



सत्यमेव जयते

**MINISTRY OF URBAN DEVELOPMENT  
GOVERNMENT OF INDIA**



## **FINAL OPERATIONS DOCUMENT FOR URBAN TRANSPORT FUND IN KOCHI**



**DEVELOPING OPERATIONS DOCUMENTS FOR  
UNIFIED METROPOLITAN TRANSPORT AUTHORITY  
(UMTA) AND URBAN TRANSPORT FUND (UTF)  
PC1B1**

**MAY 2016**





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The **Ministry of Urban Development** is the apex authority of Government of India at the national level to formulate policies, sponsor and support programmes, coordinate the activities of various Central Ministries, State Governments and other nodal authorities and monitor the programmes concerning all the issues of urban development in the country.



**Sustainable Urban Transport Project (SUTP)**, an initiative of the Ministry of Urban Development, launched in May 2010, is a sequel to adoption of National Urban Transport Policy (NUTP), 2006. SUTP aims at building capacity in Indian cities and pilot projects with the concept of “priority for moving people, not vehicles”. It is financed by Government of India/ participating States & Cities and aided by World Bank, GEF and UNDP. The project’s funding, about INR 17.5 billion, is used in building capacity in Transport planning pan India and demonstration of six projects in different cities. Under technical assistance component of SUTP to improve National, State and local capacity to implement NUTP, various guidance documents are being developed and this operations document is a part of the same.

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## LIST OF ABBREVIATIONS

AT	Auckland Transport
BRTS	Bus Rapid Transit System
CAG	Comptroller and Auditor General
CEO	Chief Executive Officer
CFI	Consolidated Fund of India
CMP	Comprehensive Mobility Plan
CPSE	Central Public Sector Enterprises
CRF	Central Road Fund
DfT	Department for Transport
DPR	Detailed Project Report
ERP	Electronic Road Pricing
FMD	Fund Management Division
GAAP	Generally accepted accounting principles
GCDA	Greater Cochin (Kochi) Development Authority
GIDA	Goshree Island Development Authority
GoI	Government of India
ICAI	Institute of Chartered Accountants of India
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
INR	Indian Rupee
ITS	Intelligent Transport Systems
JnNURM	Jawaharlal Nehru National Urban Renewal Mission
KMRL	Kochi Metro Rail Corporation
KSRTC	Kerala State Road Transport Corporation
KURTC	Kerala Urban Road Transport Corporation
LAMATA	Lagos Metropolitan Area Transport Authority
LTA	Land Transport Authority
LTF	Local Transport Fund
MBTA	Massachusetts Bay Transportation Authority
MoU	Memorandum of Understanding
MoUD	Ministry of Urban Development
MRTS	Mass Rapid Transit System
MYP	Multi-year programme
NIF	National Investment Fund
NREGS	National Rural Employment Guarantee Scheme
NUTP	National Urban Transport Policy
NZTA	New Zealand Transport Authority
PPP	Public Private Partnership
PSB	Public Sector Bank
PTA	Public Transportation Account
RGGVY	Rajiv Gandhi Gramin Vidyutikaran Yojana
SMRT	SMRT Corporation Ltd
SPV	Special Purpose Vehicle
STIF	The Syndicat des transports d'Île-de-France
STU	State Transport Undertaking

TfL	Transport for London
ULB	Urban Local Body
UMTA	Unified Metropolitan Transport Authority
UTF	Urban Transport Fund
VfM	Value for Money
VT	Versement Transport

# 1. INTRODUCTION

This chapter provides a general introduction to this operations document which covers various guidelines on sources, utilisation and management of the Urban Transport Fund (UTF) for Kochi Unified Metropolitan Transport Authority (UMTA). The chapter offers an introduction to UTF in terms of its evolution, the rationale behind its creation and highlights the applications and layout of this operations document. It sets the context for the need for instituting city-level UTFs within UMTAs in Indian cities, the objectives of UTF and then focuses on management of funds specifically for the UTF of Kochi UMTA.

## 1.1 THE URBAN TRANSPORT FUND

The following section highlights the rationale and requirement for instituting the UTF at the city-level and throws light on the core objectives of the UTF.

### 1.1.1 Requirement for instituting a city-level UTF

Efficient urban transport serves as a lifeline to any dynamic and growing urban area. It is important that growth and development of urban transport happen commensurately with growth in population, area and economic activities. However, development of an urban transport system is costly, requiring large amounts of investment. The 12<sup>th</sup> Five Year Plan envisages an investment of over INR 3 lakh crore in urban transport, broadly divided into the following components: street network – new areas, street network – upgradation, public transport, parking, institutions and capacity building, non-motorized transport and Intermediate para-transit system projects, innovation, research, development and pilot projects. Generating funds to achieve such investments is a formidable challenge faced by many Indian states / cities. There could be mainly four categories of funding sources for UTF viz. collection from public authorities, direct beneficiaries, indirect beneficiaries and other sources of funds. The following paragraphs describe such different and indicative sources of funds collected through various authorities and users.

- **Public authorities** - The Central and State Governments are the main players involved in the funding of urban transport through budgetary allocations. This funding is for infrastructure development and often entails the operation of the system through the payment of subsidies or in the form of direct operation of systems through city specific agencies.
- **Direct beneficiaries** - Direct beneficiaries include commuters who use the transport services, businesses gaining benefit from the assets created, and advertisers who may be able to generate revenue by utilising the space on rolling stock, stations, bus stops etc.
- **Indirect beneficiaries** - Indirect beneficiaries refer to those people or bodies which benefit from the presence of a transport system and the accessibility that it provides, without necessarily being direct users. Such indirect beneficiaries include all other users who experience less congestion on the roads due to other users using the public transport, land owners in the influence zone, etc.
- **Other sources** – Other sources include borrowings and contributions from the private sector.

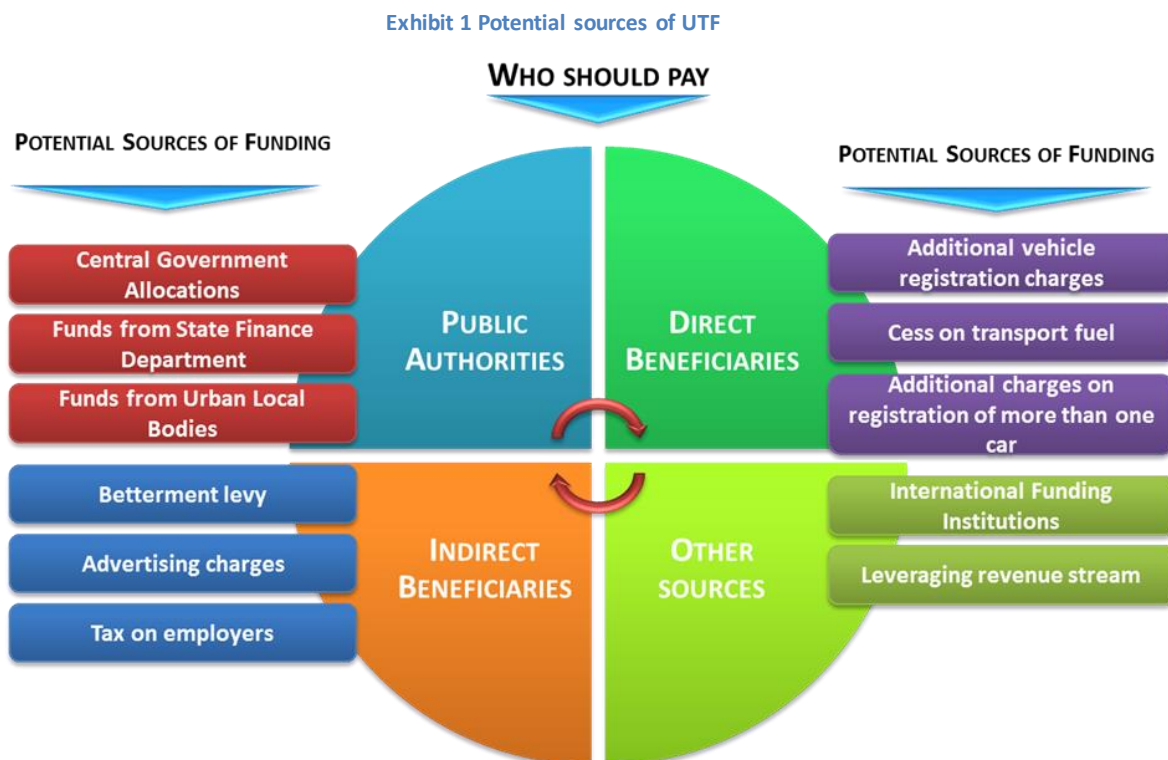
There are certain limitations attached to the aforementioned sources of funds, which are highlighted below:

- Only some cities have been able to explore indirect sources of funding such as green tax and betterment levy;
- Direct sources provide for limited financial coverage since public transport is subsidised heavily;



- Funds from public authorities, i.e. budgetary allocations from state and Central government are volatile due to conflicting demands on the general exchequer because of socio-economic pressure; hence, this source of funding may not be sufficient and sustainable to address the funding requirements.

In light of the above constraints on financing urban transport, it is evident that most State Governments and local bodies do not have the requisite financial strength to fund capital intensive projects relating to urban transport. Exhibit 1 highlights the potential sources of funding for UTF.



The funding requirements of the urban transport sector, therefore, places a substantial financial burden on both the state and local government. As a result there is a need for an innovative and alternative methods of financing. In order to address these issues, there is a need to have a fund which:

- Is dedicated exclusively to urban transport system of a city, which ensures a minimum annual allowance for the sector that is not subject to change;
- Provides sustainable sources of funding for urban transport activities.

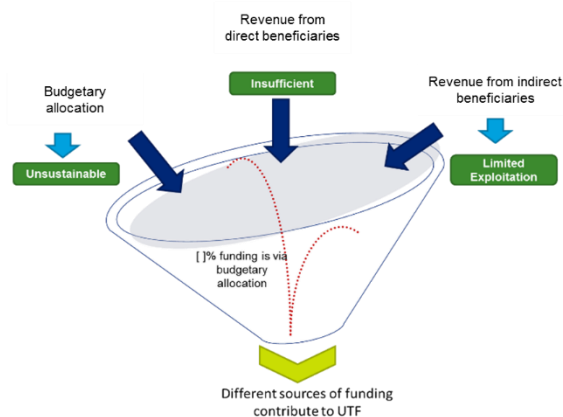
This has also been highlighted by the National Urban Transport Policy (NUTP) 2006, which emphasizes that in order to address urban transport problems, huge capital investments are required for which a dedicated fund should be set up, having revenues specifically for use in development of urban transport.

