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Local bodies development fund to be floated

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Board headed by LSG Minister to manage the fund

Single-window facility for local bodies

THIRUVANANTHAPURAM: Putting an end to the indecision for two years and paying around Rs.2 crore as commitment charges to the Asian Development Bank (ADB) for poor absorption of the sanctioned funds, the government is learnt to have decided to go ahead with a proposal for floating a Local Government Development Fund.

The fund would be a permanent single-window lending and project development facility for local self-government institutions which are reeling under acute funds crunch for taking up major development projects.

A sum of Rs.24,358 lakh, sanctioned under the Kerala State Urban Development Project (KSUDP) for infrastructure development in civic bodies, has been remaining largely unutilised owing to the government's indecisiveness in floating the fund. The alleged lapse of the

government in utilising the funds had cost the exchequer Rs.2 crore.

Sole source

At present, the Kerala Urban and Rural Development Finance Corporation (KURDFC) is the only recourse for civic bodies to seek funds for their development initiatives.

The corporation sources its funds from government banks and financial institutions at 10.88 per cent interest for funding the LSGIs.

The corporation too does not have sufficient resources at its disposal to meet the increasing demand for financial support.

Even the financial assistance for various development projects do not have much takers since the LSGIs do not have own funds to contribute the mandatory 20 per cent of the allocation for availing themselves of the facility.

Official sources told *The Hindu* that steps would be taken soon to create the fund through an Act of the Assembly.

The corpus for the new funding facility would be sourced through government contribution as well as from the capital markets at a lesser rate.

A board headed by the Local Self-Government Minister would manage the fund. It would comprise the Secretaries of LSG, Planning, Modernisation Government Programme (MGP), Finance, Director of Urban Affairs, a mayor, a municipal chairman and a panchayat president.

Professional deals

The Assembly would have a crucial role in the ownership of the fund. It would be managed by an asset management company and have a team of professionals and also the participation of financial institutions in the equity.

The proposed funding facility is expected to give a fillip to the development activities of the LSGIs.