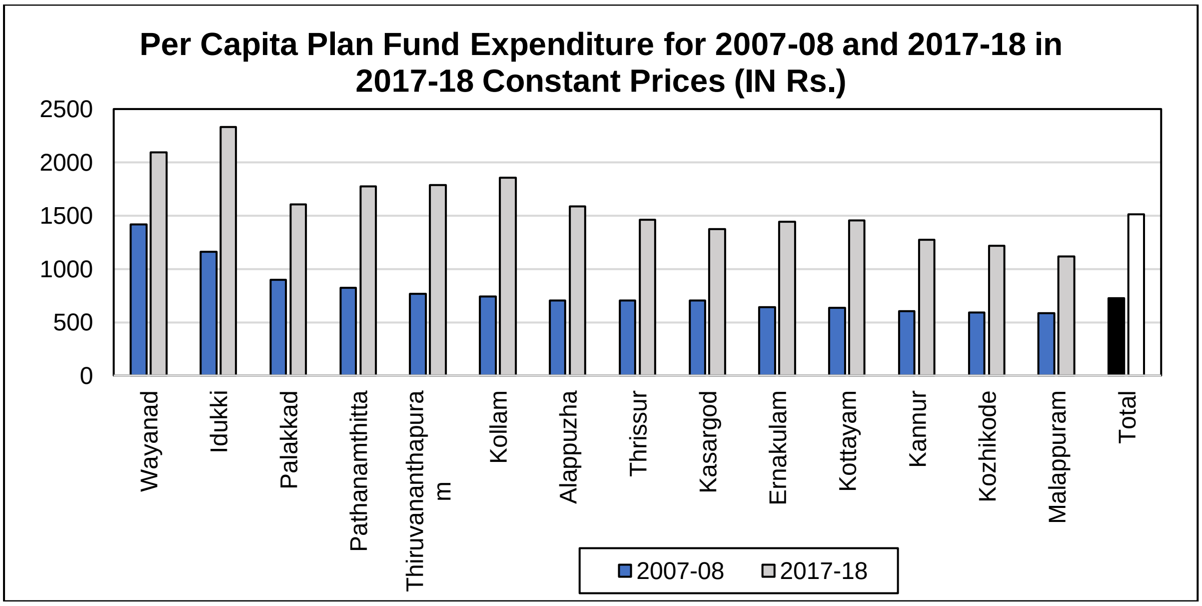
Chart 4:20



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

The per capita expenditure under the planned fund has been doubled in real terms during the period from 2007-08 to 2017-18 in the State. In 2007-08, the per capita plan fund spending was Rs. 726 in 2017-18 prices, which has gone upto Rs. 1513 in 2017-18. In Wayanad and Idukki, the per capita expenditures were higher than the other districts both in 2007-08 as well as in 2017-18. It varies widely district to district-in 2017-18 in Idukki district, per capita plan fund expenditure was Rs. 2331 and that in Malappuram district only Rs. 1118 (see Chart 4.21).

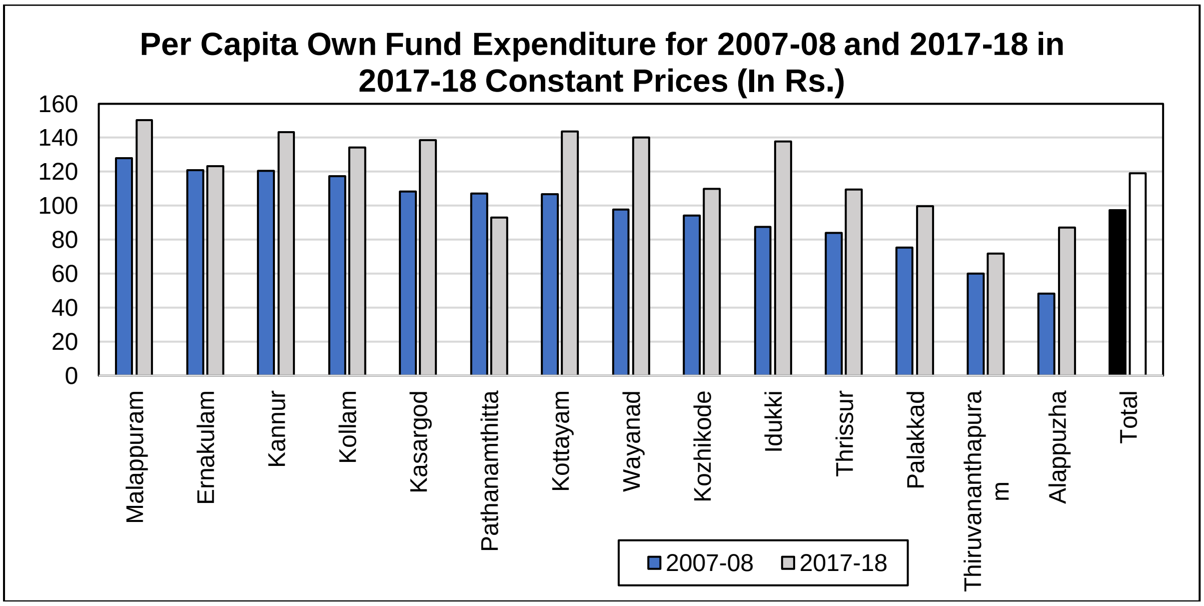
Chart 4:21



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Per capita spending from own funds of the Local bodies has gone up by almost 20% in real terms in 2017-18 as compared to that in 2007-08 in Kerala. However, it has actually come down in Pathanamthitta district. Although for other districts it has shown some improvement. This also varies widely from district to district from more than Rs 140 to less than Rs. 80 in 2017-18 (see Chart 4.22).

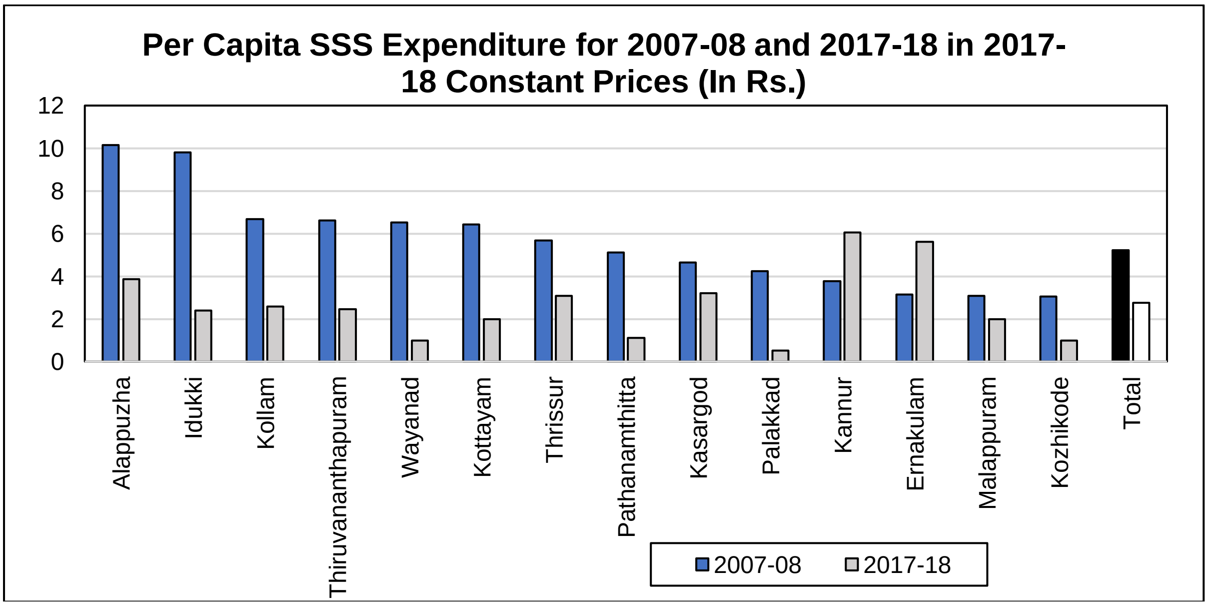
Chart 4:22



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far as State sponsored schemes are concerned, the per capita expenditure has gone down in real terms in 2017-18 as compared to 2007-08. It has shown some increase only in Kannur and Ernakulam district, and for all other districts has gone down quite substantially (see Chart 4.23).

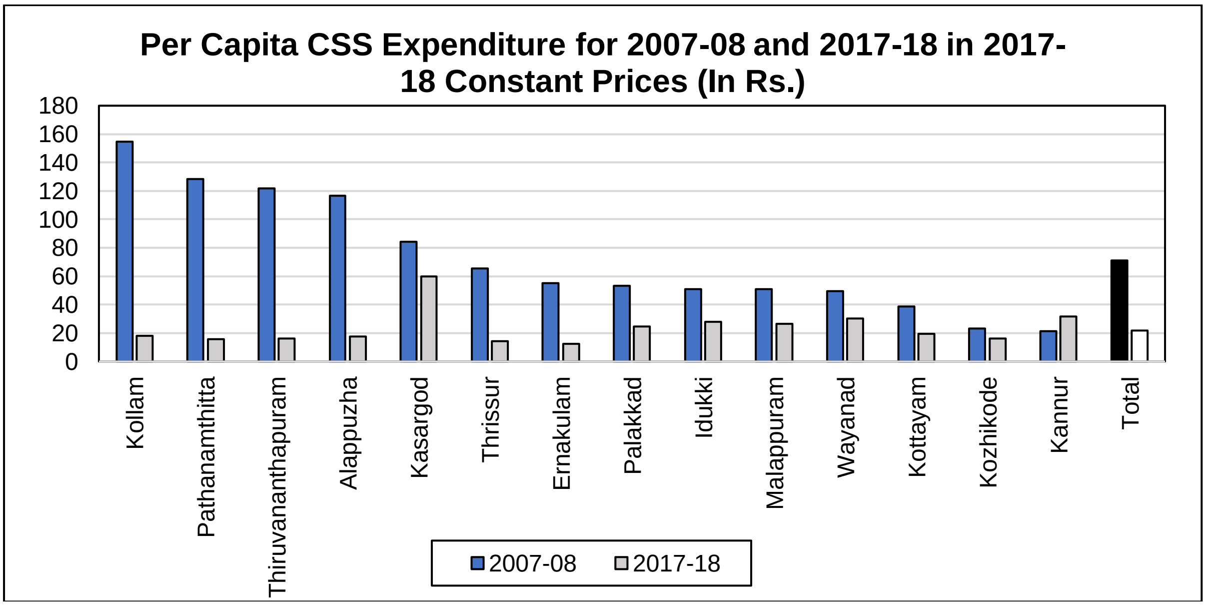
Chart 4:23



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Same story is applicable for the Centrally sponsored schemes too. The per capita expenditure has gone down from Rs. 71 in 2007-08 at 2017-18 prices to merely Rs. 22 in 2017-18. Except in Kannur district, in all other districts, it has shown substantial reduction (see Chart 4.24).

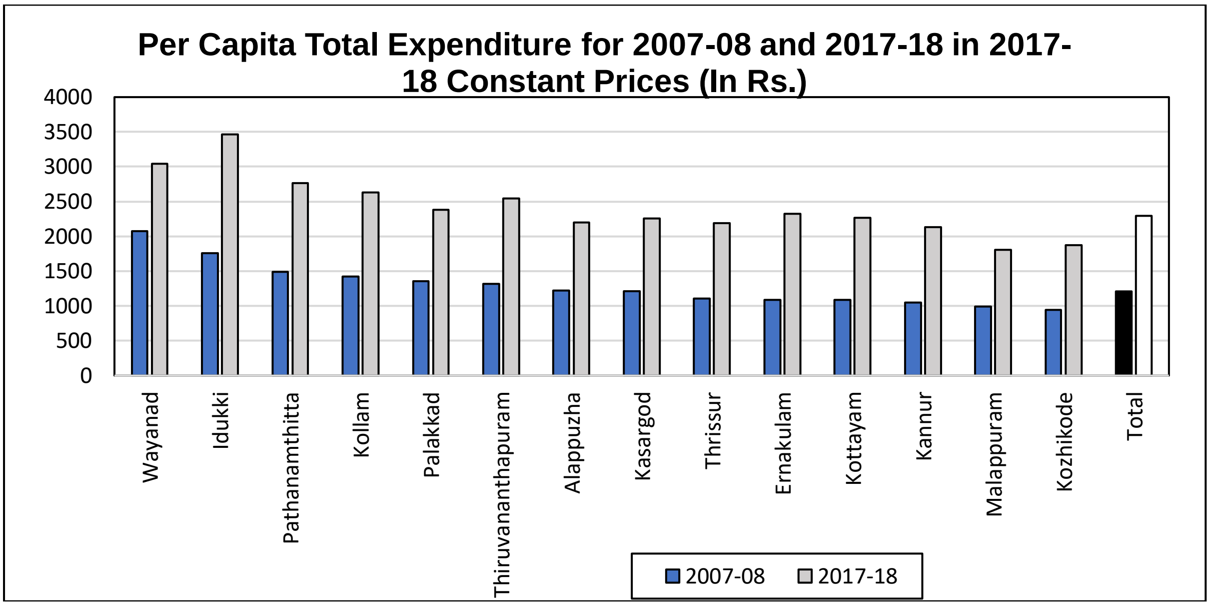
Chart 4:24



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

The per capita total expenditure has gone up from Rs. 1210 in 2007-8 at 2017-18 constant prices to Rs. 2295 in 2017-18 (see Chart 4.25). The improvement is particularly high in Idukki district where per capita expenditure has reached Rs. 3500 in 2017-18.

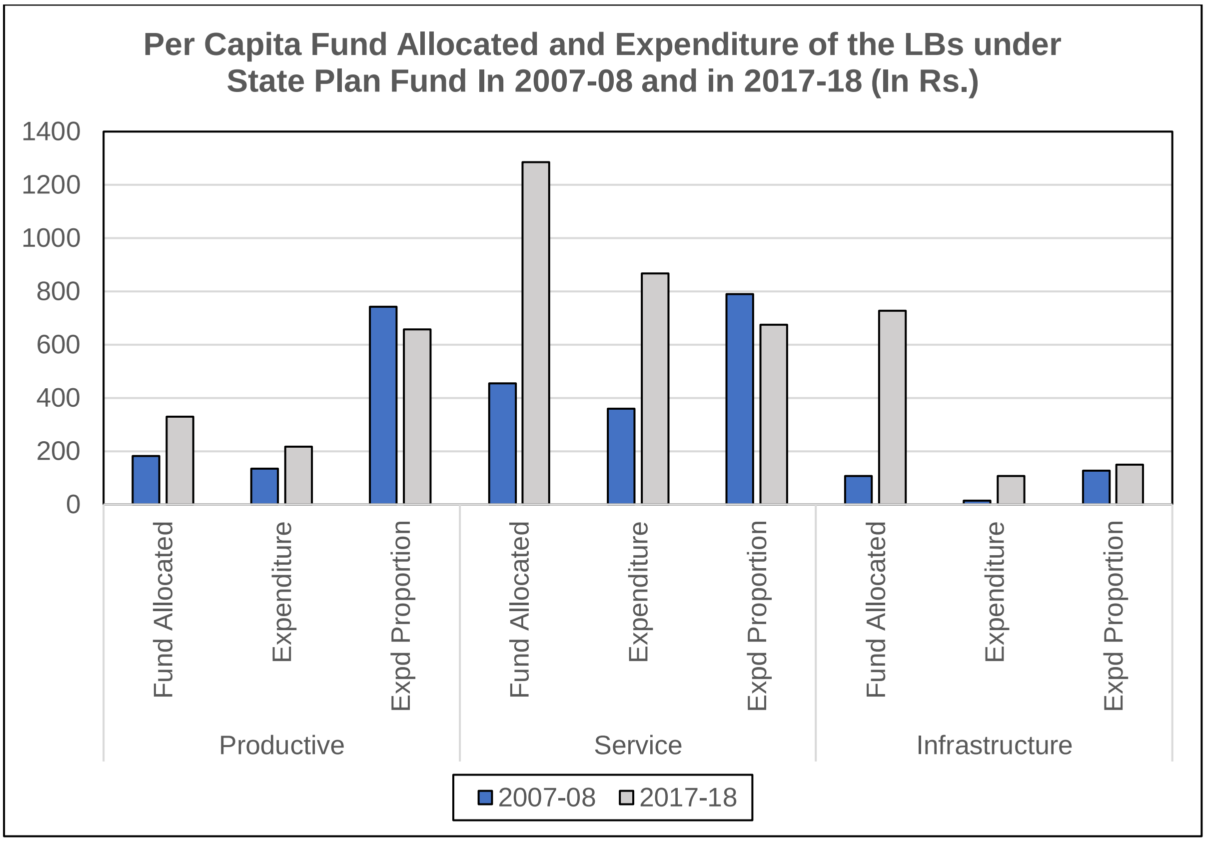
Chart 4:25



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we compare sector-wise per capita fund allocation and expenditure of local bodies in Kerala under the State plan fund in 2017-18 with that in 2007-08 at constant prices, we get the following picture: In productive sector fund allocation has gone up from Rs. 182 to Rs. 328 and the expenditure has gone up from Rs. 135 to Rs. 216 in 10 years' time. However, the productive sector expenditure as proportion of allocated fund has come down in 2017-18 as compared to that in 2017-18. In case of service sector, the allocation has gone up substantially from Rs. 454 in 2007-08 to Rs. 1285 in 2017-18 and expenditure has gone up from Rs. 358 to Rs. 866 in 10 years. However, in case of service sector also the expenditure as proportion of available fund has deteriorated during 2017-18 as compared to that in 2007-08. In infrastructure there is some improvement in fund utilisation. As far as allocation and expenditure on infrastructure are concerned, it has gone up substantially in last 10 years (see Chart 4.26).