**Surat : First Indian city to set up UTF**

Surat is the **first city** in India to have set up a dedicated urban transport fund. Lack of public transport system in the city led to a phenomenal increase in the usage of personal vehicles. To reverse this trend, the city government has recently prepared and finalised a CMP, an important component of which is urban transport. To meet the humungous budgetary needs and the objective of NUTP, the Surat Municipal Corporation (SMC) has setup a dedicated urban transport fund (UTF). The fund has been created through budgetary allocations and its revenue components include vehicle tax, parking charges, and license fee for advertisement rights.

The main rationale for having a fund dedicated to urban transport is to ensure transparency and accountability for the monies collected or allocated for urban transport. A stable flow of funds allows more consistent planning and efficient execution of urban transport development, maintenance and operations. The NUTP has also suggested some potential revenue sources for such UTFs, which include a supplement to the petrol and diesel taxes, a betterment levy on land owners, and tax on employers etc. A guidance note on resource mobilization and utilization has been suggested in *Annexure I* of this operations document. The need for instituting a dedicated UTF is depicted in Exhibit 2.

Exhibit 2 Need for instituting a dedicated UTF



In this operations document, a case is made for instituting Kochi-specific UTF, which will ensure availability of funds for the development of urban transport in the city of Kochi.

The following points illustrate the necessity of setting up a dedicated financing mechanism in the form of UTF at the city level:

**a) Requirement of a dedicated fund where revenues dedicated for urban transport are deposited**

There is a need to have a dedicated mechanism where all earmarked sources of funds intended for use in development of urban transport at the city level are deposited. The rationale for having such a fund is to provide transparency for all the monies raised or provided for purposes pertaining to urban transport. A dedicated fund established by law, to receive revenues exclusively marked for urban transport will help ensure that these revenues are used for the intended purpose.

**b) Raising funds from the market and external funding institutions**

A majority of the urban transport projects such as development of public transport system like City Bus Services, BRTS, MRTS etc. are capital intensive and require ongoing funding for operations, routine maintenance and asset management. Generally, funding for such projects is arranged through commercial borrowings and loans from international lending agencies such as the World Bank, Asian Development Bank, International Development Agencies, like Japan International Cooperation Agency etc.

A fund with an assured revenue stream dedicated to the development of the urban transport system would facilitate the process of raising funds from the market and international funding institutions. The stream of revenue could be potentially utilized for debt servicing. For the same reason, the UTF could also raise funds from the open market by floating bonds.

**c) Requirement of a revolving fund**

A UTF can act as a revolving fund by providing soft loans to implementing agencies for development of urban transport infrastructure for new or expanded services within the city.

**d) Requirement of a fund to provide targeted subsidies for public transport**

Fare structures can significantly influence the demand for urban transport services. By reducing fares and making it competitive enough, a public transport mode can be made attractive against use of private mode transport. However, providing such quality public transport system may require subsidisation of lowering fares for public transport may require provisioning of subsidies

to the service operator. A dedicated source of revenue is required to enable such instrument to be successfully implemented.

#### **e) Providing financial strength to the UMTA**

The purpose of UMTA is to act as an umbrella body that promotes integrated urban transport planning and implementation in urban areas through the application of policies and formulation of programmes. A dedicated UTF within UMTA would enable the authority to allocate funds to various agencies in the Urban Mobility Area. It will also provide UMTA with the financial strength to undertake activities in order to achieve its objectives, including day-to-day operations.

#### **f) Fund mobilization in Urban Mobility Area for financing urban transport needs**

Revenue generation at the metropolitan level is fast emerging as a new mechanism to finance urban transport in many cities across the world. Historically in India, resources have been mobilized at the Central and state level. A move towards city level revenue generation reflects devolution of urban transport financing as well as decision-making. As conventional sources of transport revenue fall insufficient in the face of rising demand for transport in urban areas, the interest in new and innovative sources of transport funding has increased. This makes a case for developing a city-level funding mechanism like UTF which is dedicated towards augmenting urban transport revenues and allocating them in the most efficient manner.

### **1.1.2 Objectives of UTF**

This section introduces the objectives of the UTF that would be setup in accordance with the UMTA Act for Kochi. The main objectives of the UTF are to:

#### **a) Provide sufficient urban transport funding by tapping innovative funding sources**

For a variety of reasons, public transport fares may not cover the complete cost of providing the necessary public transport infrastructure, facilities, equipment, operations and maintenance. This can ultimately lead to reduced maintenance and operations activities leading to poor and often insufficient quality of public transport services. An important objective of a dedicated UTF, thus, is to ensure continuous stream of funding for various public transport activities towards better addressing the issue of social inclusiveness. This calls for identification of innovative ways of revenue generation such as green tax, additional vehicle registration charges, cess on transport fuel, tax on employers etc. to address negative effect of the use of private mode of urban transportation.

#### **b) Provide dedicated and sustainable funding for urban transport**

Presently, the urban transport sector lacks dedicated and sustainable source of funding. The current financial resource allocation is a part of the overall government budget and is subject to political will and ever-changing political agendas. In an effort to meet social and political obligations, funding needs for urban transport sector are often neglected. Therefore, the basic consideration while creating UTF is that there should be dedicated, continuous and sustainable sources of funding for urban transport projects.

#### **c) Efficient management of available funds**

In view of the huge requirement of funding in urban transport and limited availability of funds, the need to efficiently plan and manage the available funds becomes critical. Efficient fund management necessitates the creation of a professional body responsible for overseeing the collection, utilisation and management of the fund, within the structure of the UMTA. An important objective of UTF is to undertake efficient planning to estimate the funding requirements, available funds, efficient utilization of funds and effective management of available funds. It is therefore

proposed to have a dedicated Fund Management Division (FMD) within UMTA.

#### d) **Ensure transparency and accountability in fund management**

An important objective of having a UTF is to ensure that there is transparency in collection, management and disbursement of funds. Another aspect of this objective is to achieve accountability for money collected or allocated towards urban transport. Accountability requires that policies regarding the allocation of UTF funds are clear and well documented. Allocation of funds should be done on a priority basis, taking into account the cost effectiveness and justification behind various proposals regarding the utilization of funds. There should be priorities for allocation of funds to different types of expenditure, i.e. recurring and capital expenditure and for different modes of transport, i.e. bus or rail-based systems, non-motorised transport, roadway maintenance, etc. In this context it is imperative to formulate clear policies and procedures for allocation of funds from the UTF.

#### e) **Leveraging UTF revenue for raising funds from the market**

A predictable revenue stream for the UTF can be leveraged to generate funding for capital investments from the market by way of various types of borrowing such as issuance of bond, market borrowings, loan assistance from International Financial Institutions (IFIs) and even private investment etc.

## 1.2 REFERENCE TO UMTA OPERATIONS DOCUMENT

This operations document should be read together with the UMTA operations document for Kochi, as there are a number of common provisions which would be applicable to UTF especially during the pre-operationalization of UMTA. For the following aspects related to UTF, the users should refer to the UMTA operations document at sections mentioned in Exhibit 3 below:

**Exhibit 3 UTF related aspect which corresponds with UMTA operations document**

S No.	UTF related aspect	Section to be referred to in UMTA operations document
1.	Pre-operationalization activities for setting up of UTF	Refer "Part I: Pre-Operationalization Activities for setting up of UMTA" of UMTA operations document. This includes following chapters: a) Identification of Nodal Agency & establishment of Task Force b) Finalization of UMTA functions & structure c) Process for enactment of bill
2.	Operationalization of UTF	Refer "Part II - Operationalization of UMTA." Specifically refer to following: a) Chapter 6: Operationalization Of UMTA, including the following: 6.2 Engagement of consultant for handholding Support 6.3 Mobilization of UMTA Board 6.4 Appointment of CEO 6.5 Development of Operationalization Chart 6.6 Appointment of Secretariat 6.7 Delegation of Power b) Chapter 8: Administrative & Recruitment Procedures 8.2 Administrative & office management procedures 8.3 Recruitment procedures & service conditions 8.4 Procurement procedures

## 1.3 PURPOSE & APPLICATION OF THE OPERATIONS DOCUMENT

Setting up UTF along with UMTA in Kochi is needed to ensure dedicated funding for urban transport. This operations document elaborates on the form and structure of UTF for Kochi UMTA and the sources and utilization of funds among the city and State Governments. In essence, this document acts as a handbook which assists the setting up of a UTF in Kochi. This UTF operations document is envisaged to provide operational guidelines and procedures for setting up, operation and management of the UTF. This includes inter alia the following:

- Guidelines for collection of funds from different identified sources
- Guidelines for utilisation of funds from UTF
- Guidelines for prioritisation of utilisation
- Setting up of FMD
- Functions and Structure of FMD
- Responsibilities of FMD staff
- Fund flow mechanism
- Monitoring of fund utilisations, and
- Other miscellaneous guidelines

## 1.4 LAYOUT OF THE OPERATIONS DOCUMENT

This document is structured as follows:

- **Chapter 1** provides an introduction to this operations document involving how the concept of UTF has evolved, key definitions, purpose, application and layout of this operations document.
- **Chapter 2** deals with the aspects relating to powers and responsibilities of the UTF. This chapter proposes guidelines for setting up the FMD within UMTA, including its functions, organisational arrangements and delegation of powers.
- **Chapter 3** discusses the guidelines for disbursement and utilization of funds, which are integral to smooth management of the UTF. It also proposes the fund flow mechanism.
- **Chapter 4** outlines the guidelines for undertaking treasury functions comprising of the processes, systems, internal controls and practices relating to the way the FMD manages its revenues, expenses, assets, liabilities and contingencies.
- **Chapter 5** discusses the general accounting policies and principals that the UTF would be expected to follow.
- **Chapter 6** includes guidelines for monitoring of projects and activities funded by the UTF.

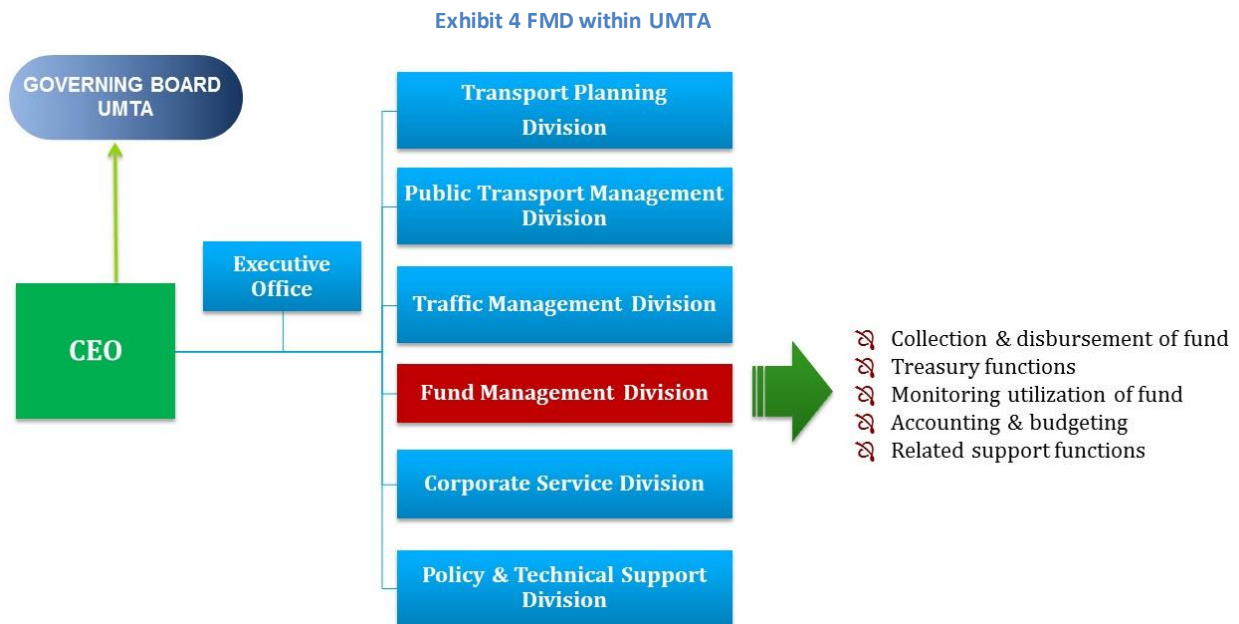


## 2. ROLES AND RESPONSIBILITIES OF FMD

The Kochi UMTA is envisaged to be an agency responsible for the overall coordination of urban transport in the urban area. It is further envisaged that the function of management of the UTF called for in the NUTP should be carried out by a separate division of the secretariat, called the Fund Management Division (FMD), under the overall guidance of Kochi UMTA Board. This chapter and the next, provide guidelines on activities involved in management of the UTF. This chapter particularly focuses on the powers and responsibilities that shall be conferred upon the UTF by the Kochi UMTA Board. It discusses the processes and procedures involved in setting up of the FMD, which include deciding the structure and functions of the FMD, assigning roles and responsibilities of key personnel and delegation of powers.

### 2.1 FUND MANAGEMENT DIVISION WITHIN THE UMTA

In order to perform the multiplicity of functions assigned to the Kochi UMTA, its organizational setup is proposed to be divided into six function-based divisions, as depicted in Exhibit 3 below. Each of the proposed divisions will have their own roles and responsibilities towards discharging their functions assigned to them, and would be expected to work in coordination with the others, in order to ensure smooth and harmonious functioning of the UMTA. The roles and responsibilities of each of the six divisions have been detailed in *Chapter 6 of the Kochi UMTA operations document*.



The FMD is envisaged to manage all financial matters pertaining to the Kochi UMTA, including collection & disbursement of funds. The FMD may also be responsible for monitoring the expenditures of the implementing agencies / fund-using bodies on a selective basis, which have been granted funds from the UTF. The subsequent sections highlight the key functions and organizational structure of the FMD.

### 2.2 FUNCTIONS OF THE FUND MANAGEMENT DIVISION

The FMD is envisaged to administer and manage the UTF in accordance with its objectives. Management of UTF encompasses sub-functions of administering the collection, allocation and disbursement processes, accounting for the receipts and disbursements and all aspects related thereto. Broadly, the FMD would be responsible for carrying out the following functions:



- a) **Collection & disbursement of funds:** For collection of the funds from the specified sources, UMTA should follow requisite processes which ensure that funds as stipulated in the Act are collected and correspond to the stipulated amounts. The stipulations here refer to the amounts from sources as specified in the UMTA Act. Funds collected shall be disbursed for the intended purposes only. Stipulations for disbursement refer to the budgeted expenses of the UMTA as defined in the Transport Investment Programme.
- b) **Treasury management:** The treasury management function of the FMD primarily encompasses management of the UTF. In an ideal world, resources that are mobilized by the UTF are expected to pass through its accounts and immediately disbursed to implementing agencies. However, experience suggests that for various reasons, funds may accumulate and would need to be invested prudently. Likewise, potential deficits are expected to arise, principally at the beginning of each financial year and at the quarter points, when large disbursements to implementing agencies may be required against a more steady inflow of funds from collection agencies. The fund management plan will forecast such surpluses and deficits and shall make appropriate arrangements for provisioning such short term fund support to the UTF.
- c) **Accounting & budgeting:** This function includes recording of general accounting, budgetary policies and any other procedures that the UMTA may follow. The objective is to ensure that the accounting and internal control procedures adopted by the Secretariat and the records & accounts maintained by the UTF are adequate and precise.
- d) **Monitoring of UTF expenditure:** This function includes overseeing fund utilisation by implementing agencies on a selective basis. This would inter alia involve soliciting the fund utilisation statements, the financial statements of the implementing agencies, details of other funds raised / borrowed etc. This is to ensure that funds comply in terms of utilization and priority for the same purpose for which they were originally allocated in the Transport Investment Programme. The implementing agencies which will undergo monitoring by the FMD, may be prioritized by the Kochi UMTA Board on the basis of the specific mechanism that the Board deems fit.

#### List of the overall functions of FMD:

Based on the above functional categories, the following is a list of functions of the FMD would be expected to perform:

- Collection of funds (receiving all revenues envisaged under UTF)
- Disbursement of funds for meeting Kochi UMTA's needs and those of the implementing agencies
- Resource mobilization & fund management include the preparation of a Fund Flow Statement which depicts inflow and outflow on a monthly basis and works out net surplus/deficit and investing/borrowing net surplus/deficit as per the investment/borrowing policy of the Governing Board;
- Raising funds by borrowing or raising money necessary for the due discharge of its functions
- Maintenance of all financial records and accounts of Kochi UMTA
- Preparation of annual reports and financial statements of Kochi UMTA
- Provide inputs in preparation of annual UMTA budget
- Monitoring of the fund utilised against their allocation for the implementing agencies on a

- selective basis
- Submission of annual financial reports
- Assistance in preparation of Transport Investment Programme
- Maintenance of accounts for the purpose of implementation of urban transport projects
- Tax matters including planning and other related aspects
- Preparation of a fund management plan to expedite the treasury management function

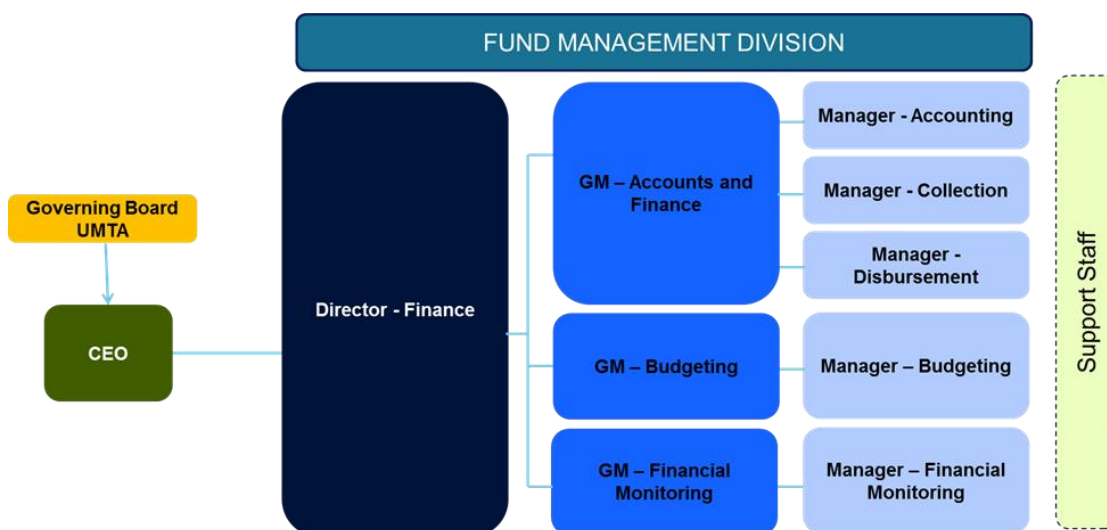
## 2.3 ORGANIZATIONAL STRUCTURE OF FUND MANAGEMENT DIVISION

The FMD is envisaged to be headed by the Director - Finance. The Director will be appointed by the UMTA Board to perform such functions as the Board may direct or delegate to him/her. The Chief Executive Officer (CEO) of the Kochi UMTA Board will provide overall guidance on performing various functions to be performed by the FMD.

The Secretariat under Director – Finance will be responsible for all day-to-day activities of the UTF in accordance with the decisions of the Kochi UMTA Board. The Secretariat would be required to ensure that all existing and additional resources committed for the UTF have been collected and deposited into the designated bank account. It would further be responsible for the actual accounts, and for keeping records of all transactions through the proposed UTF and prepare necessary financial reports as required by the Kochi UMTA Board. It would also be the Secretariat’s obligation to ensure that all disbursements made from the UTF to the implementing agencies comply with the approved Transport Investment Programme. The Secretariat would also be required to render advice and assistance to the Kochi UMTA Board related to financial matters so that it may discharge its functions properly. It would have the overall responsibility for implementation of the decisions of the Kochi UMTA Board pertaining to the UTF and exercising all powers and discharging all duties delegated to it by the Board.

Considering the functions of FMD, it is envisaged that the Director-Finance will be supported by three General Managers and each General Manager will be assisted by Managers and support staff. It is envisaged that each staff will have skills in accounting, finance, budget and audits etc. It is proposed that the Kochi UMTA Board shall determine the appointment and terms and conditions for employment of the Secretariat under Director-Finance. The suggestive organisation structure of FMD is provided in Exhibit 5.

Exhibit 5 Organisational Structure of FMD



The roles and responsibilities of staffs of FMD are provided below. Detailed specifications of the staff have been provided in *Annexure II*.