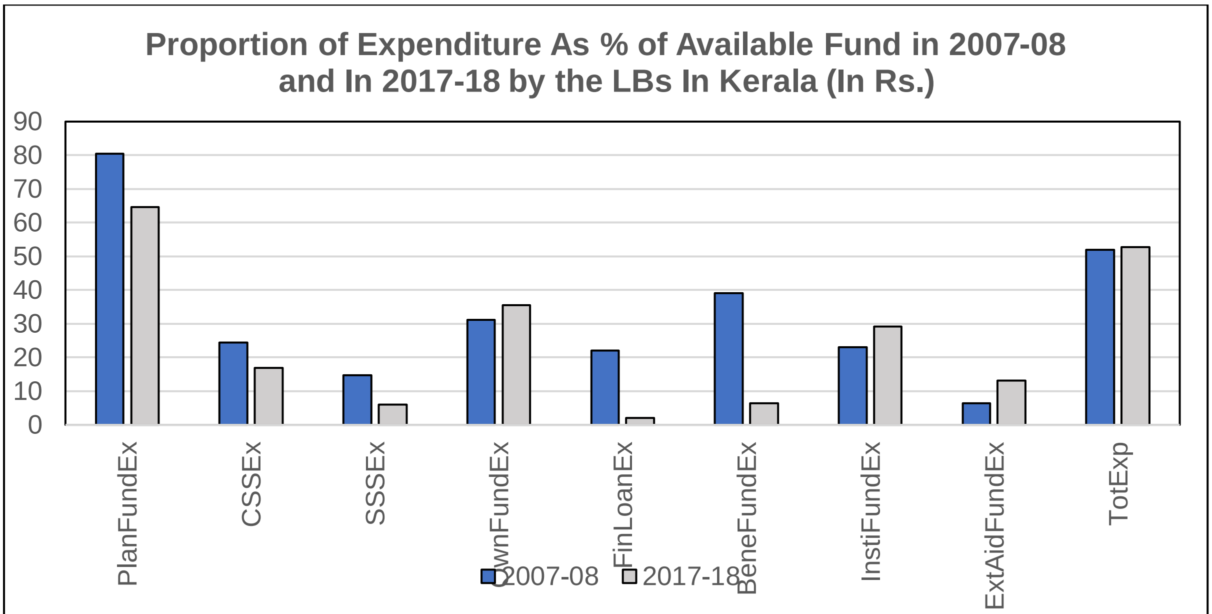
Chart 4:26



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at the proportion of expenditure as percentage of allocated fund under different heads in 2007-08 and that in 2017-18, we see that the total expenditure remined around little above 50% of the allocated funds as far as planned fund expenditure is concerned because more than 80% in 2007-08, which has come down to 65% in 2017-18. The expenditure under centrally sponsored schemes as proportion of available funds has also registered a substantial decline from already low of less than 25% in 2007-08 to below 17% in 2017-18. In case of State sponsored schemes, expenditure efficiency was less than 15% in 2007-08 which has come down to mere 6% in 2017-18. Own fund expenditure has shown some improvement from 31% to 36% of the available fund in last 10 years. Expenditure efficiency under financial loan and benevolent fund have registered serious decline. Expenditure under institutional fund has been 29% in 2017-18 as compared to that of 23% in 2007-08. The external aid fund is also not being spent, only 13% of it has been utilised in 2017-18 (see Chart 4.27).

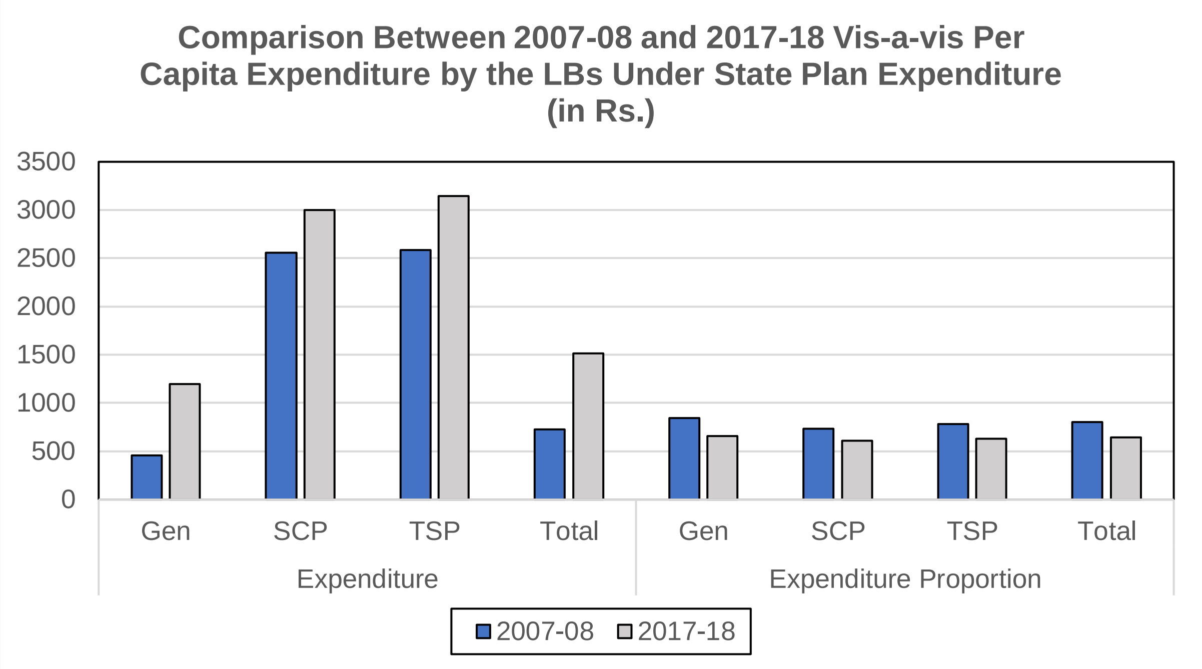
Chart 4:27



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at the per capita expenditure as proportion of allocated fund, under general, SCP, TSP and total, in 2017-18 as compared to 2007-08, we notice that the expenditure efficiency has come down in general (see Chart 4.28). Although per capita expenditure under all four heads in 2017-18 as compared to 2007-08 during last 10 years. However, the expenditure efficiency is definitely a matter of concern. It shows that the per capita allocation of funds has gone up more than proportionately as compared to the increase in per capita expenditure in real terms. Therefore, the policy intention is in right direction, but there could be issues vis. a vis. implementation.

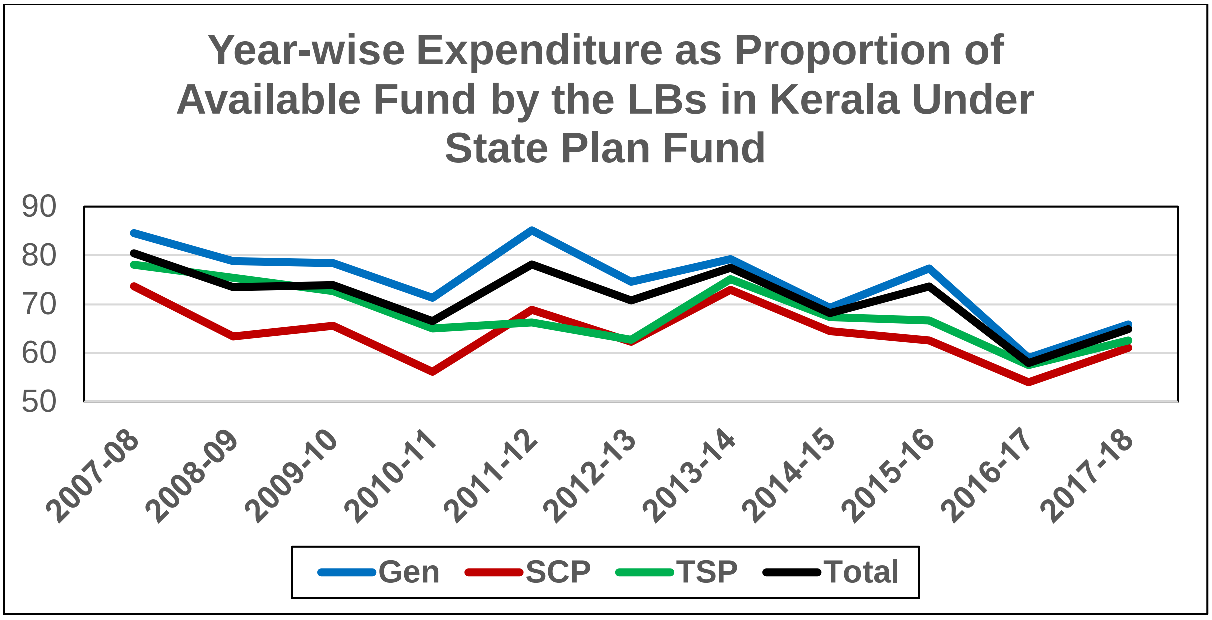
Chart 4:28



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at year-wise expenditure as proportion of available funds by the local bodies in Kerala from the State fund from 2007-08 to 2017-18, we see the following trend: the total expenditure as proportion of available funds was 80% in 2007-08, which came down to around 65% in 2010-11. It was more than 70% on an average, during 2011-12 to 2015-16. This came down to less than 60% in the year 2016-17. After some recovery, it has gone up to 65% in 2017-18, further to 67% in 2018-19 (see Graph 4.29). Expenditure under Scheduled Caste sub-plan has proportion of available funds has consistently gained much lower than the total fund utilisation, however, the gap has significantly come down in the recent past. Expenditure under tribal supply as proportion of available funds has also been consistently lower as compared to the general fund utilisation. This gap was as wide as 20 percentage points in 2011-12, which has been reduced to around 3 percentage points in the recent past. Clearly, lower fund utilisation is a matter of concern.

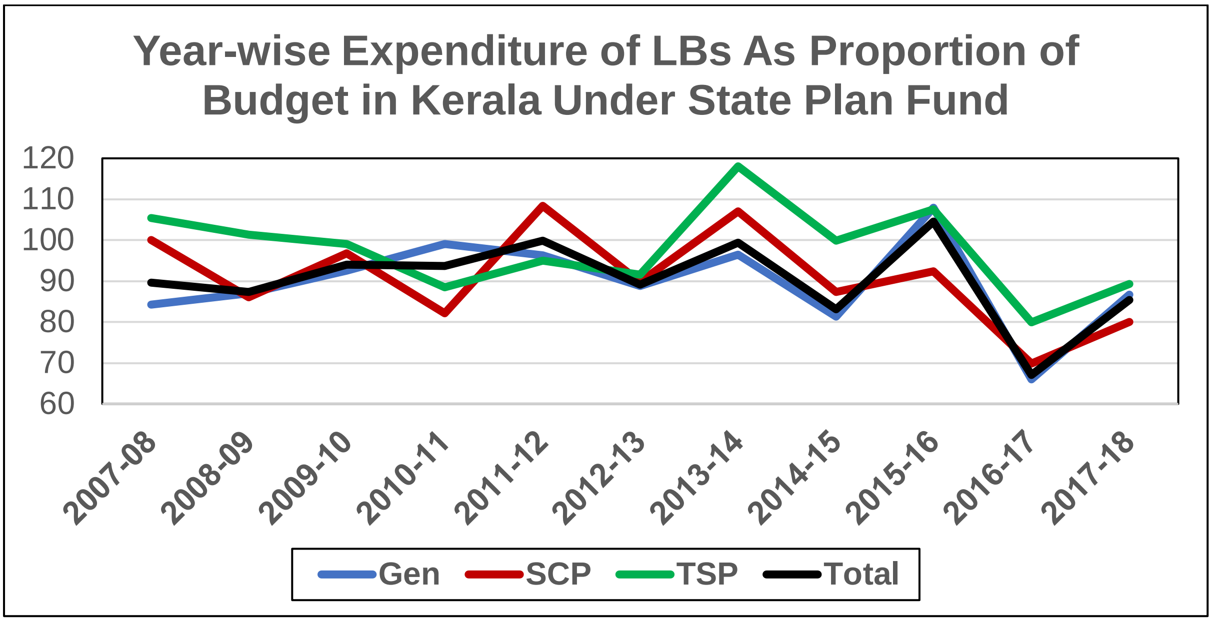
Chart 4:29



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

Fund utilisation is calculated as the budget of the current financial year along with the carry-over of the un-spent fund of the last financial year under the same head. If this is less than 70% for last three consecutive years, then the needs to be looked at carefully. The Government of Kerala has taken a decision in 2016-17 that the unspent money of the last financial year would lapse and the local bodies would not be able to spend that money in the next financial year. Therefore, 2016-17 onwards, the available funds under different heads would be exactly equal to the budget of the current financial year. If we want to compare the current situation of the fund utilisation with the previous years, the definition of fund utilisation has to remain the same. That is, the denominator has to be the same while calculating the expenditure proportions throughout the entire period under consideration. If we divide the actual expenditure by the available fund including the carry over, we need to be consistent in doing that for all the years. Again, instead of dividing expenditure with available funds defined above, if we divide by current years' budget, we need to so the same for all the years in order to make then numbers comparable.

Chart 4:30

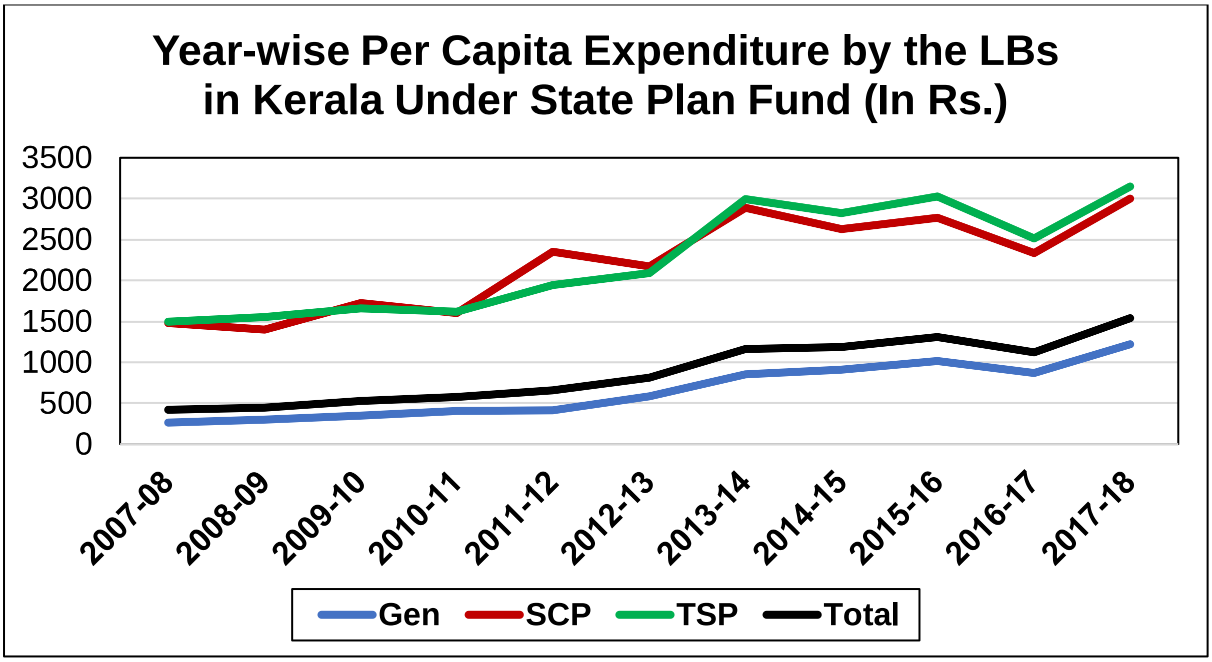


Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at year wise expenditure of local bodies as proportion of current years budget under the State plan fund, we observe the following: the total expenditure as proportion of budget was 90% in 2007-08. The expenditure-budget ration reached 100% in 2011-12, which went up to more than 105% in 2015-16. This ratio came down below 70% in the financial year 2016-17. After some recovery, it reached more than 85% in 2017-18 and almost 85% in 2018-19. Form both the above graphs (4.29 and 4.30), it is evident that 2016-17 was particularly a bad year. Things have relatively improved in 2017-18 and 2018-19, however, as compared to own performance in the past the expenditure efficiency is still lagging behind. Interestingly, the Tribal sub-plan expenditure as proportion of budget and also the Scheduled Caste sub-plan expenditure have performed relatively better in many years as compared to the performance of general expenditures. In some years, the TSP and SCSP expenditures have exceeded 100% of the budget because some of the unspent money of the last financial year could be spent. Since it takes lot of time for the local bodies to actually receive the money from the State treasury (sometimes more than one quarter of a year) it is unfair to ask them to spent the entire money meant for the full financial year within eight to nine months' time. That is why the Government of Kerala has also taken initiatives to finalise and approve the local plans before beginning of any financial year so that the money can reach the local bodies from the beginning of any financial year itself. In spite of taking serious steps in this direction, even in this current financial year (i.e. 2019-20), the money of the first quarter could not be reached within the month of April, May and June. Hopefully, this would be streamlined in the near future.