### 2.3.1 Director – Finance

The FMD should be headed by a ‘Director – Finance’ who should report to the CEO of Kochi UMTA. The ‘Director – Finance’ should be responsible for managing all aspects of UTF.

The “Director – Finance” would be part of the senior management of the authority in charge of all the activities of FMD. He/she shall be appointed by the Board in accordance with the procedures set out in *Chapter 8 of the Kochi UMTA operations document*. The “Director – Finance” shall provide strategic support to the CEO and the Board on all matters related to sources of funds for UTF, collection of funds from such different sources and the allocation of funds for different utilisations. Besides this, he / she shall also be responsible for overseeing the budget management, reporting and forecasting functions.

Additionally “Director – Finance” shall analyse the authority’s financial position and suggest plans for improvement. The “Director – Finance” shall be similar to a treasurer or controller in that he/she shall be responsible for overseeing the accounting and finance departments and for ensuring that the authority’s financial reports are accurate and completed on time.

Besides these, the Director Finance shall provide assistance to the Kochi UMTA Board in:

- Appointment of General Managers, managers and support staff within the FMD,
- Review the performance of General Managers and Managers within the FMD,
- Contributing to the discussions and decisions of the authority,
- Implementing decisions of the Board and the CEO,
- Fulfilling overall responsibilities of the FMD, and
- Ensuring financial stability, independence and sustainability of the authority.

### 2.3.2 General Managers

The ‘Director – Finance’ should be assisted by the following:

- General Manager – Accounts and Finance
- General Manager – Budgeting
- General Manager – Financial Monitoring

These General Managers shall be responsible for carrying out all activities and fulfilling all responsibilities related to their portfolio, as described below.

- General Manager Accounts and Finance shall be responsible for all accounting and financing activities
- General Manager Budgeting shall be responsible for all activities related to budgeting such as providing inputs to UMTA Board in preparing forecasted and actual budgets, preparation of Transport Investment Programme.
- General Manager Financial Monitoring would be responsible for all aspects related to monitoring of fund utilization.

These General Managers should coordinate among each other and with other officials in Kochi UMTA in fulfilling their responsibilities and assisting other officials in doing so.

Besides these, the General Managers shall provide assistance in:

- Carrying out all activities as allocated by the Director Finance in fulfilment of

responsibilities and functions of FMD, including the appointment of managers and support staff of FMD,

- Assist Director-Finance in implementing decisions of the Board and the CEO,
- Supervise the activities of respective managers and monitor progress,
- Ensure compliance with applicable laws and financial practice.

### 2.3.3 Managers

The General Managers should be supported by Manager(s) who assist(s) the respective General Managers in carrying out specific functions and fulfilling associated responsibilities.

General Manager – Accounts and Finance should be assisted by:

- Manager Accounting
- Manager Collection
- Manager Disbursement

General Manager – Budgeting should be assisted by:

- Manager Budgeting

General Manager – Financial Monitoring should be assisted by:

- Manager Financial Monitoring

The Managers shall provide assistance to their respective General Managers in:

- Carrying out all activities as allocated by the respective General Managers in fulfilment of responsibilities and functions of FMD,
- Supervise activities of junior executive staff of FMD and monitor progress,
- Assist in recruitment of junior executive staff within the FMD,
- Coordinating with other officials within and outside Kochi UMTA for fulfilment of their responsibilities.

### 2.3.4 Support Staff

The FMD should also appoint full time junior executive staffs at different levels to assist itself in carrying out its activities. The purpose of the junior executive staff is to render assistance to the FMD so that it may discharge its functions properly and carry out day to day activities of the FMD as directed by the Managers, General Managers or the Director Finance.

The Board along with the CEO and Director Finance should decide and finalise the number of employees including general managers, managers and junior executive staff required along with the necessary qualification for staffing the FMD. The Board along with the CEO and Director Finance should also determine the terms and conditions for employment of the FMD personnel<sup>1</sup>.

## 2.4 DELEGATION OF POWERS

The delegation of power shall be exercised in conjunction with provisions for delegation of power under the Kochi UMTA and UTF Act. The legislation suggests that the UMTA Board may, by order, delegate any of its powers or duties under the Act or any rule made under the Act to the

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<sup>1</sup> Refer the Kochi UMTA operations document on employment terms and conditions

CEO, to one or more than one of the officers employed in its Secretariat or to any sub-committee of the Board (refer to *Chapter 6 of the Kochi UMTA operations document for Delegation of Power*)

### **2.4.1 Limits of Financial Authority**

In order to ensure the authorization of revenue and expenditure for resource mobilization is correct, there is a need to detail the limits of financial authority that each employee within the UTF can exercise.

The limits of financial authority for the FMD staff, including the Director-Finance, should be specifically delegated by a resolution of the Kochi UMTA Board and conveyed to the Director-Finance in writing, signed by the CEO.

### **2.4.2 Payment Authorisation**

The UMTA Board may specifically designate bank signatories and approve any change, thereby defining clearly the payment each signatory is authorized to allow. Cheques should be signed/ bank transfers should be authorized by two persons, one at General Manager Level and the other could be any person designated by Director – Finance.

With the above background on the functions and organizational structure of the FMD, and delegation of powers, the next chapter discusses the procedures of collections and disbursements of funds of the UTF.

### 3. GUIDELINES FOR COLLECTION AND DISBURSEMENT OF FUNDS

This chapter lays down the guidelines for collection and disbursement of UTF monies. The UMTA Act, would specify the different avenues for resource mobilization for the city-level UTF. For collection of the funds from the specified sources, UMTA should follow requisite processes for ensuring that all funds as stipulated in the Act are collected and the funds collected correspond to the stipulated amounts.

Various users charges/taxes suggested in the *Annexure I* of this operations document will be collected by the respective government department and the proceeds should be paid into the Kerala State Consolidated Fund and then a portion would be transferred to the Kochi UTF. Allocation of funds through Central Government schemes may directly go to the UTF or be channelized through urban local bodies or the State Government. For example, under the AMRUT scheme of the Gol, funds are proposed to be allocated from the states to the ULBs.

This chapter provides guidelines for operationalization of fund collection and disbursement functions of FMD. The Kochi UMTA Act, after coming into effect, would specify the different avenues for resource mobilization for UTF. For collection of the funds from the specified sources, Kochi UMTA should also ensure that all the funds as stipulated in the Act are collected in a timely manner. Similarly, funds collected shall be disbursed for the rightly intended purpose.

In this regard, the following sections specify the guidelines for carrying out the collection process and ensuring that all stipulated amounts from various sources are collected as well the disbursement.

#### 3.1 MECHANISM FOR COLLECTION OF FUNDS

The FMD will need to coordinate with all three levels of government (municipal, state and central) for the funds that are to be deposited into UTF from each of these sources. A majority of the funds that are collected by Kerala State-level department are recorded in Government of Kerala account under different heads and sub-heads. These accounts fall under the consolidated fund of Kerala that is managed by the Kerala State Finance Department through its treasury.

Following steps should be carried out for preparation of note and sending to the concerned departments / agencies:

1. Kochi UMTA should communicate with the Finance Department, Government of Kerala, the Greater Cochin Development Authority (GCDA), Goshree Island Development Authority (GIDA), Kochi Municipal Corporation, the Kerala State Level Nodal Authority (to receive JnNURM funding from the Central Government) and any other agency and send a note covering the requirement of funds as stipulated under the Kochi UMTA Act through Finance Department. This note should be prepared by FMD through the Manager responsible for the collection function.
2. The Finance Department, Government of Kerala /Kochi Municipal Corporation (or the respective authority appointed such function) would review the note and carry out its internal process of approval. The department may request Kochi UMTA for further information in which case Kochi UMTA, through FMD, should provide any such additional information and effect necessary modifications in the note.
3. The Finance Department, Government of Kerala /Kochi Municipal Corporation (or the respective authority appointed such function) would then transfer the funds from the different heads / sub-heads, as stipulated under the Kochi UMTA Act to the UMTA Board. The Kochi

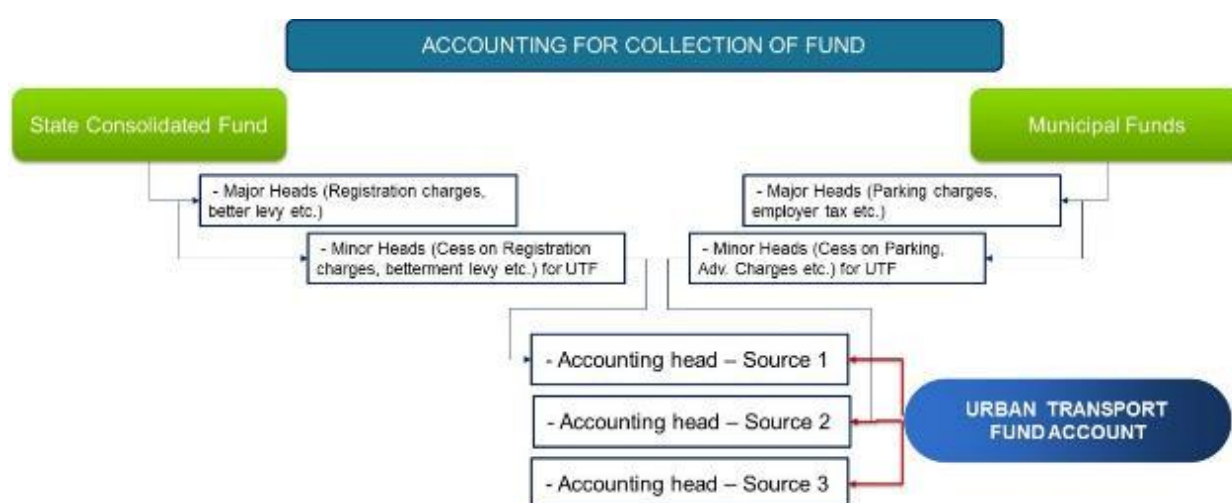


UMTA would also seek information on the amount of funds collected and the funds transferred by The Finance Department, Government of Kerala /Kochi Municipal Corporation (or the respective authority appointed such function).

### 3.1.1 Collection of funds from the Kerala State Finance Department

In order to collect fund from state consolidated fund i.e. Finance Department, Government of Kerala, UMTA should prepare and send a note to the Finance Department. The note will cover the details of the respective sources of funds as per the Kochi UMTA Act. After the Finance Department reviews the note, the funds will be transferred to the UTF subject to the compliance of its internal processes regarding allocation of funds. During this period, the “Manager – Collection” should continuously coordinate with the Finance Department to ensure that all funds in stipulated amounts have been received. Exhibit 6 depicts the procedure for the accounting of collected funds.

Exhibit 6 Accounting for collection of funds



The Finance Department may transfer the amounts in different branches as per its policies. “Manager – Collection” should keep record of the amounts to be received and amounts actually received at all times. These funds would be transferred from the consolidated fund of the state.

### 3.1.2 Collection of funds from the Local Governments / respective agencies

A requisite note seeking UTF allocations will be sent to the Kochi Municipal Corporation along with other Urban Local Bodies (ULBs) indicating the sources of fund dedicated for UTF. The funds would be transferred after such agencies have reviewed the note and carried out their internal processes for allocation of funds. During this period, the “Manager – Collection” should continuously coordinate with the different agencies to ensure that all funds in stipulated amounts have been received. The funds may be transferred in different branches. “Manager – Collection” should keep record of the amounts to be received and the amount actually received at all times.

### 3.1.3 Collection of funds from the Central Government Allocations

The development of urban transport has been given a priority by the Central Government and there are number of schemes that allocate funds towards the development of urban transport. These funds could be transferred to or aligned with the UTF.

The funds that are allocated for the development of urban transport could be transferred to the UTFs. This would also provide an incentive for the states and cities to set up a UTF. These funds are provided to the State Government from where they may flow to the UTFs. The funds could be allocated to cities based on the projects for which the funds have been approved.

While some of the Central Government budgetary allocations for UTF can be routed through state consolidated fund, other allocations from centrally sponsored schemes may directly be transferred to the UTF if they are intended to be used for urban transport at the city level. The requisite letter for availing UTF funding should be submitted to the Finance Department of the state, for receiving Central Government allocations for urban transport.

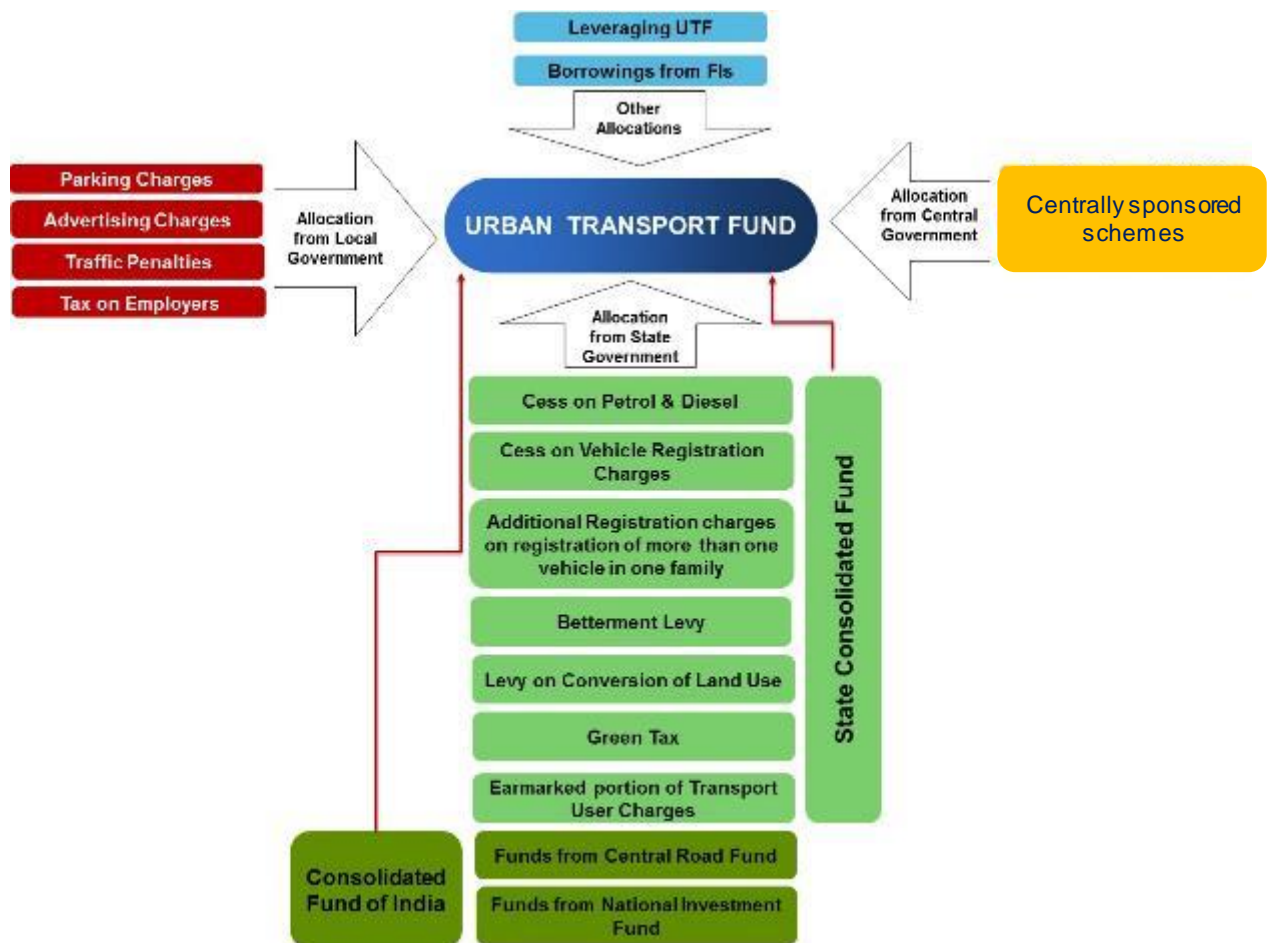
### 3.1.4 Collection of funds from IFIs/ other lending agencies

The UMTA may also, after obtaining approval from the Government of Kerala and in accordance with the provisions of the Act and the rules made under the Act, borrow money by issue of bonds or long-term borrowing either from domestic or international financial institutions as it may deem appropriate. Such borrowings may be used for discharging its functions.

The Government of Kerala shall provide a guarantee in such manner as it deems fit, provided such borrowings have been made with the prior approval of the Government of Kerala. The Government of Kerala shall also prescribe the means of repayment of the principal and interest on such borrowings.

The IFIs usually provide funding to/through the governments. Therefore, for availing funding from the IFIs, support from either the Government of Kerala or the Central Government would be required. The process for allocation of funds may vary depending on the agreement of the financial institution/ lending agency with State/ Central Government. Exhibit 7 highlights the collection of funds from central, state and local governments.

Exhibit 7 Collection of funds from central, state and local governments



### 3.1.5 Collection of Cheques/ Electronic fund transfers and Direct Deposits

The Kochi UMTA Board shall define the procedures and protocols for fund receipt and payments in the form of cheques/ electronic transfers and direct deposits or transfers, and the UTF Secretariat shall ensure compliance with the same. The following are suggestive procedures that may be followed in case the funds are received in the form of cheques by the UTF:

1. Whenever a cheque is received by the UTF, it shall be checked by the Secretariat to verify that it is properly addressed to the UTF and that the amount is correct. The cheque shall be stamped on the reverse with the date of receipt and details of each cheque shall be entered in a register that records: date and amount of cheque, drawer / payee / client / agent, cheque number and particulars of payment.
2. For every such payment a serially numbered receipt shall be issued bearing the same particulars as the register;
3. Any cheque that is not crossed and endorsed to the account of the payee shall be so crossed immediately upon receipt;
4. Cheques shall be banked promptly and the banking details entered into the cheque register;
5. Payment details shall be entered into the accounts of the UTF ensuring that each payment is allocated to the correct revenue account and time period month in accordance with the remittance advice;
6. For each payment, there shall be a remittance advice that states the name of the collection agent or other debtor, the account reference and the period to which the payment relates;
7. If no remittance advice is received, the Secretariat shall request the collection agent or other debtor to provide a remittance advice failing which, if the account details are known, the Secretariat shall generate a remittance advice and send it to the collection agent or other debtor by a means that records receipt;
8. Any payment received that cannot be allocated against an account shall be recorded in an unallocated cash account until a remittance advice is received or generated;
9. At the end of each month, the Manager, Collections shall review the unallocated cash account and ensure that all appropriate measures have been taken to allocate payments to accounts.

Where funds are deposited directly to the bank accounts of the UTF, the following procedure may be followed:

1. The Manager, Collections shall order statements at the end of every month in respect for each bank account of the UTF and these statements shall be inspected to identify funds deposited directly to the accounts;
2. Where direct deposits cannot be identified, the Secretariat shall demand copies of related deposit slips from the bank;
3. The Manager, Collections shall then request a remittance advice from the depositing party;
4. If no such remittance advice is received within a reasonable period of time, and if the account details are known, the Manager, Collections assisted by Manager, Accounting shall generate a remittance advice and send it to the depositing party by a means that records receipt;

Any deposit that cannot be allocated against an account shall be recorded in the unallocated cash account and treated as defined in collection of cheques.

### 3.2 GUIDELINES FOR DISBURSEMENTS OF FUNDS

The funds will be disbursed by the UTF for meeting UMTA's operating expenses and to the implementing agencies for the projects approved under the CMP. The funds will be disbursed only for goods and services forming part of the approved annual budget and Transport Investment Programme and according to policy & procedures established by the Kochi UMTA Board. In case request for funds is made for a project not originally allotted in UMTA's annual budget, special

approval of the UMTA Board may be required. Such a project will need to comply with the CMP, and be a part of the implementing agency’s MYP.

The strategic decisions regarding the extent of these expenses will be approved by the UMTA board on a regular basis on the recommendations of Director – Finance.