If we look at per capita expenditure by the local bodies under the State planned fund, the total expenditure at current price has gone up from less than Rs. 500 in 2007-08 to more than Rs. 1500 in 2017-18. It came down in 2016-17 as compared to 2015-16, however, in 2017-18 it has been above the level of 2015-16. The TSP and SCSP expenditure in per-capita term has gone up from Rs. 1500 in 2007-08 to more than Rs. 3000 in 2017-18 (with a decline in 2016-17). If we look at the slopes of these graphs, it is evident that the real increase took place during 2010-11 to 2013-14. It is also important to note that the per capita expenditure under the SCSP and TSP plans have been way above the per capita general expenditures. This has been a progressive step in order to reduce the gap of the deprived section of the population. The caveat is that the per capita total expenditure has gone up by three fourth during last ten years, however, the increase has been just two-fold in case of SCSP and TSP funds (see Graph 4.31).

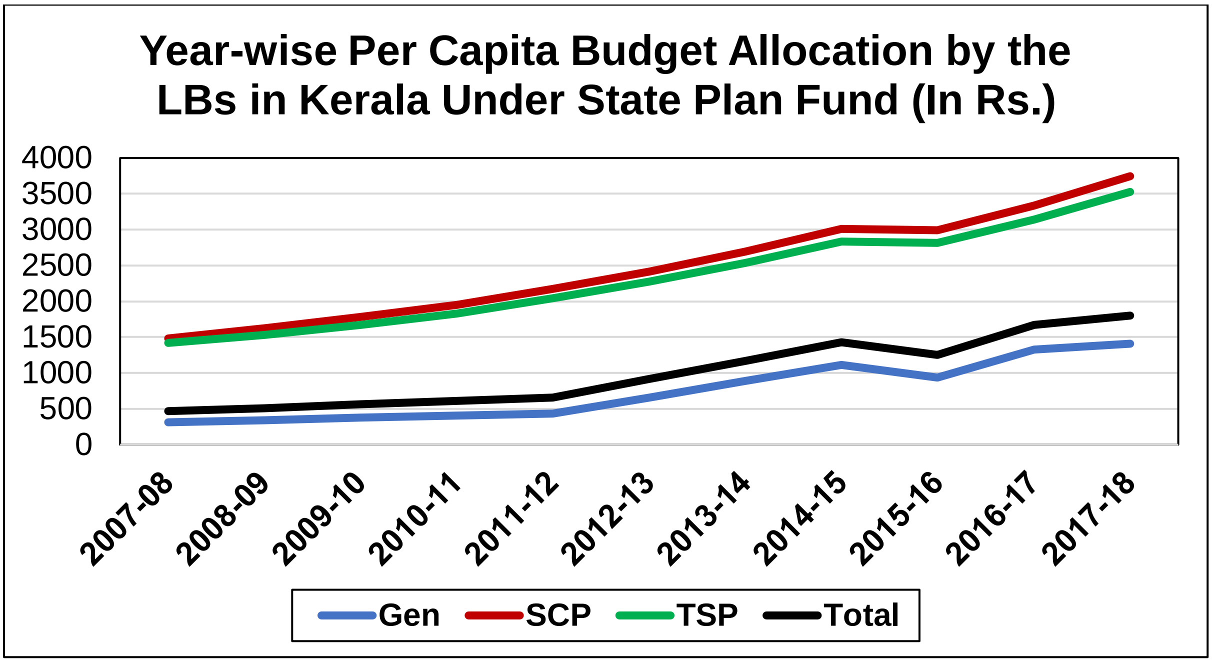
Chart 4:31



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

If we look at year wise per capita budget allocation of the local bodies in Kerala under the State plan fund, we see that there has been continuous rise in total general SCSP as well as TSP allocation during 2007-08 to 2017-18 excepting the year 2015-16. From graph 4.32 it is evident that both the SCSP and TSP budget allocation have been substantially higher than that of general expenditure. It is interesting to note here that the budget allocation came down in the year 2015-16 and the expenditures suffered in the next financial year of 2016-17. Since the fund reaches late, the implementation of the projects also get delayed and there would be many spill-over projects which would continue in the next financial year.

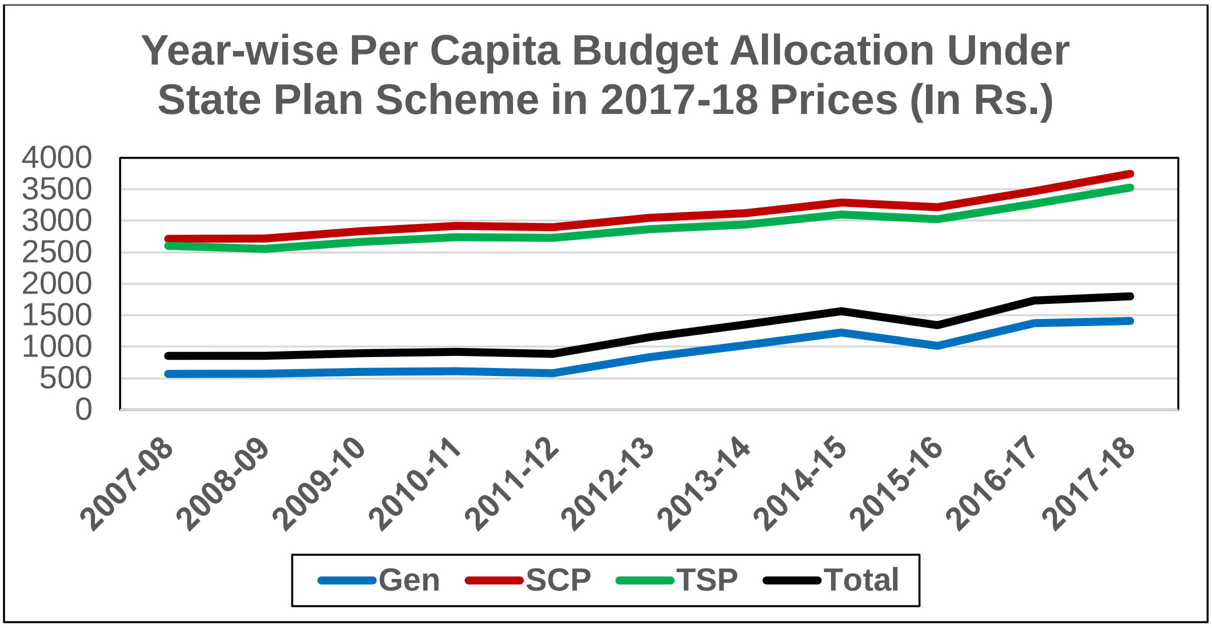
Chart 4:32



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

The above figures 4.31 and 4.32 are in nominal prices. Since there is positive year to year implementation, the numbers are likely to go up. However, in real terms (at 2017-18 constant prices), the per capita budget allocation shows absolute stagnation from 2007-08 ton 2011-12 (see Graph 4.33). it has registered some growth after that up to 2014-15. Then there was a decline in per capita budget allocation for the local bodies under the State planned scheme in 2015-16. The per capita budget allocation in 2017-18 constant prices has registered substantial improvement in 2016-17 and 2017-18.

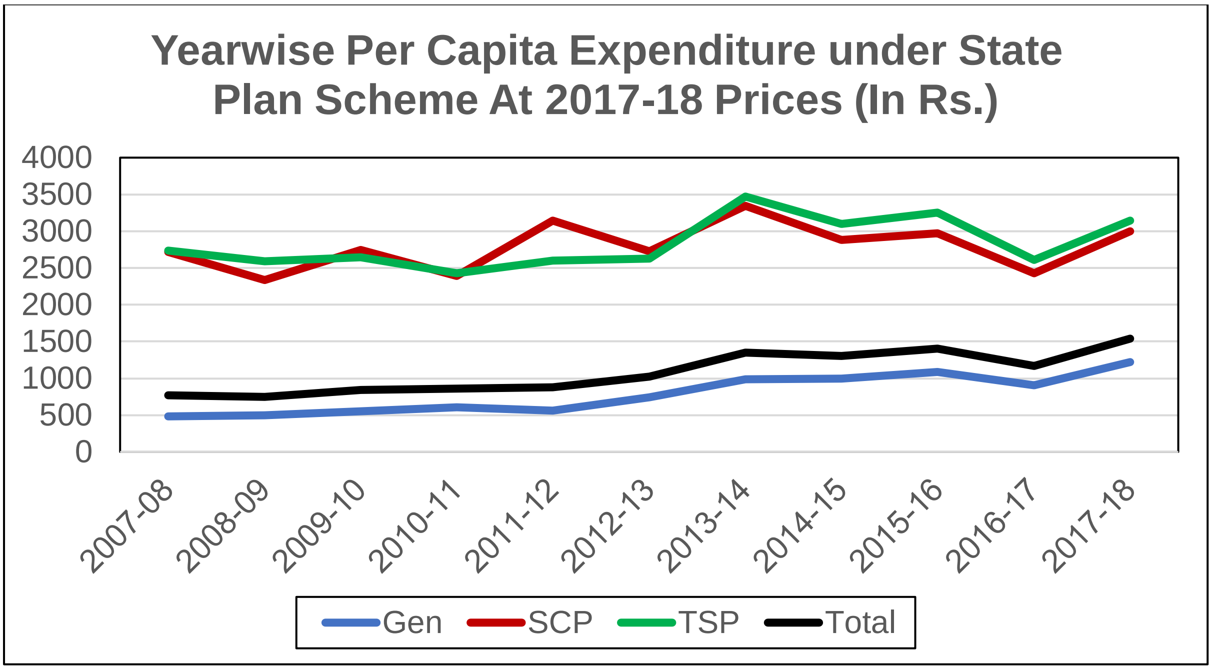
Chart 4:33



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

As far as per capita expenditure at 2017-18 constant prices are concerned, it shows stagnation up to 2011-12, then went up for next two years, then got stagnated for next two years, came down in 2016-17 and then finally recovered in 2017-18 (see Graph 4.34). it is needles to mention that per capita spending and budget allocation for SCSP and TSP has been substantially high as compared to the per capita general expenditures and allocations in all the above cases.

Chart 4:34



Source: Information Kerala Mission Database, 2007-08 & 2017-18.

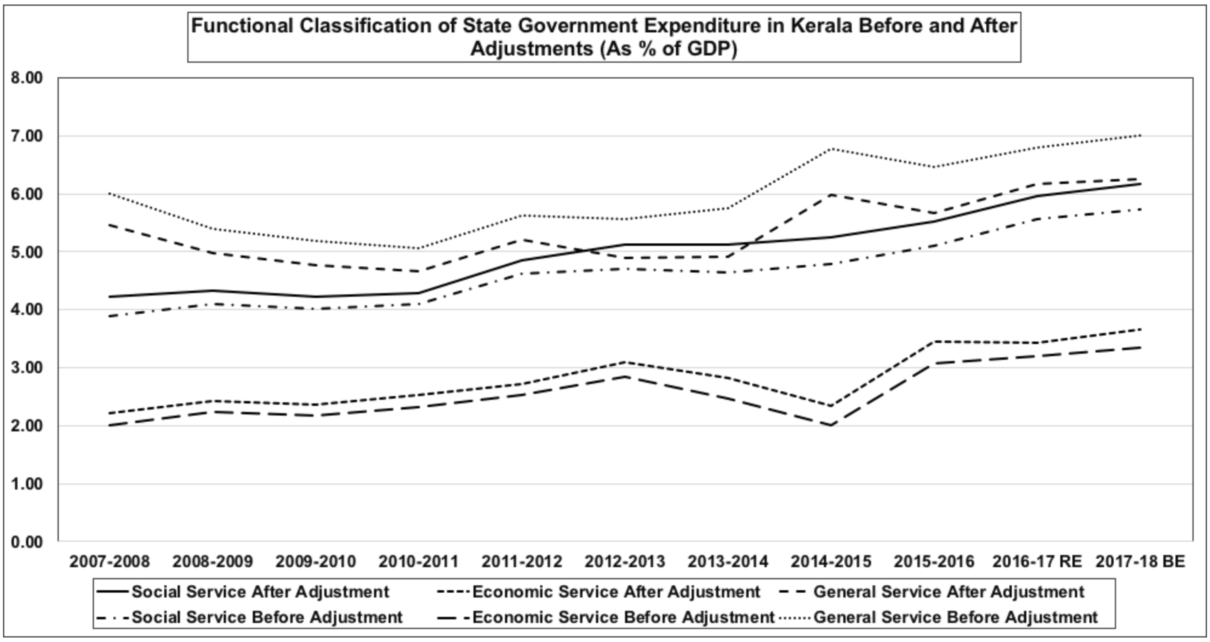
Therefore, the budget allocation during 2017-18 and that in 2017-18 have been higher than before. However, expenditure in 2016-17 have been lower than that in 2015-16. In 2017-18, even the per capita expenditures have become higher than the 2015-16 in terms of comparable prices. As far as SCSP and TSP expenditures are concerned, it was highest in the year 2013-14 in per capita real terms. They have registered decline in 2014-15 and that in 2016-17 by almost Rs. 100 per head (as compared to 2013-14). Even after recovery in 2017-18, the numbers are yet to reach the 2013-14 mark.

Chapter 5 – Conclusion and Policy Implications

If we look at the functional classification of the state government expenditure in Kerala from the finance accounts data, we see that mid-1990's onwards, the social service expenditure as proportion of GSDP has come down and spending on general services as percentage of GSDP has gone up. Following the peoples' plan campaign and decentralisation, the local self-governments were spending lot of money on various social and economic services. However, the entire grant to local-bodies from the state exchequer is recorded as the general service expenditure in the finance accounts. If we deduct this amount from the general services and add the local-body spending on social, economic and general services with expenditures on social, economic and general services directly by the state government, we get a clearer picture of functional classification of total spending as proportion of GSDP.

In the graph below, we see that the general service and social service expenditures as proportion of GSDP were very different before the adjustment and after making the above mentioned adjustments they become almost the same in the recent years. The ratio of economic service spending to GSDP also improves after making the adjustment (see the graph below). It is important to mention here that the disaggregated data on local-body spending was available only for the state plan funds, from the IKM database, which constitute little less than 70% of total local-body spending. Therefore, if we could have incorporated the functional classification of the rest 30% expenditures incurred by the local-bodies, the social and economic service spending would have been even higher as proportion of GSDP.

Chart 5.1



Source: Our calculations.