### 3.2.1 Disbursements for UMTA’s operations

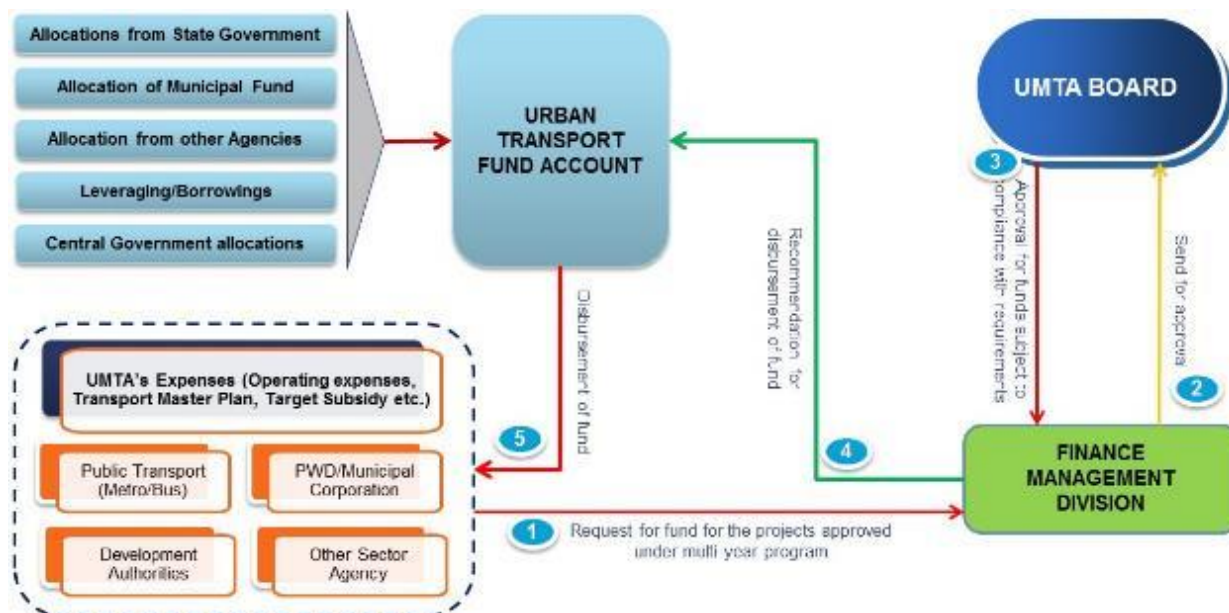
These disbursements would be made on request from different divisions of UMTA such as Human Resources & Payroll, Administration division, Planning division etc. and approval from respective Divisional Heads and/or other officers having respective financial delegation or powers.

Preparation of CMP is an activity which would be the responsibility of the planning division of UMTA. Requirement of funding for carrying out the exercise of preparation of CMP including any expenses involved for appointment of consultants would be communicated by this division.

### 3.2.2 Disbursement to Implementing Agencies

The implementing agencies will send a request to UMTA for availing financial assistance. An indicative format of the letter for availing such assistance is given in *Annexure III*. The UMTA board will review and approve the request, subject to compliance with requirements, and issue an approval letter as per the format specified in *Annexure IV*. It will then issue a direction to the UTF for disbursement of the approved funds. The amount will then be transferred from the UTF account to the concerned implementing agency. Exhibit 8 depicts the process for disbursement of funds to the implementing agency.

Exhibit 8 Process for disbursement of funds to implementing agencies



“Manager Disbursements” will be responsible for overseeing the disbursement process. He/ she will be responsible for overseeing fund disbursements which are made on achieving defined milestones / deliverables. Moreover, he/she will ensure that there are no slippages vis-à-vis expected timelines. He/she will also oversee these expenses in coordination with the Manager- Accounting and ensure that respective accounts have been credited / debited in relation to expenses.

### 3.3 FUND FLOW MECHANISM

Kochi UMTA is envisaged to have a dedicated bank account in a public sector bank, or a commercial bank. This dedicated account shall serve as the UTF and will be managed by the FMD of Kochi UMTA.

The details of the bank branch and bank account should be provided to the Finance Department, Government of Kerala (Treasury Section), Urban Local Bodies and any other agencies with which Kochi UMTA is envisaged to have any financial transactions.

All the revenues to the UTF shall be deposited in this bank account and all the expenses and disbursements of UMTA shall be made from this account. The financial transactions should be carried out by the designated staff of UMTA as per the delegation of powers.

The FMD should also keep a record of the Bank Name, Branch Details, Bank Accounts Numbers and other relevant details (such as Indian Financial System Codes etc.) of all the implementing agencies, contractors, consultants and service providers etc. to be able to conduct any financial transaction when required.

All payments to implementing agencies, contractors, consultants and other works or service providers shall be by Bank transfer / cheques / demand drafts or other means as approved by the UMTA Board.

The “Manager Accounting” shall be responsible for managing this account and will continuously coordinate with “Manager Collection” and “Manager Disbursement” in ensuring proper account management.

The “Manager Accounting” shall be responsible for maintaining inter alia following documents:

- certified payment certificates from implementing agencies
- delegation of payment authority from the Board
- records of electronic transfers
- bank transfer advices
- creditors’ reconciliation report
- bank reconciliation statement.

#### 3.3.1 Procedure for fund flow to and from the UTF

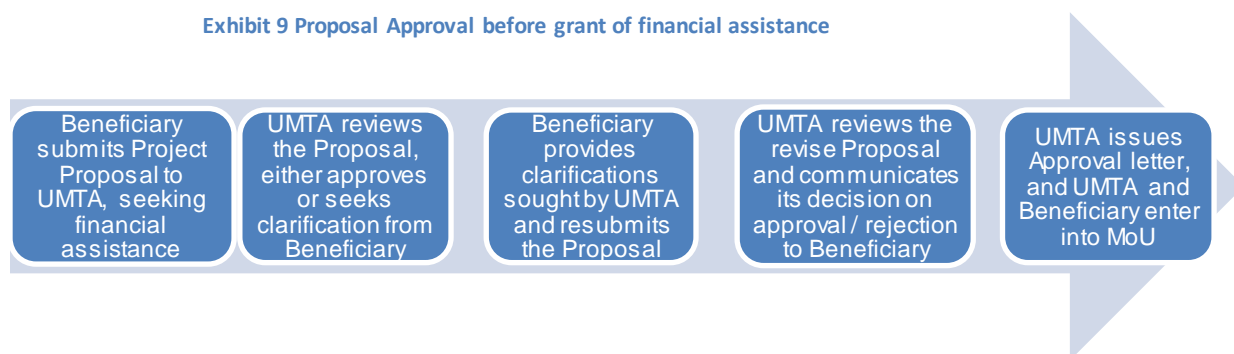
For efficient collection and utilization of UTF, it is essential that the procedure for flow of funds is well-defined. Where any financial assistance is being sought from UTF by a Beneficiary (Implementing Agency) for undertaking any urban transport project, the following procedure would need to be adhered to:

- a. The Beneficiary seeking financial assistance shall submit a Project Proposal to UMTA for availing financial assistance, clearly highlighting the purpose, aim and objective, milestones for completion if any, for the project. This project should have been included in the list of projects in the MYP. The format for the letter for availing financial assistance from UTF is set out in *Annexure III*.
- b. UMTA shall review, appraise and scrutinize the proposal submitted by the Beneficiary.
- c. UMTA/ shall within the lapse of [ ] days from the date of receipt of the proposal, either approve the proposal or seek clarification/ modifications from the Beneficiary.
- d. The Beneficiary within [ ] days of receipt of clarification/ modifications sought by UMTA shall provide the necessary clarifications/ modify and resubmit the proposal for approval of UMTA.



- e. Upon receipt of the revised proposal, UMTA shall review, appraise and scrutinize the same and may decide to approve the proposal.
- f. In any case, UMTA shall communicate in writing its decision on the approval of the proposal to the Beneficiary.
- g. Upon approval of the proposal, UMTA shall issue to the Beneficiary an Approval Letter as per the format set out in *Annexure IV*.
- a. Within [ ] days from the date of receipt of the Approval Letter, the Beneficiary and UMTA shall enter into a Memorandum of Understanding (MoU) for availing financial assistance from UTF. An indicative format of the MoU is set out as *Annexure V*.

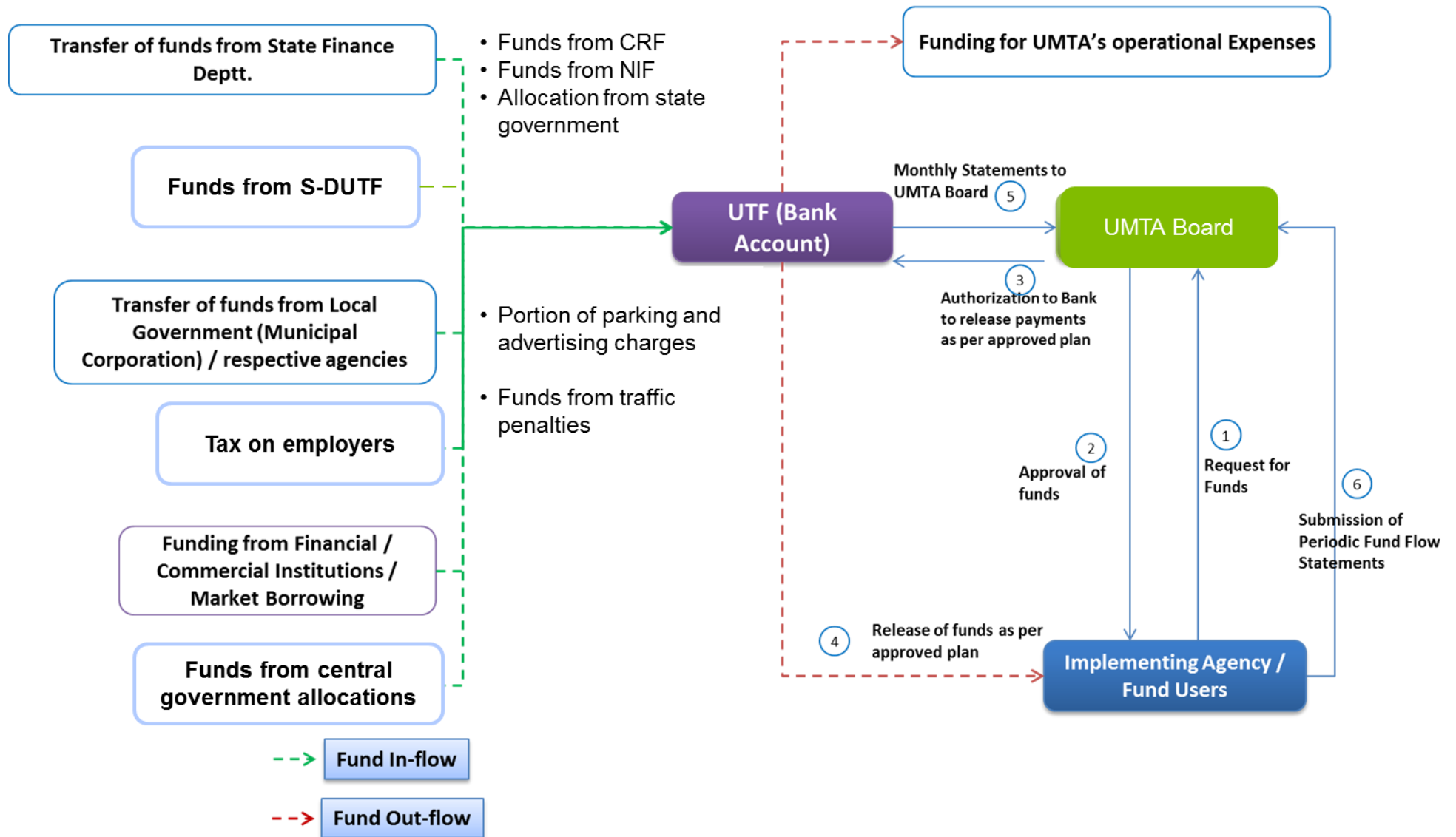
Exhibit 9 Proposal Approval before grant of financial assistance



With reference to the sources of funds highlighted in the *Annexure I*, the following fund flow mechanism could be adopted for collection and disbursement of funds. Exhibit 9 highlights the proposal approval process before the grant of financial assistance. Exhibit 10 depicts the fund flow mechanism to and from UTF.



Exhibit 10 Fund flow mechanism to and from UTF



## 4. GUIDELINES FOR TREASURY FUNCTIONS

Treasury functions comprise of the processes, systems, internal controls and practices relating to the way the FMD manages its revenues, expenses, assets, liabilities and contingencies. It also includes its systems for managing risk and monitoring its financial and operational performance, including budget performance and reporting on these functions, both internally and externally.

This also involves day-to-day cash management of funds including making projections for revenues, commitments, and disbursements. Based on cash-flow projections, the UMTA Board will have to decide how to handle short-term borrowing and what to do with any cash surpluses.

This chapter records the policies and procedures for borrowing/investment by the Board so that:

- Board's policies and procedures for borrowing/investment are available to all finance staff and in the Secretariat in general when considering the need for borrowing/investment and when managing borrowing/investment.
- Borrowing/investment is done with the full knowledge of the resulting liability and the ability for repayment.

### 4.1 TREASURY FUNCTIONS POLICY

In the delivery of treasury functions, there is an expectation that optimal benefit will be achieved for the revenues it receives through various identified sources. These funds should be used prudently and effectively to further the UMTA's priorities and targets. The overall aim of the treasury functions should be:

- To maximize UTF's liquidity and to ensure that funds are disbursed to implementing agencies as planned.
- To minimize the operational and financial risks faced by the UTF.
- To be responsible for raising any funds either from the market or by borrowings, in the event that the UMTA falls short of funds in expediting its functions
- To be responsible for parking any surplus funds available with the authority.

### 4.2 MANAGING BORROWINGS

The UMTA Board can borrow funds using either a working capital loan or capital loan, any such borrowing is vetted closely by the FMD and requires approval from the Board before any loan is proposed. The UMTA Board may, after obtaining approval from the Government of Kerala and in accordance with the provisions of the Kochi UMTA Act and the rules made under the Act, borrow money by issue of bonds or long-term borrowing from either domestic or international financial institutions as it may deem appropriate for discharging all or any of its functions under this Act and the rules made under the Act. The Government of Kerala shall provide guarantees in a manner it deems fit, provided such borrowings have been made with its prior approval. The Kerala Government shall also prescribe the means of repayment of the principal and interest on such borrowings.

The Government of Kerala may make advances to the UTF in order to meet a deficit or any part thereof and such advances shall be made on such terms and conditions, whether as to repayment or otherwise, as the Government may determine, provided that such advances shall be repaid from the income of the UTF in the next financial year. Borrowing should be the last resort.

Notwithstanding anything contained in this section, the Board may borrow, temporarily by way of overdraft or otherwise, up to [ ] per cent of the current year's Approved Annual Budget. All staff members are to comply with the following performance standards:

- All borrowing shall be in accordance with the Board's debt management strategy and financing plan
- All borrowing shall be approved by the Board and the Finance Department.

### 4.3 MANAGING INVESTMENT

The aim of managing investment is to ensure that there is sufficient flexibility, both to maximise the return on investments with the UTF at any time and to allow sufficient funds to remain for day to day cash requirements. These investments need to be safe and liquid, so that they can be realised quickly to ensure a competitive return on surplus cash balances (taking account of the cost of administering this function). All cash balances should remain in a comparatively liquid form and all investments should be realisable and have a maturity not exceeding three months.

The FMD needs to manage investment of balances in the Fund to ensure that the Fund receives interest on all monies not immediately required for payments. Since the UTF should maintain only a small cash surplus, the funds should be invested in short-term securities like interest-bearing savings accounts and the overnight money market if it is approved by the Board. Investment of Fund money shall be restricted to:

- (a) Government Securities
- (b) Central & State Government bonds
- (c) Treasury Bills issued by the Reserve Bank of India
- (d) Interest bearing savings accounts with Government or private commercial banks\*
- (e) Term deposits with Government or private commercial banks\*

Investment in stocks, shares, bonds or similar instruments is not permitted.

\* The Board shall have at least [ ] % of funds with Government commercial banks. This means that at any time up to [ ]% of the Fund balance may be invested with private commercial banks that have been carrying on banking business in [name of state] for more than [ ] years.

Not more than [ ] % of the total amount invested at any time is to be with any one bank. This does not include money in the Board's current accounts.

### 4.4 MANAGING CASH FLOW FORECASTING & MONITORING

The FMD would prepare an annual long term cash flow forecast at the beginning of the each financial year which would estimate annual receipts and payments in accordance with plans. This forecast plan would be updated daily with short term receipt and payment information. Daily cash surplus balances reports, informed by the cash flow forecasting, would be prepared and monitored to highlight the requirements of borrowings and opportunities for investment on that day.

The FMD will monitor and analyse cash flow variances between actual and plan on a monthly basis, in order to:

- Allow appropriate action to be taken to maintain or improve the cash position at any one time.
- Provide a level of stability to the cash flow forecast and improve the accountability of treasury management staff, by having a positive influence on behaviour and performance.

The cash flow projections would be used to inform the level of investment or borrowings that can be placed with the appropriate instrument and for what time period (weekly, fortnightly or monthly). The Director – Finance shall obtain appropriate authorisation of the proposed

investment/borrowings (or a proposal to rollover an investment/borrowing) in accordance with the limits approved by the UMTA Board.

## 4.5 TREASURY MANAGEMENT PROCEDURE

The principle role of the treasury function is to improve the liquidity position of the UTF, to mitigate and manage risk and ensure a competitive return with an acceptable risk profile. In order to ensure that the FMD undertakes treasury activities in a controlled manner and to ensure that UTF is not exposed to undue operational risks, a number of overall high-level controls will be put in place, including:

- The documentation of treasury management policy itself and the operational processes within the Treasury Management function.
- Clearly defined roles and responsibilities associated with treasury management activities.
- Separation of duties between those who transact and those who record treasury activities in the accounting records.
- Confirmation and checking of transactions by the Financial Monitoring.
- All transactions are recorded electronically and are supported by instruction/confirmation.
- All payment instructions / confirmations will require two authorised signatories, in accordance with approved bank and investment mandates.
- Mandates will be regularly reviewed and sent to all counterparties.
- Inclusion of treasury management activities within the scope of review by internal audit and external audit.

The General Manager – Accounts & Finance shall regularly prepare a cash flow forecast for revenue and expenditure of the Fund, and shall identify the profile of Fund balances not immediately required to meet forecast expenditure.

The General Manager – Budgeting shall also regularly monitor the current Board investments/borrowings and take these into account when considering new investments/borrowings.

Time to time, as necessary to ensure that that the Fund receives interest on all monies not immediately required for payments, the General Manager – Accounts & Finance shall prepare an investment proposal showing for each investment:

- amount to be invested/borrowed
- type of investment/borrowings
- duration of investment/borrowings

For investments/borrowings proposed with commercial banks, the General Manager – Accounts & Finance shall obtain quotes from three banks and propose the most advantageous duration and interest rate compatible with the policies. The proposal shall be accompanied by an analysis of all the Board's investments/borrowings.

The CEO shall establish an Investment & Borrowing Committee consisting of the Director – Finance, the Director – Transport Planning and Public Transport Management, and Manager – Collection, Disbursement and Budgeting. The Investment & Borrowing Committee shall consider the investment/borrowing proposal prepared by the Managers and recommend the most appropriate investment/borrowing to the CEO, who will authorize the investment/borrowing. After authorization, the Accountant, Fund Management shall process the investment or borrowings.

### 4.5.1 Report Treasury Activities

The regular reporting of treasury activities is crucial in allowing all relevant parties to be aware of transactions undertaken, to appreciate the UTF financial position and assess the on-going appropriateness of treasury objectives.

The Treasury Function would prepare and circulate treasury reports, so that relevant parties have the information necessary for their roles, and so that treasury activities remain transparent. These include:

- A daily report of all movements to and from all accounts and investments, showing the maturity dates and values of all investments/borrowings. **Director – Finance** receives and reviews this report.
- A monthly report showing actual cash flow for the period to date (analysed into months) and forecasts of cash receipts and payments for the remainder of the financial year (analysed into months). The CEO shall include this cash flow analysis in the monthly report to the Board of Directors in the next meetings.

This chapter provided guidelines for carrying out treasury functions of the UMTA, in order to prudently manage the funds of the UTF. Since urban transport investment needs are huge, monies accruing to the UTF need to be utilized efficiently. Borrowing and investment guidelines are crucial in achieving this objective. The following chapter describes the accounting and budgeting procedures that FMD would be expected to follow, in order to maintain accurate records of the UTF.

## 5. ACCOUNTING & BUDGETING PROCEDURES

This chapter records general accounting, budgetary policies and any other procedures that the Kochi UMTA may follow during operationalization. The objective is to ensure that the accounting and internal control procedures adopted by the Secretariat, and the records & accounts kept by the UTF, are adequate. The principles and system of accounting, along with day-to-day cash management and staff responsibilities have been already covered. Budgetary policies as well as development and procedural guidelines have also been discussed previously.

### 5.1 GUIDELINES FOR PREPARATION OF ACCOUNTS

#### 5.1.1 Accounting Principles

The accounting policies of UTF shall be in conformity with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI). Key documents to which the accounting policies apply include:

- Annual Financial Statements
- Monthly and Quarterly Financial Reports

#### 5.1.2 Accounting System

It is recommended that Kochi UMTA adopts double entry accrual accounting mechanism, since this system is widely accepted and allows efficient financial management;

The principal merits of accrual accounting are that it allows better financial management and external accountability by:

- Presenting expenditure in any period, matched with revenues earned and also on the basis of obligations incurred in that period; and
- Separately recording – as capital assets – expenditure incurred for longer term benefit. This expenditure is then recorded as a cost in each of these future periods by a charge for depreciation or amortization or, if the value of the asset has declined, via an impairment charge.