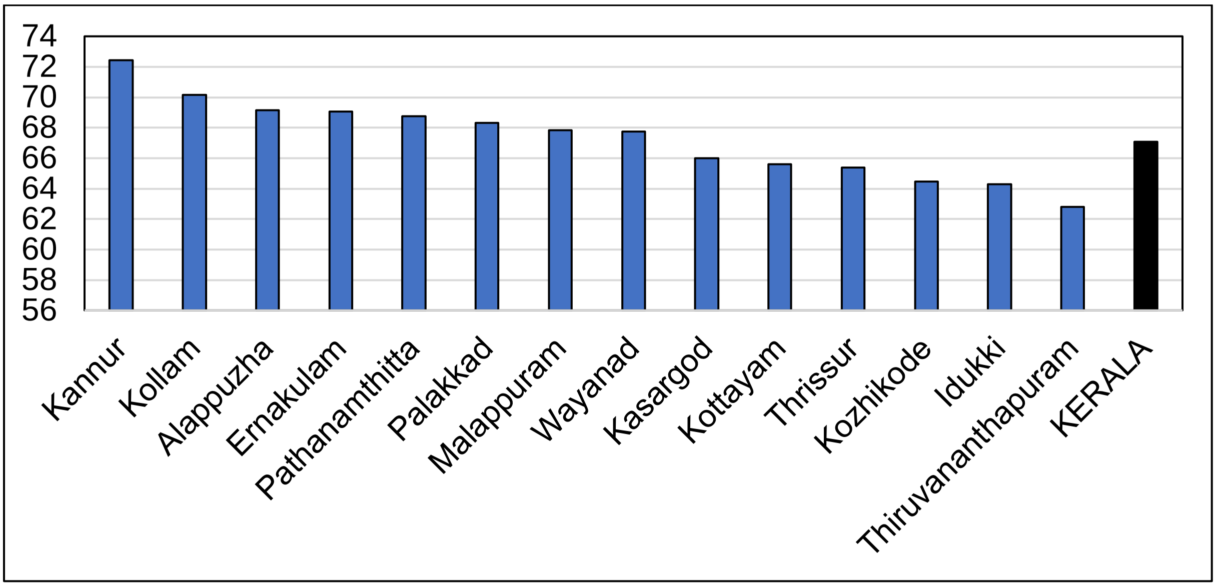
Table 5.1: District-wise Local-body Expenditure as Percentage of Available Fund and As a Proportion of Budget Allocation in Kerala in 2018-19

Districts	Expenditure as % of Available Fund				Expenditure as % of Budget			
	Gen	SCP	TSP	Total	Gen	SCP	TSP	Total
Alappuzha	70.04	65.89	61.99	69.16	80.29	89.58	73.00	81.99
Ernakulam	69.33	68.61	56.67	69.07	84.37	92.77	63.94	**86.16**
Idukki	65.59	59.28	64.06	64.30	87.15	81.51	76.67	85.62
Kannur	72.82	66.37	76.89	72.45	86.23	81.50	78.61	85.25
Kasargod	66.47	53.64	72.29	65.99	83.34	74.57	78.72	81.70
Kollam	69.83	71.53	53.57	70.13	82.93	77.61	95.48	82.75
Kottayam	67.23	59.67	55.88	65.61	86.29	83.05	62.79	85.43
Kozhikode	64.81	63.30	56.21	64.48	83.95	82.40	64.92	83.48
Malappuram	69.94	61.29	44.18	67.81	89.07	83.00	75.70	87.02
Palakkad	71.17	62.75	56.60	68.33	86.29	76.70	53.64	83.89
Pathanamthitta	69.59	66.49	62.35	68.74	85.18	84.89	67.53	84.94
Thiruvananthapuram	61.31	69.36	58.04	62.81	88.61	84.68	90.37	88.82
Thrissur	65.84	64.35	45.46	65.36	89.40	78.29	103.90	88.99
Wayanad	68.72	60.95	66.87	67.73	82.98	65.17	94.65	82.61
ALL KERALA	**67.70**	**65.08**	**63.81**	**67.07**	**85.16**	**83.00**	**85.09**	**84.74**

Source: IKM Database 2018-19, Govt. of India.

The IKM data on local-body finances for the year 2018-19 has been made available recently and some preliminary calculations show that the scenario has not changed much as compared to the 2017-18 data. The overall expenditure as proportion of total available fund has gone up from below 65% in 2017-18 to 67% in 2018-19. For district-wise and major head-wise details, see the above table and graphs below.

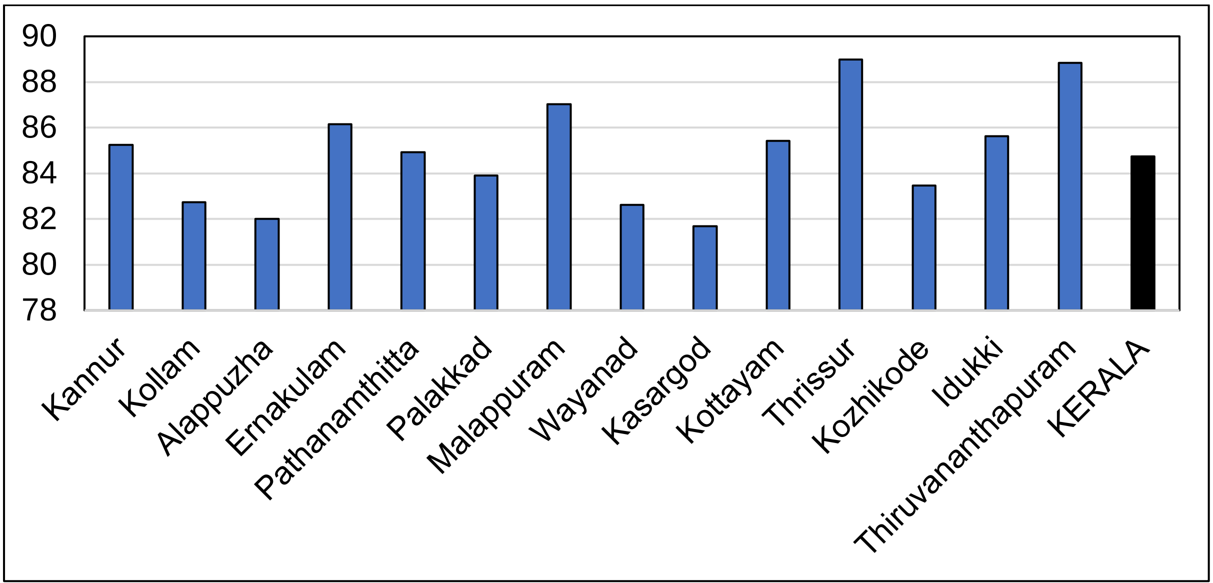
Chart 5.2: District-wise Local-body Expenditure as Proportion of Available Fund in Kerala in 2018-19



Source: IKM Database 2018-19, Govt. of India.

In districts like Thiruvananthapuram, Idukki, Kozhikode, Thrissur, Kottayam and Kasaragod, the expenditure has been less than 66% of available fund and in districts like Kannur and Kollam, it is more than 70%. The all district average is 67%, which is also quite low. If we look at the expenditure as proportion of budget allocation for the year 2018-19, we see that the average expenditure has been lower than 85% of the budget (see graph below). It varies district to district. It is evident that the available fund could not be utilised fully year after year due to some structural problems. We would discuss the possible reasons for that and also try to suggest some ways to overcome these problems for more efficient fund utilisation by the local-bodies in Kerala. It is important to mention here that the total plan outlay for the year 2018-19 was Rs.28116 crore and the total budget allocation for the local-bodies was Rs.6722 crore for 2018-19. Therefore, less than 24% of plan fund was devolved to the local-bodies last year as opposed to 40%.

Chart 5.3: District-wise Local-body Expenditure as Proportion of Budget Allocation in Kerala in 2018-19



Source: IKM Database 2018-19, Govt. of India.

Low spending by the local-bodies can be attributed to various reasons. Many believe that the local-bodies are flooded with funds and they do not know how to spend it. But, local-body plans are being approved before devolving the funds and the LSGs are making those plans even before that. So, they know where to spend the money and how. But, still they are unable to spend the money that they receive following their own demands. Our visits to one grama-panchayat, one block panchayat, one district panchayat, one municipality and one corporation revealed different truth. Obviously, these five local-bodies may not be good representative of the ground level reality of 1200 local-bodies in Kerala, however, the visit helped in understanding the mystery at least to some extent.

First of all, there is an issue of late arrival of approved funds. This is particularly important after the decision of the government about the lapsing of unspent money by 31st March of every financial year. So, the local self-governments would not get full one year's time to spend the annual plan grant, if the money reaches late and lapses on 31st March. This time the planning board has expediated the process of giving approval of LSG plans but, still the money could not reach at the beginning of the year or beginning of each quarter. In an era of electronic money transfer, this problem can easily be solved, if the bureaucracy functions in more systematic manner. It is understandable that some projects on the ground would not be necessarily completed within 31st March. However, if the flow of funds become regular and timely, that should not pose a problem because unfinished projects can be financed from next quarter's funds. That flexibility of spending previous financial year's project from the coming year's fund should be there. Otherwise, the projects would be disturbed.

The second issue is more of an organisational problem. It seems, there is a practice that for each and every small and big projects, the approval has to be taken from all layers of bureaucracy and the experts within each local-body. This practice unnecessarily delays the process. In case of any disputes, one can understand. But, for all regular small projects, if this is the practice, then due to shortage of staffs, there could be delays. The problem of staff shortage at the local-bodies should be solved on urgent basis for smoother functioning of the LSGs. Moreover, projects upto a certain amount should be allowed to be approved by the lower level officers. That autonomy may be given to the lower level officers and some local-bodies have already started doing this decentralisation of financial power.

The third issue is more serious from the point of view of peoples' plan. There are too many earmarking of funds for all the local-bodies in the state. There is hardly any free money for the local-bodies to spend. The need of all the local-bodies cannot be the same but, there is lack of flexibility for them to spend the unspent fund of one account for other purposes, which may be a priority for some LSGs. There is a logic also for earmarking the funds according to the priorities and development needs. Some broad directives must be there. But, the local-bodies are perceiving these broad guidelines as water-tight compartments. They feel lack of autonomy and flexibility in formulating their own plans. This goes against the very idea of decentralisation. At times, given the guidelines, they may have unspent money but, they cannot undertake the project because of some associated cost, for which they do not have the flexible funds. Because of these perceived rigidities, sometimes, the entire project cannot be undertaken. Some broad earmarking should be there and, at the same time, some flexibility also should be there – some funds should be made available which is free from any guideline. Striking this balance is the challenge.

Another important problem is that of information asymmetry. Many loca-bodies are unaware of the best practices in some other local-bodies within Kerala. Many LSGs are undertaking very innovative and effective projects in different parts of Kerala but, others do not know about them. May be institutions like Kerala Institute of Local Administration (KILA) can help in disseminating these information by organising workshops, conferences, training programmes and so on. Many LSGs may have unspent funds but, they can be utilised in better and more effective manner in this way. The researchers should give more ideas about what all can be done learning from the experience in other parts of the country and from the rest of the world. More research in this field should be encouraged and the government data should be made easily available to the researchers, unless they are confidential in nature.

One big issue is that the fund utilisation of other funds apart from the state plan funds by the local-bodies is really poor. There is some regular monitoring vis-à-vis the state plan funds but, lack of monitoring may be the main reason for the severe underutilisation of other funds including the central sector schemes. Better utilisation of these funds would not put any extra pressure on the state exchequer. Therefore, it is absolutely not prudent to leave these funds underutilised. Regular monitoring and paying attention can solve this problem easily and together they constitute as high as 45% of total available funds with the LSGs in Kerala.

Because of the hierarchy in bureaucracy and that in the structure of government, there would be a natural tendency of centralisation. Therefore, decentralisation exercise has to be a regular process – conscious efforts should be put in regular intervals to maintain the degree of decentralised planning. Although, initially 40% of the planned fund used to be devolved but, slowly over time, it has now become around 25% only. At the same time, the local-bodies are not being able to spend even 70% of their state plan funds. This is also undeniable that there are huge development gaps. In order to bridge this gap, another round of peoples' plan campaign is probably required, for revamping the process of decentralisation, after 20-25 years from its initiation. Political commitment for that is essential. LSGs are doing well in Kerala, in general. These are some of the policy suggestions for further improvement.
It is mentioned in the third chapter that the fund utilisation in 2017-18 was below 65% of available fund at the LSG level. Fund utilisation was particularly low in district

panchayats and corporations and municipalities. Fund utilisation was lower in the infrastructure sector as compared to productive and service sectors. Fund utilisation was lower than average in districts like Wayanad, Palakkad, Kozhikode, Idukki, Thiruvananthapuram and Kasaragod. The spending is much lower in case of other funds apart from the state plan funds. Within the service sector, tourism, sanitation and waste management and sports and culture are the areas where expenditure efficiency was particularly low. The poorest performing districts vis-à-vis the service sector in terms of fund utilisation were Wayanad and Palakkad in 2017-18. As far as the productive sector is concerned, underspending was proportionately highest is industry, water and soil conservations, irrigation and fisheries and the worst performing districts in 2017-18 were Idukki, Thiruvananthapuram and Malappuram. In infrastructure services, the poorer performing districts were Kozhikode amd Thiruvananthapuram. It is important to mention that the average spending under women component plan has been only 55% in 2017-18 in Kerala and the most lagging behind districts were Kasaragod, Wayanad, Thrissur and Thiruvananthapuram.

If we compare 2017-18 situation with that of 2007-08 vis-à-vis the local-body spending as proportion of available funds, things have deteriorated. Be it general or SC Sub Plan or Tribal Sub-Plan, the expenditure to available fund ratio have come down for all productive, infrastructure and service sectors for almost all the districts. As has been discussed in the fourth chapter, underspending due to underutilisation of state plan fund has gone up substantially in 2017-18 as compared to that in 2007-08. Although, in terms per capita expenditure at constant prices, the spending has gone up in last ten years. However, the availability of own funds in per capita constant prices has marginally gone up in last 10 years – it has come down for some districts. This is a major cause of concern because the autonomy and flexibility in fund utilisation by the LSGs depend on this own fund to a great extent. Property tax is one avenue to mobilise more own fund – there is a substantial potential of revenue mobilisation from house tax even after giving exemptions to the poorer households.

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Appendix:

Economic Review 2018
State Planning Board, Thiruvananthapuram, Kerala, India.

Local Governments And Decentralised Planning

Over the last two decades, decentralised Governments in Kerala have been widely accepted as one of the most significant institutional reforms in public governance in India for effecting democratic decentralisation.

In the 9th Five-Year Plan period decentralisation was implemented through the People's Plan Campaign in the State. In the subsequent 10th Five-Year Plan period it was restructured and named as "Kerala Development Plan" (KDP). The entire process was revamped in the 11th Five-Year Plan period, by giving stress to the concept of "People's Planning", focusing on the completion of the institutionalisation of decentralised Government. The 12th Five-Year Plan approach envisaged some concrete steps to strengthen the planning process with the use of information technology.

The second phase of the "People's Plan," campaign was introduced in the 13th Five- Year Plan. The thrust in the 13th Five-Year Plan period is on second-generation social and economic issues confronting the State. The second phase of decentralised planning aims at addressing these issues with genuine people's participation backed by strong administrative and political measures.

The People's Plan Campaign launched in the 9th Five-Year Plan succeeded in developing a methodology for participatory planning, which has been continuously refined over the years. Presently the Union Ministry of Panchayati Raj has suggested all States to adopt this methodology for the preparation of Grama Panchayat Development Plan with the slogan Sabki Yojana Sabka Vikas.

The hallmark of Kerala's decentralisation is the devolution of Plan resources on formula based, non-discretionary and equitable manner. This has enabled the Local Governments to get Development Funds from the State's budgetary allocation for implementing projects formulated at local level. Since the launch of decentralised planning in 1997-98, a portion of State's investible resources have been devolved to Local Governments as Development Fund. Now, it comes to about 25 per cent of the State's Plan outlay. In addition, the State transfers 3.5 per cent of its State Own Tax Revenue (SOTR) as General Purpose Fund and about 5.75 per cent of SOTR as Maintenance Fund every year. Local Governments have absolute freedom in formulating and implementing projects based on their priorities subject to Plan guidelines issued by the State Government.

At present, there are 1,200 Local Governments in Kerala, which includes 941 Grama Panchayats, 152 Block Panchayats, 14 District Panchayats, 87 Municipalities and 6 Municipal Corporations. The allocation of Development Fund to Local Governments is being done under three categories – General Sector, Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP). The Plan allocation for Development Fund for Local Governments is fixed in accordance with the Action Taken Report (ATR) on the recommendations of State Finance Commission (SFC). As per the ATR on the 5th SFC report, Plan allocation for Local Governments is to be fixed as a per cent of State Plan outlay. Thus, 24 per cent (₹7,000 crore) of the State Plan outlay has been earmarked as Development Fund for the year 2018-19. This includes devolution from the Union Finance Commission Award.

Review of 12th Five-Year Plan

In the beginning of 12th Five-Year Plan some changes were made in the Plan guidelines, mainly in sectoral ceilings and project appraisal. There was no mandatory minimum ceiling in productive sector during the first four years. In the case of infrastructure sector, the mandatory ceiling fixed was 45 per cent in Grama Panchayats and Block Panchayats, 55 per cent in Municipalities and Corporations and 50 per cent in District Panchayats under general sector outlay. In addition to this, 10 per cent of the Development Fund was to be mandatory earmarked for Women Component Plan (WCP) and 5 per cent for children, old age, differently abled, palliative care and other vulnerable groups. The experience in the first four years was reviewed by the Government of Kerala and a decision was taken to restore the mandatory minimum allocation with 20 per cent under productive sector and minimum allocation of 10 per cent for sanitation, for the Annual Plan 2016-17.

The Budget allocation (Development Fund) to Local Governments during the 12th Five-Year Plan is outlined in Table 10.1.

Major Policy Changes Initiated in the First Year of 13th Five-Year Plan

During the 13th Five-Year Plan period, the State envisages revitalisation of the system of decentralised democratic governance by learning from the experiences of the past. The first year of the 13th Plan witnessed some major changes in the methodology of local level participatory planning in Kerala. The changes were introduced in accordance with the approach of the 13th Five-Year Plan of the State. The second phase of the democratic decentralisation in Kerala has been initiated with the introduction of a new set of guidelines for formulation and implementation of the Local Government Plans. An important objective of the new guidelines was to simplify the procedures so that delays can be avoided. On account of the cumbersome procedures that existed until then, the Plan formulation and its approval took more time than the time left for implementation forcing the Local Governments to rush through the process of implementation during the terminal months of the financial year. It was also responsible for the bunching of payments during the month of March. As a result of the introduction of the new methodology all the Local Governments in the State could complete the process of formulation of their Annual Plans for 2017-18 before June15, 2017. This is an unprecedented achievement in the history of local level planning in the State. Accordingly the year also witnessed early beginning of the implementation process, which resulted in higher utilisation of allotted expenditure.

The 13th Five-Year Plan of the State places special emphasis on the issues arising due to fast moving urbanisation in Kerala. It recognises the importance of developing appropriate strategies and programmes for coping up with challenges and opportunities thrown up by the process of urban growth. Keeping this in view, the Government has issued for the first time a separate set of guidelines for Plan formulation in urban Local Governments.

An equally important initiative introduced in 2017-18 is the effort to make the District Plans. It is a constitutional mandate (Article 243 ZD) that the District Planning Committees (DPCs) make District Plans aimed at designing an integrated approach for the development of the District. All the DPCs in Kerala could complete the task of making the District Plans well in advance, following the detailed guidelines issued by the State Government and thereby to ensure that the suggestions in the District Plans are incorporated in the Local Government Plans for the year 2018-19. This is a major achievement in the decentralised planning in Kerala. The DPCs in the State are now engaged in the task of converting some of the big project ideas emerged in the District Plans into implementable projects so that it can be jointly implemented by Local Governments and other agencies. Government had announced a scheme in the State Budget 2018-19 for promoting such integrated projects in the District Plans, with a corpus of ₹40 crore.

In the 13th Five-Year Plan, new guidelines have been formulated. The new guidelines, proposes to promote e-tendering to introduce transparency in the process. The new guidelines also envisage broadening the scope of subsidies that can be disbursed through Local Government Plans. Besides the Local Governments are also allowed a window of 'Innovative Programmes' for designing schemes. Policy changes were introduced in the sectoral ceiling also with a view to enhance production. Mandatory minimum allocation of 30 per cent for productive sector under normal share of general sector fund was ensured in the case of three-tier Panchayats and 10 per cent in the case of urban Local Governments. Also 5 per cent of total allocation comprising normal share under general sector, SCSP and TSP funds for disabled and children, 5 per cent for old age and palliative population, 10 per cent for WCP and 10 per cent for sanitation were ensured.

Another notable feature introduced in the first year of 13th Five-Year Plan was formation of planning committees in all Local Governments to help them in Plan formulation, implementation and monitoring. This ensured the active involvement of all stakeholders in the Plan formulation of 2017-18.

Table 10.1 Award of development fund for Local Governments, 2012-17, in ₹ crore

an Outlay	Development Fund to Local Governments	Per cent to State Plan Outlay
	3,228	23.04
	4,000	23.52
	4,700	23.5
	4,800	24
	5,000	20.83
	21,728	22.9

Annual Plan 2018-19

Based on the experience of the first year of the 13th Five-Year Plan, the Plan guidelines as well as the subsidy guidelines have been modified for the remaining four years. Modification of the guidelines became necessary to incorporate the experience gathered from the first year and to address issues raised by Local Governments. The special objective was ensuring that the deficiencies and gaps noticed are filled up. Modified guidelines were issued sufficiently early so as to enable the Local Governments to get the Annual Plan 2018-19 approved well before the beginning of the financial year. Accordingly, 1,147 Local Governments in the State could complete the process of formulation of their Annual Plan 2018-19 before April 1, 2018 leaving a full year for Plan implementation. As a consequence, these Local Governments could integrate their Annual Plans with the budgets, for the first time since the implementation of decentralisation in its present form.

As a result of the devastating floods that ravaged the State in August 2018, the Local Governments were permitted to reorient and rearrange their current year's Plan so as to address the critical problems that require immediate attention. Relaxation in sectoral norms was allowed. The provision given for liberal rearrangement of the local Plan helped the Local Governments to mobilise enough money for repairing and renovating public assets such as roads, bridges, drinking water schemes, public buildings etc. However, rearrangement of projects will not be enough for the very badly affected Local Governments in the State. Such Local Governments require additional funds.

Box 10.1 State of democratic decentralisation in India, experts' view

Differing Views expressed by members of the Asoka Mehta Committee (1978). These reflect the then prevailing state of decentralisation in the country. When read with the excerpts from Mani Shankar Aiyar Committee report (2013), it is clear that the scenario leaves much to be desired.

From the Dissent Note to the Asoka Mehta Committee Report (1978) by E.M.S. Namboodiripad, first Chief Minister of Kerala and veteran Marxist leader

"The Constitution itself according to me, failed to envisage an integrated administration in which, apart from the Centre and the States, there will be elected bodies which will control the permanent services at the District and lower levels. Democracy at the Central and States levels, but bureaucracy at all lower levels—this is the essence of Indian polity as spelt out in the Constitution. Added to this is the fact, in the actual work of the Constitution, the Centre made increasing encroachments into the rights and powers of the States. This trend reached its high watermark in the 42nd Amendment of the Constitution.

It was with such a centralised administration as its core that Panchayats were envisaged in the Constitution and the Balvantray Mehta Report. It is, therefore, not surprising that neither the bureaucrat nor the politician at the States level is prepared to decentralise whatever power has been conferred on the State under the Constitution. The point is to make a radical change in the very concept of democracy and adopt what is called four-pillar democracy. It is regrettable, that, while acknowledging the force of this reality, the report in the Chapter on "Review and Evaluation" does not nail down the chief hindrance to decentralisation at the District and Panchayat levels."

The observations of the "Twentieth Anniversary Report of the Expert Committee on Leveraging Panchayats for Efficient Delivery of Public Goods and Services"(2013) chaired by Mani Shankar Aiyar, former Union Minister for Panchayati Raj, are pertinent in this regard as it has come three and a half decades after the Asoka Mehta committee report and two decades after the 73rd and 74th constitutional amendments.

"This is an achievement in political empowerment that, in scale and numbers, is without precedent in history or parallel in the world. Yet, this historic achievement has made little impression on political circles, media perceptions, society as a whole, or even on the rural economy'" (GoI 2013a, p. 35).

The report further observed that 'the implementation of the operative core of Part IX relating to devolution of the 3 Fs – functions, finances and functionaries – has been far from in accord with the letter and spirit of the Constitution Amendments". According to the report, the Local Governments in India are still a shadow of 'Institutions of self-government' envisaged in the Constitution.

Formulation of Annual Plan 2019-20

The process of formulation of the local Plans for 2019-20 began on October 2, 2018. Early beginning was suggested with a view to finalise the Annual Plan proposals well before the beginning of the next financial year. The focus of the next Annual Plan should be 'Rebuilding Kerala' and restoration of livelihoods in the aftermath of the floods.

In the backdrop of the natural disasters, especially the devastating floods, Local Governments were instructed to form a new working group for 'Biodiversity Management, Climate Change, Environmental Protection and Disaster

Management'. The Working Group, to be chaired by respective Local Government heads, should have experts in the aforementioned fields as members. The group that should include members from the Biodiversity Management Committee and Disaster Management Committee, should also draw members from the public, including volunteers who were part of rescue and relief operations in floods. The respective Local Government secretary will be convenor of the Group.

Local Governments have been directed to draw lessons from the flood and lay thrust on spatial planning at the micro-level to mitigate the impact of such disasters in future. The local spatial Plan will be on the basis of the District Plan already drawn. The idea is to come up with comprehensive Plans for spatial rearrangement or development which is essential for sustainable development in general and rehabilitation of people who live in ecologically highly sensitive areas prone to flooding and landslides. Such rethinking in the spatiality of development at the local level will have to be in agreement with larger master plans which the State Government would be formulating for different macro-regions of the State such as Western Ghats, Kuttanad, Periyar river system etc.

One of the thrusts in the first two years of 13th Five-Year Plan was to ensure timely preparation of local Plans so as to get the Local Governments a full year for Plan implementation. Local Governments have succeeded in achieving this objective and the system has been streamlined accordingly. Now, the efforts in the remaining years will be to improve the quality of Local Government Plan and projects by ensuring participation of experts, research institutions, educational institutions etc. in the planning process.

Box 10.2 Silver jubilee declaration on Panchayati Raj, Thiruvananthapuram, April 25, 2018

We, the community on Local Governance, on the event on Silver Jubilee of Panchayat Raj met at the 'National Conference on 25 Years of Panchayati Raj' organised by Kerala Institute of Local Administration (KILA) on 24-25 April, 2018 at Thiruvananthapuram hereby committed to stand for:

1. Protecting and promoting grassroots democracy and development in the true spirit of Panchayat Raj, resisting all actions that weaken Panchayati Raj at all levels.
2. Strengthening Gram Sabha/Ward Sabha, the platform of direct democracy, by holding Elected Representatives and officials responsible and accountable to Gram Sabha/Ward Sabha.
3. Making Gram Panchayats the first tier of participatory governance.

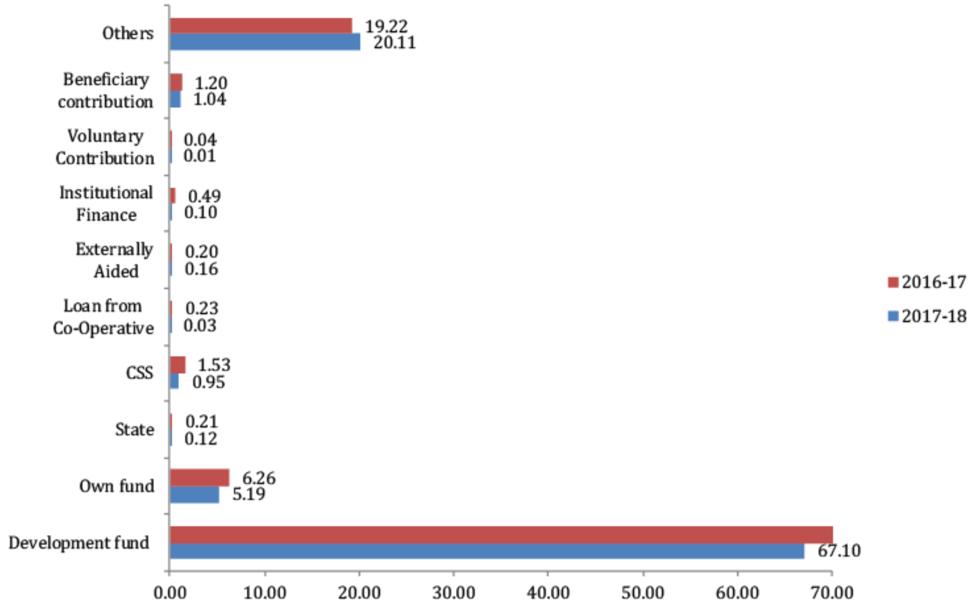
The seminar resolved to ensure that the Terms of Reference (ToR) of the State and Union Finance Commissions should be the joint product of the major stakeholders, including elected representatives of Local Governments, design of CSS and State sponsored schemes to be integral part of the Panchayati Raj system, active functioning of DPCs and preparation of District Plan under their auspices, fifty per cent reservation for women in all States, effective attainment of social justice, with special reference to SCs, STs, fisherfolk, differently abled, women, children, and youth, convening of special Sabhas like BalSabha, Mahila Sabha etc. with the aim of strengthening Gram Sabha and effective use of e-governance, as part of the 24-point agenda.

Financing of Local Government Plans – Annual Plan 2017-18

As already mentioned, the various sources of funds available to Local Governments include Plan allocation (Development Fund), Own Fund, Maintenance Fund, State sponsored schemes, CSS, beneficiary contribution etc. The total Plan outlay of all the 1,200 Local Governments for the year 2017-18 from all sources was ₹14,946.87 crore. Development Fund is the largest contributor (54.64 per cent) followed by Maintenance Fund (22.55 per cent) and Own Fund (7.72 per cent). Other sources of fund like CSS, loan from co-operatives, beneficiary contribution etc. contribute 15.09 per cent of the total funds of the Local Governments.

This underlines the importance of Development Fund in the total investible resources of the Local Governments. It also implies that the Local Governments are heavily dependent on devolution from State and the Centre with Own Funds comprising only 7.72 per cent of the total resources. (Source-wise details of 2016-17 and 2017-18 are given in Figure 10.1 and Appendix 10.1 and 10.2.

Figure 10.1 Local Government Plans: share of various sources in the total expenditure, 2016-17 and 2017-18, in per cent

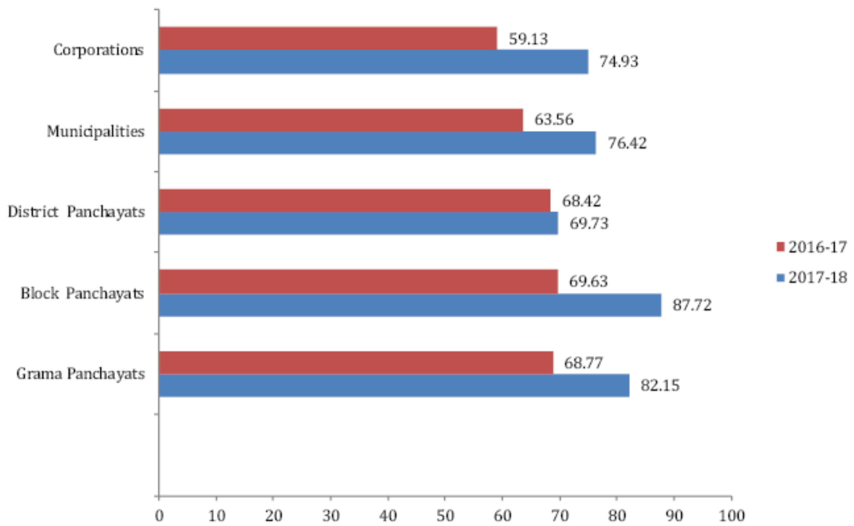


Source: Information Kerala Mission 2018

Performance of Local Governments – Development Fund

The allocation to Local Governments is in accordance with the recommendations of the SFC. The Appendix IV which is published along with annual State Budget clearly lists out the share of Development Fund to each Local Government. In 2017-18, the total budgeted outlay under Development Fund was ₹6,227.50 crore out of which ₹5,293.89 crore was utilised for different sectors. Thus, the Plan fund utilisation in 2017-18 was 85 per cent of budgeted outlay. The year 2017-18 witnessed higher release of money than the budgeted outlay. Against the budgeted outlay of ₹6,227.50 crore, the State Government released ₹6,640.52 crore as Development Fund. Thus the expenditure against release is 79.72 per cent. Among the various tiers of Local Governments the performance of Block Panchayat was better with 87.72 per cent utilisation of expenditure against release followed by Grama Panchayats with 82.15 per cent in 2017-18. Municipalities and Corporations have recorded 76.42 per cent and 74.93 per cent respectively. District Panchayats recorded the least expenditure with 69.73 per cent. The performance of various Local Governments with regard to utilization of Development Fund during 2016-17 and 2017-18 are given in Figure 10.2. As is evident from Figure 10.2, in general, Local Governments across the tiers have shown better performance in the utilisation of Development Fund in 2017-18 as compared to the previous year.

Figure 10.2 Performance of various Local Governments with regard to utilisation of the Development Fund, 2016-17 and 2017-18, in per cent



Source: Information Kerala Mission 2018

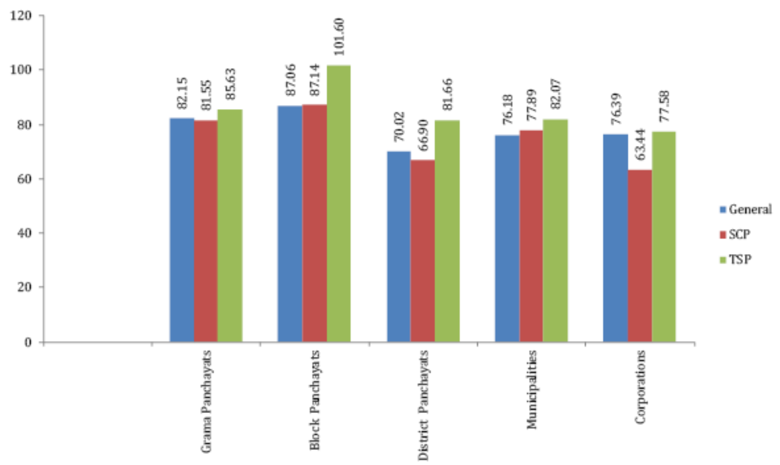
Category-Wise Performance

The allocation of Development Fund to Local Governments falls in three categories-General Sector, Special Component Plan (SCP) and Tribal Sub Plan (TSP). In 2017-18, an amount of ₹6,640.52 crore was released to different categories, of which ₹5,265.41 crore (79.29 per cent) was released in general category, ₹1,196.38 crore under SCSP (18.02 per cent) and ₹178.74 crore under TSP (2.69 per cent).

An analysis of category-wise utilisation with respect to the fund released in 2017-18 reveals that the expenditure under General Sector was 79.7 per cent of the total fund released and in the case of SCSP and TSP, it was 78.5 per cent and 87.9 per cent respectively. Shortfall in expenditure under SCSP/TSP was a common phenomenon for all tiers of Local Governments in the past. But in 2017-18 the expenditure under SCSP was at par with the general category (except for corporations) and under TSP it was higher than general category. Considering that the upliftment or improvement of the socio-economic status as well as enhancing the quality of life of the SC/ST population is one of the major objectives of decentralised planning, this is a remarkable achievement. The category-wise and Local Government-wise allocation and expenditure in 2017-18 is given in Appendix 10.3, 10.4 and in Figure 10.3.

From the Figure 10.3, it can be seen that for Grama Panchayats, the ration of expenditure is incurred to fund released is greater than 80 per cent for all categories. For Block Panchayats, TSP expenditure is 100 per cent while General and SCP expenditure is close to 90 per cent. For District Panchayats, TSP expenditure is 81 per cent but General and SCP are 70 per cent and 66 per cent respectively. For Corporations, SCP expenditure is just above 60 per cent while General and TSP expenditure is more than 75 per cent.

Figure 10.3 Category-wise expenditure of Local Governments in 2017-18, in per cent to released amounts

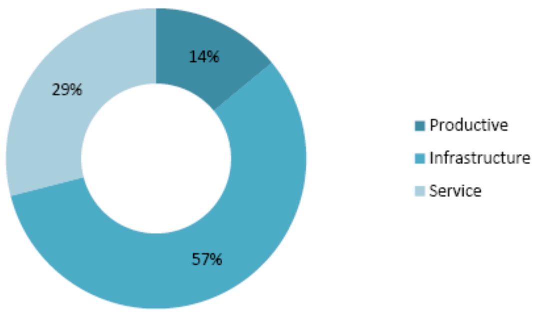


Source: Information Kerala Mission 2018

Sectoral Analysis

The Local Governments allocate their funds mainly in three sectors viz., productive, service and infrastructure. Out of the total expenditure incurred under the Development Fund Category in 2017-18, the share of expenditure by productive, service and infrastructure sectors was 14 per cent, 57 per cent and 29 per cent respectively (Figure 10.4). When compared to the previous year the per cent of expenditure in productive sector has shown slight increase across all tiers of the rural Local Governments but urban Local Governments have maintained their levels as compared to previous year. With regards to the service sector, the per cent of investment is seen decreased as compared to previous year across all tiers of Local Governments, whereas, the investment in infrastructure sector has shown marginal increase across all tiers barring District Panchayats. The sector-wise expenditure details in 2016-17 and 2017-18 are given in Table 10.2 and Figure 10.5. The sector-wise expenditure details in 2016-17 and 2017-18 are given in Appendix 10.5 and 10.6.

Figure 10.4 Sector-wise share of total expenditure incurred by Local Governments under Development Fund, in per cent



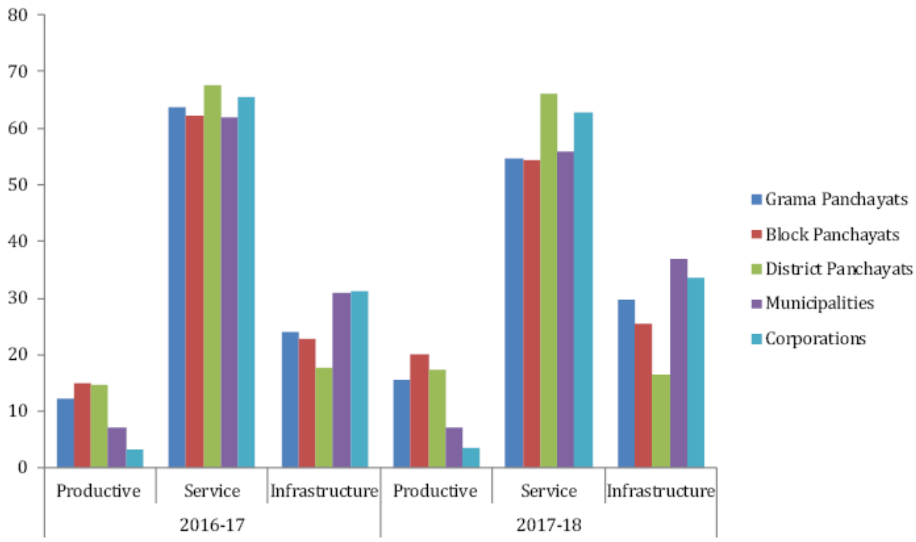
Source: Information Kerala Mission 2018

Table 10.2 Sector-wise share of expenditure to total expenditure in 2016-17 and 2017-18, in per cent

	2016-17				2017-18		
	Productive	Service	Infrastructure	Total	Productive	Service	Infrastru
	12.22	63.73	24.05	100	15.64	54.78	29.63
	14.84	62.27	22.89	100	20.21	54.22	25.57
	14.73	67.71	17.55	100	17.32	66.11	16.57
	7.25	61.94	30.81	100	7.29	55.94	36.78
	3.14	65.55	31.31	100	3.62	62.83	33.55
	11.31	63.94	24.75	100	14.08	56.84	29.08

n 2018

Figure 10.5 Sector-wise share of expenditure to total expenditure during 2016-17 and 2017-18, in per cent

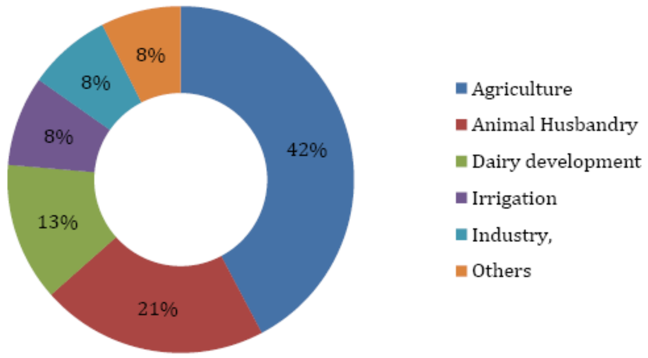


Source: Information Kerala Mission 2018

Productive Sector

The productive sector includes sub- sectors such as agriculture, animal husbandry, dairy development, irrigation, industry, energy conservation, fisheries etc. The total utilisation of Plan resources in the Annual Plan 2017-18 under productive sector was ₹745.29 crore. Out of the total productive sector expenditure by various tiers of Local Governments 42 per cent of fund was utilised for the implementation of schemes under agriculture in 2017-18. This shows that Local Governments have given more emphasis to agriculture and allied sectors compared to industries and other sub-sectors of the productive sector. The share of the industries sector is 8 per cent. The details of productive sector expenditure in 2017-18 is given in Appendix 10.7 and Figures 10.6.

Figure 10.6 Sub sector-wise expenditure share of productive sector in 2017-18, in per cent



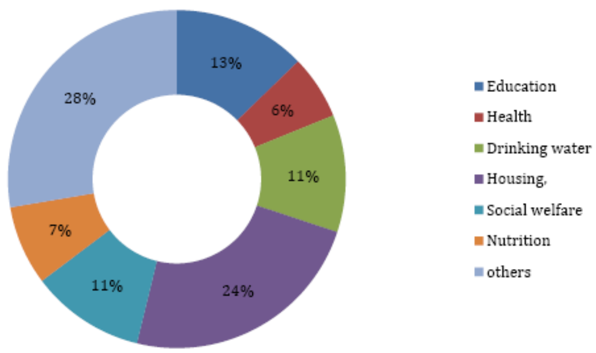
Source: Information Kerala Mission 2018

Service Sector

Service sector is the major sector under which the Local Governments set apart a major source of Plan allocation. The major service sector expenditure incurred by Local Governments include housing, education, sanitation and waste management etc. and these investments play a crucial role in local public governance. The service sector priorities of Local Governments enhance the quality of basic services provided to the public through welfare oriented programmes.

The total expenditure for service sector activities by all the Local Governments comes to ₹3,009.20 crore in 2017-18. Out of this, an amount of ₹713.72 crore (23.7 per cent) was expended on housing, house maintenance and related activities, followed by education (12.75 per cent), drinking water (11.23 per cent) and social welfare and social security (10.93 per cent). The details of expenditure under service sector in 2017-18 are given in Appendix 10.8 and Figure 10.7.

Figure 10.7 Sub-sector expenditure share of service sector in 2017-18, in per cent

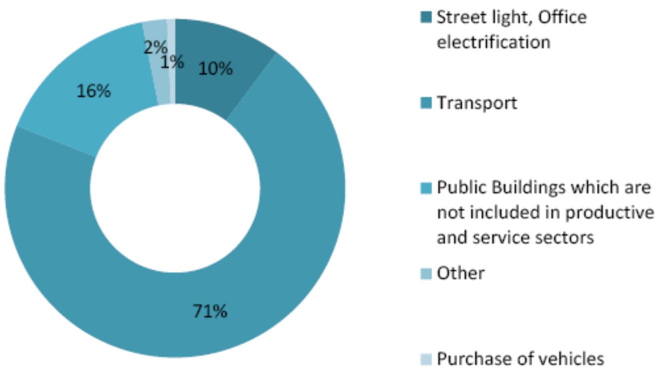


Source: Information Kerala Mission 2018

Infrastructure Sector

In 2017-18, the Local Governments spent 29 per cent of their expenditure on infrastructure sector activities like street lighting, transportation, construction activities etc. The expenditure on infrastructure has increased compared to 25 per cent in 2016-17. Out of the total expenditure, a major portion (71.36 per cent) has been utilised for transport sub-sector comprising roads, bridges etc. Out of the total infrastructure expenditure of ₹1,539.40 crore, Grama Panchayats utilised ₹817.86 crore followed by municipalities (₹270.68 crore). Sub sector-wise expenditure details under infrastructure sector in 2017-18 are given in Appendix 10.9 and Figure 10.8.

Figure 10.8 Sub-sector expenditure share of infrastructure sector in 2017-18, in per cent



Source: Information Kerala Mission 2018

Scheduled Caste Sub-Plan (SCSP) and Tribal Sub-Plan (TSP) under Decentralisation

The SCSP and TSP are prepared based on Article 46 of Constitution of India for providing special protective measures to safeguard the interest of SCs and STs. This constitutional mandate requires the State 'to create a regime of equality including social equality through comprehensive measures of social justice.' One of the major objectives of decentralised planning is to empower and improve the socio-economic status of SCs and STs resulting in betterment of their quality of life. In this context, the devolution under sub-Plans assume prime importance.

The allocation of Plan funds to SCSP and TSP from State Plan outlay is done in accordance with the ratio of population of SCs and STs to total population of the State as per the latest Census figures. Out of the total SCSP/TSP outlay, a portion of funds are earmarked to Local Governments for implementation of schemes under decentralised planning. The release and expenditure for each category during last two year period is shown in Table 10.3.

Table 10.3 SCSP and TSP release and expenditure, 2016-17 and 2017-18, in ₹ crore

CSP			TSP	
elease	Expenditure	per cent	Release	Expenditure
039.29	726.02	69.85	156	124.69
196.37	938.6	78.45	178.73	157.09

, 2018

The expenditure of SCSP and TSP funds of Local Governments has increased over the previous year. The total expenditure incurred by Local Governments on SCSP compared to total fund released was 78.45 per cent, which shows a considerable improvement over that in the previous year at 69.85 per cent. The TSP Funds utilisation at 87.89 per cent of the outlay, is also markedly above 79.92 per cent in the previous year.

Performance under Special Sector Plans

The WCP and Plans for disadvantaged groups (aged, children, differently abled, palliative and other vulnerability) by the Local Governments are the noteworthy features of Kerala's decentralised planning. The expenditure on WCP in 2017-18 as per cent to total expenditure is 6.3 per cent, which is lower than the overall WCP sectoral allocation of 10 per cent. In the case of special programme for children and differently abled it comes to 3 per cent and 2.4 per cent respectively. The details of expenditure for special sector Plans in 2017-18 are given in Table 10.4 and the tier-wise details during 2016-17 and 2017-18 are given in Appendix 10.10 and 10.11.

Table 10.4 Expenditure for Special Sector Plan in 2017-18, in ₹ crore and per cent

	Expenditure	% to total Expenditure
	335.35	6.3
en	156.1	3
y	118.83	2.2
	129	2.4
	70.39	1.3

, 2018

Strengthening of District Planning Committees (DPCs)

DPC has been created as per article 243ZD of the Constitution of India at the District level for planning at District and below. The District planning as a strategy for a balanced, integrated and meaningful development of District has been an accepted concept since the beginning of the planning era. In Kerala, DPCs have been constituted in all the fourteen Districts in accordance with the spirit of the constitutional provisions and section 53 of Kerala Municipality Act (1994). Every five years their reconstitution has been done consequent to the general elections to Local Governments. Kerala is the only State in India which has functional DPCs.

DPCs in Kerala have been strengthened by providing technical secretariat comprising District Planning Office, Office of the Deputy Director (Economics and Statistics) and District Town and Country Planning Office, as per GO (MS)No.212/2006/LSGDdt.13-09-2006. As envisaged in the above government order, steps for the construction of building for DPC secretariat were initiated in 2008-09, by pooling resources from Central and State Budgets and contribution from all the Local Governments in the Districts. The construction of building for DPC has been completed in Ernakulam, Thrissur, Kasaragod, Wayanad, Kannur, Alappuzha and Kozhikode. The works in Idukki and Malappuram are expected to be completed by this year end.

In 2017-18 all DPCs in Kerala had fulfilled the constitutional mandate of preparing District Plans. This effort succeeded in fostering the DPCs at the pivots of the planning process and DPCs more functional. The process of formulation of integrated programmes under the auspices of DPCs needs to be promoted so that large and result oriented programmes are jointly taken up by various developmental agencies including Local Governments.

Review of Central and State Programmes Implemented by Local Governments

In the Census 1901, Kerala had a population of 64 lakh of which 59 lakh (92.2 per cent) were living in rural areas. Over a period of hundred years, the share of rural population has undergone a steady decline and was 74 per cent of total population in 2001. Significantly, according to Census 2011, the population of the State was almost equally divided between rural and urban areas. The State has now an urban population of 1.59 crore which accounts for 47.6 per cent of total population against a rural population of 1.75 crore which is 52.4 per cent. The decadal growth rate of the urban population is 92.72 per cent in 2011. The growth in urban population is largely due to the increase in Census towns that indicate the urban sprawl in the State (Table 10.5).

Table 10.5 Total number of households and population as per Census 2011, in lakh

	Total number of households		Total number of population	
	India	Kerala	India	Kera
	1,686.13	41.50	8,337.49	174.
	808.89	37.04	3,771.06	159.

	2,495.02	78.54	12,108.55	334.

Unlike the other parts of India, the habitation of the State is spread continuously without much open lands or fields separating habitations. A rural area is clearly visible elsewhere in India which mainly consists of vast areas of agricultural land with hamlets distributed sporadically. However, in Kerala, a number of small and medium towns are distributed in the village background. It may also be noted that the features in rural and urban areas in Kerala are almost alike.

Since urban centres are evenly spread across the State and they are not far from rural areas, the State always had a different strategy for development of rural and urban areas. The infrastructural initiatives of the State including setting up urban amenities and creating rural connectivity, sanitation and waste management infrastructure, housing in rural and urban areas along with employment and livelihood generation is discussed below.

I. Infrastructure Development

Creating social infrastructure plays a critical role in economic growth and improves the standard of living of people. The State implements the Centrally Sponsored Schemes (CSS) Funds and also supplements them with funds from own programmes for critical infrastructural development.

i. Housing

Safe and secure shelter is one of the basic needs of human being with direct impact on quality of life and productivity of people. In a wider sense it is more than a structure, it includes facilities of potable water, sanitation and other basic amenities of life.

The Pradhan Manthri Awaas Yojana (PMAY) is the housing scheme of the GoI with the participation of the State Government. The present sharing pattern for the scheme is 60:40 by the Centre and the States respectively. There are separate schemes for rural and urban areas, namely PMAY – Gramin and PMAY – Urban. PMAY aims at providing a pucca house with basic amenities to all rural houseless households and those households living in kutcha and dilapidated house and urban poor including slum dwellers with the mandate of providing housing by 2022. PMAY make use of the convergence of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme and Swachh Bharat Mission (Gramin) in rural areas. PMAY – Gramin beneficiary is entitled with wages for 90 days unskilled work performed for house construction from MGNREGA scheme. For the construction of toilets, an amount of ₹12,000 has been provided from Swachh Bharat Mission (Gramin).

PMAY, being a CSS, the unit assistance for house construction from GoI is ₹72,000 and ₹1.5 lakh for rural and urban areas respectively. In rural area, the PMAY–Gramin targeted to construct 32,559 new houses in 2016-17 and 9,872 new houses in 2017-18. In 2016-17, the target was exceeded and 46,166 new houses were constructed. In 2017-18, the target could not be achieved due to the norms of beneficiary selection. GoK raised this concern with the GoI. GoI relied on Socio Economic and Caste Census 2011 data for beneficiary selection, and GoK represented this with the GoI. Later, the GoI permitted the State to include all the eligible beneficiaries excluded from the Socio Economic and Caste Census (SECC) data, who satisfied the same selection criteria of SECC.

Approved total project cost for PMAY - Urban is ₹2,525.34 crore where the Central and State shares released in 2017-18 and 2018-19 are ₹272.30 crore and ₹83.67 crore respectively. There are four alternative components under PMAY-Urban scheme for housing solution. Under the major component, beneficiary led construction of new houses, 330 Detailed Project Reports (DPRs) of 93 urban Local Governments and under beneficiary led enhancement of houses six DPRs of urban Local Governments were approved by the Ministry of Housing and Urban Affairs (MoHUA), GoI. Based on the DPRs, construction of 82,487 dwelling units was approved and construction of 40,143 houses has been started and 6,127 houses were completed in 2017-18.

Besides the above mentioned components, (beneficiary led individual house construction and enhancement of quality of houses), the PMAY- Urban has other components viz., (a) in-situ slum rehabilitation, (b) affordable housing through Credit Linked Subsidy (CLS) and (c) affordable housing in partnership with public and private sectors. In-situ slum rehabilitation using land as a resource with private participation, aims to provide houses to the eligible slum dwellers for bringing them into the formal urban settlement. This approach aims to leverage the locked potential of land under slums to provide houses. Another component of the mission is 'Affordable Housing' in Partnership. The scheme will provide financial assistance to Economically Weaker section (EWS) houses being built with different partnerships by States/UTs/Cities. To increase availability of houses for EWS category at an affordable rate, States/UTs, either through its agencies or in partnership with private sector including industries, can plan affordable housing projects. For various reasons these PMAY components could not get a momentum in the State. But the fourth component Credit Linked Subsidy (CLS) component aims to expand the institutional credit flow to the housing needs of urban poor. CLS will be provided on home loans taken by eligible urban poor for acquisition, construction of house. Under CLS, 59,360 number of beneficiaries were identified, of which only 463 beneficiaries availed home loan. The number of beneficiaries who avail of home loan are low due to the strict norms followed by the banks regarding documentation.

The financial and physical progress of rural and urban housing schemes during 2017-18 and 2018-19 (upto August 31, 2018) are given in Appendix 10.12, 10.13 and 10.14 respectively.
The assistance under these housing schemes is inadequate to meet the housing requirements of the State. The State Government has, therefore, started a scheme called LIFE (Livelihood, Inclusion and Financial Empowerment) which is one of the four components of the Nava Keralam Karma Padhathi. The details are discussed in Chapter 11 of this Review.

ii. Sanitation and Waste Management

Lack of access to sanitation facilities is one of the basic indicators of poverty. Proper sanitation and waste management facilities leads to positive impact on the living standard of the people. In Kerala, waste management is a serious issue and the Government gave more emphasis on this area. Suchitwa Mission is the nodal agency for evolving implementation strategy and providing technical support to the State Government and Local Governments in developing solid and liquid waste management projects and policies.

The State is Open Defecation Free (ODF) from November 1, 2016 onwards in rural areas and it has maintained the standards to sustain the ODF status. Through the programme 1,74,720 toilets have been constructed in rural Kerala including critical areas like remote tribal hamlets and water-logged areas. It has become the third State overall and the largest State so far to be declared ODF under the Swachh Bharat Mission (SBM) (Gramin). Out of the total 93 urban Local Governments of the State, 92 urban Local Governments have declared ODF and of this 71 urban Local Governments have got certification from MoHUA, GoI. A total number of 29,578 Individual Household Latrines (IHHL) are constructed against a target of 29,597. But the floods have damaged 10,532 toilets. These damaged toilets are being reconstructed on a priority basis in the current financial year itself. Only the Municipal Corporation of Kochi is not ODF. The ODF criteria have been fulfilled for the entire area except Post and Telegram (P&T) colony in Gandhi Nagar ward. The 87 families in the colony have toilets but there is no plant for treating toilet waste scientifically, and is discharged to the canal nearby. Hence the State Government has decided to rehabilitate the families in the colony under the LIFE Mission.

As per the estimates of Suchitwa Mission, more than 8,000 tonnes of solid waste is generated in the State every day. The Government has taken a three pronged approach for waste management in the State. (i) Source level waste reduction and treatment of biodegradable waste (ii) Upgradation of existing common waste management facilities of Local Government using trustworthy and familiar technology such as composting and bio-methanation; and (iii) Establishment of community level waste management systems for handling non-biodegradable waste. The most efficient method of managing waste in terms of resource recovery and environment friendliness is segregation of waste and composting of wet waste at source.

In order to expedite the process of source level treatment of waste, indigenous technologies suitable for the State have been identified and approved, which include pipe composting, pot composting, bucket composting, kitchen bin composting, bio-bin composting, etc, in addition to vermi composting, ring composting and biogas plants. Source level treatment of waste helps to minimise the volume of resources and energy required for the management of waste. For promoting source level composting of bio-degradable waste, Suchitwa Mission has empanelled more than 100 service providers for ensuring supply of composting devices. The devices promoting for the source level composting of waste are kitchen bin, bio-digester pots, bio-bins small and large, mud pots, tri-pots etc.

In order to encourage and motivate bio-waste management at source, the subsidy for source level treatment of solid waste has been raised to 90 per cent (Suchitwa Mission 75 per cent, Local Governments 15 per cent, and beneficiary 10 per cent) in the case of composting and 75 per cent (Suchitwa Mission 50 per cent, subsidy to maximum ₹5,000, Local Governments 25 per cent and beneficiary 25 per cent) in the case of biogas systems. With the launch of Haritha Keralam Mission, the subsidy has been revised and restricted to BPL for composting and bio-methanation at household levels. Subsidy for establishing 43,954 of compost devices, and 3,956 of biogas systems was issued to Local Governments in the State in 2015-16 and 8,794 biogas plants and 38,011 composting devices in the year 2016-17. Action has been taken to encourage source level treatment of solid waste in rural and urban areas in a big way by own. Around 644 technical sanctions has been given from Suchitwa Mission in 2017-18 covering 28,951 biogas plants and 1,52,450 composting devices. The following amount has been expended from Plan fund under solid waste management (Table 10.6).

Table 10.6 Solid waste management, details of fund utilisation, in ₹ lakh

	Rural	Urban
	1,831.34	1,617.41
	426.61	182.45
	259.75	88.93
	502.49	141.44
	384.09	240.62
	177.57	26.31

Waste segregation is important for maintaining the value of the material. Segregation of waste at source helps for maximum recovery of resource, reduces the volume of waste generation and resource requirement for waste management. It promotes optimum recycling of non-bio-degradable discards and natural decomposition of biodegradable waste.

Green Protocol was successfully introduced in National Games 2015 and is now being followed in different events and functions, both government and private. Suchitwa Mission received the "Innovation award" for best innovation in public sector 2015 for implementing green protocol activities. The Local Governments in the State are supposed to form a workforce, namely, Haritha Karma Sena for providing assistance to the households for the composting wet-waste at source and the collection of all dry discards for recycling. Haritha Karma Sena has been formed in 1,028 Local Governments of which 450 are now functional. Suchitwa Mission extends financial and technical support to Local Governments for establishing Resource Recovery Centres (RRCs) and Material Collection Facilities (MCFs). The RRCs facilitates sorting and managing different types of non-biodegradable waste for reuse or recycling. MCFs is the temporary storage of non-biodegradables obtained from door-to-door collection for forwarding to RRCs. 381 MCF are being established of which 279 are now functional, 88 RRC are now functional and 104 plastic shredding units have been established across 14 Districts as on November 30, 2018. Local government-wise details of Haritha Karma Sena is given in Appendix 10.15 and RRF and MCF are given in Appendix 10.16.
Suchitwa Mission has been associating with National Service Scheme (NSS) units in colleges and higher secondary schools in the State to make their campus and the adopted villages of NSS to follow scientific waste management practices and make these places waste free. This will be a year long intervention and the volunteers ensure that all the households and institutions in the selected area follow source level segregation, composting and handover the non-biodegradable to scrap dealers systems.

With the support of Suchitwa Mission, 15 permanent and 40 temporary swap shops – a public system for exchanging reusable goods that could be useful to others, have been established in the State. Suchitwa Mission has created a pool of 115 service providers with technical expertise and 35 Haritha Sahaya Sthapanam and 1,800 resource persons for extending assistance to the Local Governments. About 2,300 scrap merchants are now registered with Suchitwa Mission. Preparation of City Sanitation Plan has been initiated in all the 93 Urban Local Governments and completed in 35 Urban Local Governments. The Mission has given technical sanction to 20 modern crematoriums, 4 modern abattoirs, 9 liquid waste management plants and 1,109 waste management projects during the period. As part of capacity development of stakeholders 27 training programmes were held and 3,070 people participated at State level and 330 trainings were held and 49,240 people participated at the district level in 2017-18. Details of the district level training programmes conducted by Suchitwa Mission for capacity development of stakeholders in 2017-18 are given in Appendix 10.17.
A house to house survey was organised as part of 'Freedom from Waste'. The survey reveals that 30.19 lakh houses, 29,420 institutions and 2,003 community spots have composting plants from where about 3,537 tonnes of biodegradable waste is converted to compost. 84,531 houses, 1,320 institutions and 98 community spots have biogas plants. About 45 per cent households treat their biodegradable waste at source.

The Local Governments in the State collected 1,010 tonnes of e-waste from various sources and handed over to Clean Kerala Company for scientific management and disposal. Rather than just throwing trash into landfills, proper segregation makes it useful and saves precious natural resources. The State has recovered more than 10,000 tonnes of dry discards for recycling which would have otherwise ended-up in landfills. Thereby raw material of equal amount is saved in the production of new products by the recycling industry.

iii. Urban Infrastructure

Increasing urbanisation demands more investment in urban infrastructure development. Considering the special features of urbanisation and the geographical peculiarities of Kerala, the process of urbanisation in the State requires special attention while moulding various urban infrastructure development programmes.

Urban infrastructure covers schemes such as water supply, waste management system, city sanitation plans, establishment and enhancement of public comfort facilities, implementation and improvement of sewerage schemes, storm water drainage schemes, effective parking policy and modern mechanised parking system, beautification of cities and creation of green cities and non- motorised urban conveyance. The major infrastructure development programmes being implemented in the State are discussed below.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) aims to address the basic challenges of urban physical and institutional infrastructure development covering the components of water supply and sewage, septage, storm water drainage, urban transport, green spaces and parks and capacity building. Project period of AMRUT is five years from financial year 2015-16. Six Municipal Corporations and three Municipalities viz., Alappuzha, Palakkad and Guruvayoor in the State have been selected under AMRUT.

The GoI has approved 389 projects of nine cities in five sectors viz., water supply, sewerage/septage management, storm water drainage, urban transport, open spaces and parks worth ₹2,357.69 crore. The DPR preparation and administrative sanction process of all projects are almost completed. Technical sanction, tendering and awarding of works are in progress. The financial achievement of the AMRUT Project from 2015-16 to 2018-19 (upto August 31, 2018) is given in Appendix 10.18. The urban Local Government wise progress of AMRUT project during 2017-19 (upto August 31, 2018) is shown in Appendix 10.19 and sector-wise progress is shown in Appendix 10.20.
Smart City Mission is a major infrastructure development programme launched by the MoHUA in 2015 to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of smart solutions. The Kochi city was selected under the Mission in the first phase and subsequently Thiruvananthapuram in the third phase. The total estimated project cost of the smart city Kochi is ₹2,076 crore and that of Thiruvanathapuram is ₹1,538.20 crore.

Every Smart City project area is divided in two zones, namely, Area Based Development (ABD) and Pan City Initiative (PCI). The ABD area of Kochi Smart City includes five wards of west Kochi and parts of three wards of mainland of Kochi municipal corporation have been selected. Rest of the corporation area have been included in PCI. The Smart city proposal of Kochi aims at a planned and integrated development of Fort Kochi-Mattancherry area by improving the civic infrastructure. Major projects envisaged are under four themes viz., (i) seamless mobility, (ii) world class urban services and inclusive development, (iii) reconstitution of urban reform and (iv) revival of identity and culture. A total of 82 projects are envisaged and the total project cost is ₹2,076 crore. In 2016-17, administrative sanction was accorded for six projects and work contract awarded for a walkway project. In 2017-18, as part of the Kochi Metro, Smart Card was launched and administrative sanction accorded to seven projects and in 2018-19 administrative sanction was accorded to two projects viz., integrated command control and communication centre and development of Smart roads.

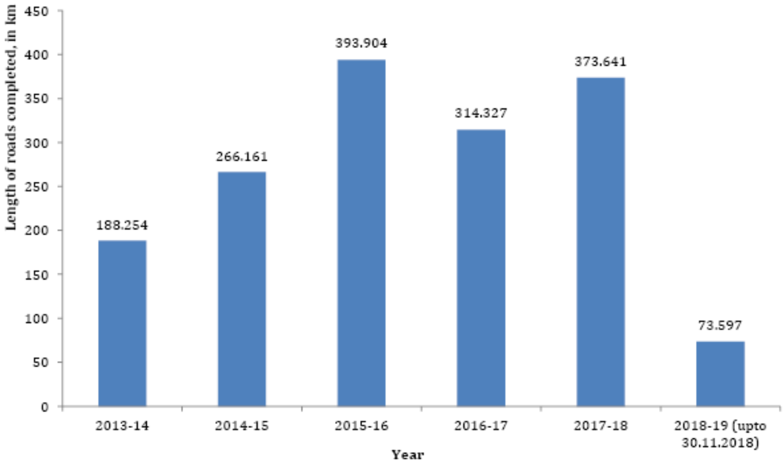
ABD under Thiruvanathapuram Smart City project covers an area of 1,403 acres and includes 9 city wards viz., Palayam, Thycaud, Vazhuthacaud, Vanchiyoor, Chalai, Fort, Sreekandeshwaram, Thambanoor, and Valiyasala. Rest of the corporation area is included in PCI. Thiruvananthapuram Smart City envisages 43 projects and they are expected to start soon.

iv. Rural Connectivity

The Local Governments have been utilising Pradhan Mantri Gram Sadak Yojana (PMGSY) as an important instrument to establish rural connectivity by connecting unconnected habitations with all-weather resistant roads of high quality. This is a centrally sponsored scheme in place with sharing pattern of 60:40 between the Centre and State. At the State level, Kerala State Rural Roads Development Agency (KSRRDA) is the State nodal agency for implementation of the scheme. The funds provided by GoI under PMGSY have to be used only for meeting the actual estimate cost of the works. There is no provision for utilising the fund for tender excess, shifting of utilities and also for maintenance of completed roads. The State Government, therefore, sets aside funds over and above the stipulated share of 40 per cent through the State support scheme for PMGSY. This scheme is intended for taking up the said activities of PMGSY works that otherwise do not fall under the conditionalities of PMGSY.

There is a steady increase in total length of roads constructed under PMGSY over years. The year 2015-16 especially stands out in terms of total length of roads constructed. There is a substantial increase in the length of completed roads under the scheme PMGSY from 188.25 km in 2013-14 to 373.64 km in 2017-18 (Figure 10.9). In 2015-16, the length of roads completed was 393.9 km, significantly higher than preceding years.

Figure 10.9 Details of roads completed under PMGSY scheme, length in km



Source: Commissionerate of Rural Development, GoK

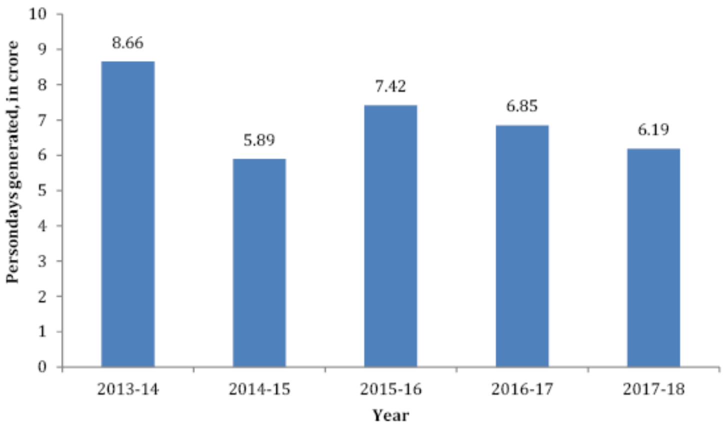
The District-wise details of the total length of roads completed (in kilometre) from 2013-14 to 2018-19 (upto November 30, 2018) under PMGSY scheme is given in Appendix 10.21.

An amount of ₹19,761 lakh and ₹ 7,309 lakh were utilised in 2017-18 and 2018-19 (upto August 31, 2018) under PMGSY and an amount of ₹2,300 lakh and ₹3,000 lakh were utilised during 2017-18 and 2018-19 (upto November 30, 2018) under the scheme 'State Support for PMGSY'. Roads constructed under PMGSY are long lasting roads with high quality and durability as there exists a three-tier Quality Management System at the District Level, State Level and National Level. In Kerala, rural connectivity through PMGSY has been very useful to the people in rural areas.

II.Employment Generation and Livelihood Support

Employment generation is an important indicator of poverty alleviation through increasing the level of income. MGNREGA scheme, one of the core of the core schemes in CSS, plays a significant role in providing rural employment. It proposes to enhances the livelihood security of the households in rural areas of the country by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. In Kerala, notified unskilled wage rate for this programme in 2017-18 was ₹258 per day and was enhanced to ₹271 from April 1, 2018 onwards. In 2013-14, 8.66 crore person days were generated in Kerala under MGNREGA scheme. This was reduced to 5.89 crore in 2014-15 and increased to 6.19 crore in 2017-18, which is a decline from 2015-16 and 2016-17. Details are given in Figure 10.10.

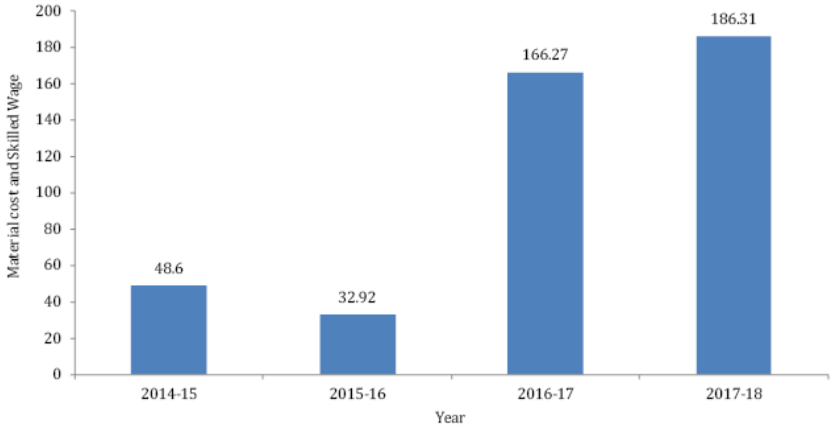
Figure 10.10 Person days generated in Kerala under MGNREGA scheme from 2013-14 to 2017-18, in crore



Source: MIS Reports, available at www.nrega.nic.in

As per the MGNREGA scheme guidelines, hundred per cent of the unskilled labour cost and administrative costs and 75 per cent of material cost are borne by GoI. In 2014-15, ₹48.6 crore was used for material and skilled wages under MGNREGA scheme. This increased to ₹186.31 crore in 2017-18. Details regarding material cost and skilled wages under MGNREGA scheme of Kerala, from 2014-15 to 2017-18 are given in Figure 10.11.

Figure 10.11 Details about material cost and skilled wages under MGNREGA scheme of Kerala from 2014-15 to 2017-18, in ₹ crore



Source: MIS Reports, available at www.nrega.nic.in

From 2017-18 onwards, 'Haritha Keralam Mission' converges MGNREGA scheme activities in the State. In 2008, the State government issued detailed guidelines for taking up works in forest areas and in 2017-18, the guidelines were revised and incorporated permissible works. The Government also issued detailed guidelines for the procurement, storage and utilisation of materials used in the MGNREGA scheme works, and developed an estimate preparing and sanctioning software, 'SECURE' in association with National Informatics Centre (NIC) Kerala. This has been adopted by the Ministry of Rural Development, GoI for country wide roll out. In 2018-19, the State is rolling out its 'DASHAKARMA', 10 points activities under MGNREGA scheme mainly focusing on convergence with other schemes/departments.

The financial and physical progress of MGNREGA scheme during 2017-18 and 2018-19 (upto August 31, 2018) are given in Appendix 10.22, 10.23, 10.24 and 10.25 respectively.

MGNREGA scheme is applicable only in rural areas. Based on its impact on rural poverty alleviation, GoK started Ayyankali Urban Employment Creation Scheme (AUECS) in urban areas in 2009-10. This is a State funded programme intended to enhance livelihood security in urban areas by providing at least 100 days of wage employment to every household whose adult members are willing to do unskilled manual labour. The fund has to be utilised for creating durable assets in Local Governments.

In the financial year 2017-18, an amount of ₹25.10 crore has been earmarked for this scheme. The full amount has been expended and created 8,46,432 person days. During this period, 28,797 of households and 36,288 women were provided employment and 251 families completed 100 days employment. In 2018-19, an amount of ₹50.00 crore was provided and as on 31.10.2018, ₹25.00 crore has been expended and 6,41,840 person days were created. Up to October 31, 2018, 34,413 households and 34,481 numbers of women were provided employment and 166 number of families completed 100 days employment. Details on the Local Government-wise distribution of funds under AUECS during 2017-18 and 2018-19 up to October 31, 2018 are given in Appendix 10.26 and district wise physical achievements of the scheme are given in Appendix 10.27.

While MGNREGA scheme guarantee wage employment, the due emphasis has been given on livelihood development. Livelihood activities have direct impact on poverty eradication and employment generation thereby increasing the standard of living of the people. The major initiative of GoI in livelihood is the National Livelihood Mission–National Rural Livelihood Mission (NRLM) for rural areas and National Urban Livelihood Mission (NULM) for urban areas with a funding pattern of 60:40 ratio.

GoI launched Deendayal Antyodaya Yojana– National Rural Livelihood Mission (DAY-NRLM), a demand driven programme for encouraging self-employment organisation of rural poor. In Kerala, Kudumbashree Mission is the State Level Nodal Agency (SLNA) for implementing this programme.

Deen Dayal Upadhyaya Gramin Kaushalya Yojana (DDU GKY), Start-up Village Entrepreneurship Programme (SVEP) and Mahila Kisan Sashaktikaran Pariyojana (MKSP) are the sub components of DAY-NRLM. DDU GKY is the skill and placement initiative under DAY-NRLM. SVEP helps to start and support rural enterprises in order to stimulate economic growth and reduce poverty and unemployment in the villages. The SVEP provided the supported enterprises with business skills, exposure, loans for starting and business support during the first critical six months of the enterprises by using the CBO network. MKSP focuses on reducing the gender gap in agriculture, by promoting drudgery reduction systems and sustainable agricultural practices to be followed by women farmers. In Kerala, MKSP project is implemented through the network of Kudumbashree Joint Liability Groups (JLGs). In 2017-18, 6,641 NHGs were formed under DAY-NRLM and 2,85,871 farmers engaged in agricultural activities in 59,547 JLGs under

MKSP. Out of the 10,663 persons trained under DDU GKY, 9,196 persons got placement. Details about the physical achievements of DAY-NRLM are given in Table 10.7.

Table 10.7 Physical achievements of DAY-NRLM

Components	Physical achievements (in number)	
	2017-18	Total (so far)
NHGs	6,641	2,28,256
Persons Trained	10,663	32,413
Persons Appointed	9,196	24,609
JLGs	59,547	63,101
Farmers	2,85,871	3,08,799
NHGs (Mobilised)	-	1,446
Enterprises	-	1,199

NULM aims to reduce the poverty and vulnerability of the urban poor. The scheme is being implemented in all the urban Local Governments in the State. NULM project has identified 3,195 homeless persons in the shelter to the urban homeless component of the scheme. 11,871 street vendors have been identified in the component support to urban street vendors during 2017-18 and 2018-19 up to August 31, 2018. Identity cards were issued to 9,397 street vendors during the period. Under the component, employment through skill training and placement, 11,264 numbers of candidates are enrolled and out of this 7,209 candidates were certified and 4,405 candidates got placement. Skill training has been imparted to the unemployed urban poor youth in 73 trades across the sectors like cyber security, accounting, health care, automation, plastic technology, electronics, electrical, Ayurveda Nursing, hospitality, telecom, food processing etc. Under the self-employment programme of NULM 1,682 micro- enterprises were established, 8,982 of Neighbourhood Groups (NHGs) availed of NHG linkage loan and 12,714 numbers of NHGs were supported with interest subsidy on linkage loans. Under the social mobilisation and institution development component of NULM project, opportunities are given to set up micro enterprises. Through this 5,285 number of new NHGs are formed, 6,817 numbers of NHGs and 504 Area Development Societies (ADSs) are supported with revolving fund and three city livelihood centres sanctioned. Entrepreneurship development course and skill training was given and handholding was given to avail bank loan. As a result, in addition to the 2,135 existing urban enterprises, 715 new enterprises were started in urban areas in 2017-18.

The State unit of NULM bagged the National Award from GoI for its best performance in implementation in 2017-18. NULM the State unit launched a campaign titled 'Sparsham' in all municipalities to ensure 100 per cent inclusion of urban poor into the Kudumbashree network, to identify weak NHGs and make them active, identification of interested persons or groups to take up livelihood activities and skill training etc. The data obtained from the campaign will be the basis for further planning of NULM implementation in the State. Based on the campaign, Kudumbashree envisaged 100 per cent inclusion of all the needy, and revival of/improvement of the Kudumbashree network and livelihood in urban areas. Financial and physical achievement of DAY-NULM scheme is given in Appendix 10.28 and Appendix 10.29 respectively.

Kudumbashree

Kudumbashree, the State Poverty Eradication Mission, was formulated with the objective of poverty eradication through the empowerment of women. It is an innovative, women based, participatory poverty alleviation programme launched by GoK in 1998 and it has a participation of 43.07 lakh women. Kudumbashree is also the nodal agency for implementing various Centrally sponsored programmes viz., National Rural Livelihood Mission (NRLM), Deen Dayal Upadhyaya Gramin Kaushalya Yojana (DDU GKY), Start-up Village Entrepreneurship Programme (SVEP), Mahila Kissan Sashakthikaran Pariyojana (MKSP), National Urban Livelihood Mission (NULM) and Pradhan Mantri Awas Yojana (Urban). Besides, it engages in several other activities, some of which are illustrated in the following paragraphs.

Kudumbashree developed a Joint Liability Group Evaluation Agent (JEVA) for providing training and support to farmers and collecting vegetables from JLGs for sales in weekly markets. In the Onam Fair 2017-18, a total of 3,269 tonnes of vegetables were sold with a total receipt of ₹12 crore, and the total volume of sales and revenue was 11,634 tonnes and ₹34 crore respectively. 'Bhakshya Suraksha Bhavanam' programme of Kudumbashree aims at promoting homestead cultivation and promotion of organic/safe to eat vegetable production.

As part of Animal Birth Control (ABC) programme, more than 13,500 street dogs were sterilised and earned ₹1.35 crore. In convergence with Animal Husbandry Department and KEPCO, Kudumbashre started 'Kerala Chicken' project with the aim of providing broiler chicken through women farmers. As a part of this, a hatchery unit was started in Kollam as Kudumbashree Micro Enterprise.

Kudumbashree started a working women's hostel in Kozhikode Corporation. Considering its wide acceptance and public demand, Kudumbashree started five more hostels, four in Kozhikode city and one in Thiruvananthapuram. Kudumbashree also provided employment to 720 women in ticketing, customer care, call centre, housekeeping and gardening and made Kochi Metro, the first women run metro in the world. In addition to activities of Balasabha, Bala Parliament, Maths Olympiad, training of peer group leaders through Young Mentors, personality development/leadership training etc. were conducted.

State Government nominated Kudumbashree as an operating agency to start Jan Oushadi stores (medical store which will ensure the supply of quality medicines at affordable prices for all) in Kerala.

In 2016-17, Railways entrusted Kudumbashree for the upkeep and maintenance of AC waiting hall and parking management in few stations on a pilot basis. By assessing the quality of service provided by Kudumbashree, Railways extended the term of service to 3 years from 2017-18. Presently, 240 women are employed in the facility management project.

In order to provide livelihood support to women enterprise groups by tapping the opportunities in LIFE Mission, Kudumbashree started 64 women construction units. Kudumbashree runs more than 1,000 catering units. In 2017-18, 70 food festivals were conducted to support the catering units and registered total sales of ₹5 crore. In 2017-18, Kudumbashree provided ₹5 lakh each to 400 CDSs as Community Enterprise Fund (CEF) for supporting entrepreneurs. 235 CDSs have supported 1,407 Micro Entrepreneurs and loan amounting to ₹9 crore was given from CEF.

State Gender Resource Centre (SGRC) started functioning from October 2017 in the Kudumbashree headquarters. In convergence with Local Governments, 126 Gender Resource Centre (GRCs) were established at the Panchayat level and block level. Counselling centres were started at the block level aiming at providing counselling services especially to women and adolescents who are in distress through community counsellors, providing legal assistance, prevention of atrocities etc. by Kudumbasree, which has been made the nodal agency by the Social Justice Department. A gender help desk–Snehitha has been started in all the districts.

'Agathirahitha Keralam' (Destitute Free Kerala) is the newer version of 'Asraya' aimed at rehabilitating the poorest of the poor. In 2017-18, a survey was conducted for identifying the destitute families through geo-tagging. BUDS institutions for mentally and differently abled children functioning under Local Governments are monitored through Kudumbashree machinery. Special NHGs are formed for addressing the specific needs of vulnerable communities/groups. Through this programme 1,793 NHGs, 19 NHGs and 572 NHGs for elderly, transgender and persons with disability respectively were formed. An amount of ₹1.50 crore was given as corpus fund to Special NHGs in 2017-18. In order to strengthen the coastal NHGs and to motivate them to take up livelihood, 81 coastal volunteers were selected and ₹3 crore was sanctioned to 2,000 coastal NHGs as revolving fund. In addition to this, 327 new NHGs were formed and 12,893 NHGs were strengthened by the coastal volunteers. With an objective to establish Haritha Karma Sena in all Local Governments for waste management, micro-enterprises units formed in most of the Local Governments.

With the intention of giving immediate support to the women/child who are in a difficult situations and to prevent the atrocities against women and children, vigilant groups were started in 16,922 wards. In 2017-18, training was given to vigilant group members with the support of community police system of Police department.

Kudumbashree was entrusted to conduct survey to find out beneficiaries for LIFE Mission and thereby conducted a survey of 15 lakh applicants, and shortlisted 5 lakh eligible beneficiaries. All the CDSs actively conducted campaign to enrol beneficiaries in RSBY program, and a total of 33,78,782 families were enrolled in the programme through Kudumabashree network.

Livelihood promotions in tribal areas are mainly focused on traditional livelihoods (like tribal medicine, ethnic cultural group formation, traditional food production groups etc.). Tribal department entrusted Kudumbashree for running Community Kitchen in Thirunelli, Kaniyampatta and Noolppuzha Panchayats of Wayanad District and Attappady in

Palakkad District. Pregnant and lactating mothers, mentally challenged persons, elderly persons and children were identified as the beneficiaries. Attappady Special Project which aims at creation of exclusive community structures for tribal families was started in other three districts (Thirunelli Panchayat of Wayanad, Selected Panchayats in Nilambur block of Malappuram District and in Aralam farm in Kannur District). As a part of DDU GKY programme, special mobilisation was done from tribal areas and thereby 981 students were mobilised and motivated to join skill training course of their choice. Out of them, 800 completed training and of which 523 were given placement letters/job offers. Bala Vinjana library is a special initiative in Attappady established in 120 hamlets with the intention to create reading habit among the children. Under DDU GKY, 96 students were selected from Asraya families and 68 are placed as of now. A special training in electrician and plumbing course was conducted in Attappady, 282 tribal students were trained, and 140 among them are placed.

Bridge school is a residential school established in Agali, managed by the community for mainstreaming of drop out children in Attappady block of Palakkad District. In 2017-18, 93 Tribal students were trained and motivated to take up equivalency exam through this initiative. 'Bridge courses' are envisaged with an aim of improving quality of education for the school going children in Attappady. Educated youngsters from the tribal community are trained for running the course and they conduct classes every day in morning and evening in the hamlet itself. The focus of Bridge course is to provide knowledge on healthy practices and personal hygiene, give remedial classes and assist in studies, and provide knowledge on nutrition and healthy food habits. Bridge courses are conducted in 136 tribal colonies in Attappady, benefiting 2,762 tribal children. Nyayasamithy is an official body to hear and solve the issues of tribal hamlets in a ward in convergence with other Departments. It consists of five members selected from the Ward Level Social Development Committee of Kudumbashree. There are 44 wards in all the three Panchayats put together in Attappady, and 31 Nyayasamithi's were established in 2017-18.

The process of democratic decentralisation in Kerala has early beginnings from grass root level Library movements and the commitment shown by the first elected GoK. A very radical District Council bill was proposed as early as in the late 1950s, but it became a reality, albeit a short lived one only in 1990-91. But Kerala seized the opportunity given by the 73rd and 74th constitutional amendments and made Local Governments, a major participant in development Plans by providing them with funds, functions and functionaries. This includes implementation of CSS and State level development schemes. The process has now entered the second phase now, with emphasis on efficiency, transparency and accountability. The State is a pioneer and leader in the experiment of democratic decentralisation for other Indian States as evidenced by the top most rank attained by it as per the Devolution Report (2015-16).

Box 10.3 Flood related activities of MGNREGA scheme

In the current flood affected situation (August 2018), MGNREGA scheme works are focused upon re-completion of the public assets and also the livelihood assets of vulnerable sections of the society. Provisions are made for the preparation to additional action plans to restore and reconstitute public assets like rural roads, buildings of anganwadis and schools, check dams etc. Emphasis will also be given to the restoration of individual livelihood assets like cattle shed, work shed etc.