#### 5.1.3 Day-to-day cash management

Day-to-day management of funds involves making projections for revenues, commitments, and disbursements. Based on cash-flow projections, the Board shall decide how to handle short-term borrowing and what to do with any cash surpluses. Since UTF shall maintain only a small cash surplus, the funds should be only invested in short-term securities like interest-bearing savings accounts and the overnight money market if it is approved by the Board.

#### 5.1.4 Fund Inflow and Outflow

The funds to be received from the various sources need to be captured in the books of accounts of UTF as and when accrued. Payments from the UTF also need to be accounted for as and when accrued. Any mismatch in the fund inflow due and the amount received should be brought to the notice of the Director Finance, who will then look into the discrepancy and make sure the differences are resolved. A record of the funds disbursed to the implementing agencies needs to be maintained and updated as and when any payment transaction takes place. This will ensure that UTF funds are being used only for those purposes which are envisaged by UMTA.



### 5.1.5 Responsibilities

The UMTA Board, along with the Director- Finance, the General Manager (Accounts & Finance) and Manager (Accounting) has the responsibility of carrying out the Accounting procedures.

- Board, in consultation with Director - Finance – approval of the accounting policies
- General Manager, Accounts & Finance
  - ensuring that the accounting policies are maintained up to date and are applied
  - responsible for ensuring that accounting records are properly maintained and monthly, quarterly and annual accounts of the Fund are prepared in a systematic, orderly and timely manner in accordance with the accounting policies
- Manager, Accounting – responsible for proper maintenance of the accounting records and preparation of the monthly, quarterly and annual accounts in accordance with the accounting policies.

### 5.1.6 Year-end cut-off

The year-end cut-off procedure is applied as at [day, month] of each year.

### 5.1.7 Payment of Goods and Services for Board

Payments shall be made into the creditors' bank accounts by the end of the month in which the invoices are received by the Secretariat, provided such invoices are received on or before the 15<sup>th</sup> of the month.

The Manager, Accounting shall be responsible for maintaining a list of all creditors with their respective banking details. He/she would be responsible for ensuring that payments are made into the Creditors' bank accounts by the end of the month in which the invoice is received, provided such invoice is received on or before the 15<sup>th</sup> of the month. The invoices shall then be sent to the Manager, Disbursement who would assemble them into batches and prepare payment vouchers and cheque requisitions (in case the payment has been made by way of cheques). Each cheque requisition should have supporting documents. The amount payable would be based on the approved and signed payment voucher. The payment voucher, Bank transfer advice, list of creditors, cheque and remittance advice are to be authorized by signatories.

The Manager, Accounting shall record the payment voucher details to the respective general ledger accounts and file all supporting documents. The Manager, Disbursement shall ensure that prior to recording, the payment voucher, Bank transfer advice, list of Creditors, remittance advice and cheque have been properly authorized (inspect for required signatures).

### 5.1.8 Bank reconciliation

Bank reconciliation should be performed using the 'balance per general ledger to balance per bank' method. The standard verification procedures that should be performed when preparing the bank reconciliation are:

Payments in the general ledger not on the bank statement - Outstanding payments or un-presented cheques refer to those cheques released for payment or those cheques awaiting collection but that have not yet been presented to the bank for payment.

Deposits in the general ledger not on the bank statement - Outstanding receipts or uncredited receipts refer to those receipts recorded in the general ledger, but have not yet cleared with the bank.

Deposits on the bank statement not in the general ledger - These receipts represent direct deposits primarily from collecting agents or donors.

Payments on the bank statement not in the general ledger - These direct payments represent, amongst others, include (a) debit orders processed by the bank; (b) transfers to other bank accounts; (c) telegraphic transfer payments.

Sundry charges or credits - Sundry charges or credits represent bank service charges, interest paid or received.

Director – Finance is responsible for oversight and approval of any exceptions to policies or procedures. General Manager - **Finance** is to ensure that reconciliations are done on time and review them and Manager, Accounting will carry out bank reconciliations.

### 5.1.9 Petty Cash

The petty cash float should be [ ] and individual payments out of this float should not exceed [ ]. In case of emergencies, payments exceeding [ ] may be made out of petty cash after approval by the Chief Officer, Finance and Administration.

Paid cash vouchers and all supporting documents should be rubber stamped “PAID” after payment and should be filed to avoid double payment. The petty cash vouchers should be checked for completeness before a reimbursement is given. The difference between the opening serial number and the closing serial number should equal the number of petty cash vouchers making up the accountability accompanying the request for a reimbursement.

The Manager, Accounting is responsible for petty cash. The petty cash should be kept separate from all other cash resources and can only be issued from the petty cash box / safe. The petty cash should be kept in a strong petty cash box or safe that is not easy to break into.

Access to the petty cash box / safe should be restricted to the Manager – Accounting and Disbursement. They shall be held responsible for their safekeeping and custody.

### 5.1.10 Month End Procedures

The last calendar day of each month shall be the month end for management accounts. If that last day falls on Saturday, Sunday or a public holiday, then the cut-off shall be the last weekday preceding this. All accounts are to be closed on the last day, according to the predetermined cut off dates. No further transactions occurring after this date may be processed in the reporting month. The purpose of month-end financial procedures is to ensure that:

- all accounts are closed off correctly at month-end over consistent periods
- all liabilities are accrued or provided for at each month-end
- the month-end figures are accurately reported
- an audit trail is maintained to support the numbers.

The **Manager, Accounting** shall create a month-end reports file for finance documents. All balances should be supported by a schedule / reconciliation detailing how the balance is made up with comparatives of the previous month. The month-end report files should be kept in an easily accessible location. The current ones, especially the last two month's reports, should be immediately accessible. Key documents include:

- payroll
- internal memorandums, e.g. for bonuses

- invoices and bills
- statements
- contracts
- fund disbursement summary
- cash flow forecast
- bank reconciliation
- Fund commitment (liabilities) report
- debtors aged analysis
- other account reconciliations
- Consolidated Statement of Financial Performance (Profit and Loss account)
- trial balance
- management report.

### **5.1.11 Fixed Assets**

Assets should be depreciated in compliance with the Board's standard depreciation rates for the various asset categories. The Board may amend these rates according to the accounting standards issued by the ICAI.

Full depreciation will be charged in the month of purchase but no depreciation will be provided during the month of disposal.

Maintenance and repairs to fixed assets are to be expensed in the period in which they are incurred. Major additions and improvements, that enhance the assets future economic benefits beyond the original assessment, should be capitalized.

Open tenders shall be invited for the sale of assets such as motor vehicles, buildings, computers, and other expensive machinery or equipment. The CEO shall establish a Disposal Committee to recommend the most appropriate quote.

### **5.1.12 Staff Payroll**

All appointments of Secretariat staff shall be determined and made by the CEO in accordance with the administration procedures and the conditions of service of the Secretariat as approved by the Board – *refer to the Kochi UMTA operations document*.

The Manager, Administration shall initiate, on a timely basis, any changes required in the payroll, including new tax legislation, by raising a standard letter of notification. The standard letter of notification shall be forwarded with approved and authorized supporting documents attached as evidence that the information contained is valid. The changes should be approved by the CEO.

When approved, the changes should be input into the payroll system by the Manager, Accounting and printed out to be reviewed by the Manager, Administration to ensure that all changes have been made correctly in the system.

At each pay date, the Manager, Administration should send the payroll to the CEO who should review and authorize it. The authorization should be evidenced by his signature.

The Manager, Accounting should then prepare the payment vouchers and deposit schedules showing the employee's name, check number, bank account and net pay.

The payment voucher and deposit schedules should then be sent to the General Manager, Finance for approval who should then write a letter authorizing the bank to transfer amounts as per the deposit schedules to the employees' bank accounts. He/she should authorize the Manager, Disbursement to write the cheques for payment in respect of employees without bank accounts.

The General Manager, Finance should ensure that staff payments are transferred to their accounts by the last working day of the month by checking the Board's bank statements.

On the last working day of the month, the Manager, Accounting should send out pay slips to all employees. The pays slips should detail the following:

- the basic salary
- other employee benefits for the month
- gross pay
- statutory deductions such as income tax
- non-statutory deductions like health insurance scheme, provident fund, staff loans and salary advance recoveries
- net pay.

After all payments are made, the Manager, Accounting shall reconcile the payroll to the general ledger. This reconciliation should be reviewed by the General Manager, Finance who should sign it as evidence of the review.

## 5.2 GUIDELINES FOR PREPARATION OF BUDGETS

As discussed before, the budgetary allocations of the transport sector are currently made through the consolidated funds of the state. The UTF at the city level of Kochi emerges as an alternative to cater exclusively to the transport needs of Kochi Urban Mobility Area. It is therefore, important that the budget of the UTF of Kochi UMTA reflects as accurately as possible, the funding needed to carry out functions and objectives of Kochi UMTA.

### 5.2.1 Policies

The following policies are envisaged with relation to the budget to be set by the UTF:

1. The UMTA board will be responsible for preparation of annual UMTA budget, taking inputs from various departments, including FMD. This budget would be prepared for the forward financial year before the end of March, i.e. prior to the start of the financial year to which the budget applies.
2. The UMTA budget shall be subject to a limit decided by the Kochi UMTA Board every year in consultation with Director-Finance.
3. The annual budget shall be approved by the CEO, in consultation with the UMTA Board.
4. The budget so prepared shall be reviewed and revised on a half yearly or quarterly basis, as is deemed fit by the UMTA Board.
5. The budget shall be published in an annual Budgetary journal of the UMTA and remain available in the public information domain.
6. Re-allocation of funds between items in the budget shall require the approval of the CEO.

### 5.2.2 Budget Development Guidelines

The following is a tentative list of expenses that are proposed to be included in UMTA's budget:

## 1. Expenses on UMTA's operations and capital requirements

The UTF is envisaged to finance all the operating expenses of the Kochi UMTA, which include the salaries, wages and benefits that will be paid out to all Kochi UMTA employees. In order to determine total salaries and wages component of UTF's budget, the following aspects need to be taken into consideration:

- Gross salaries payable to the entire staff for the current financial year
- Contribution of UMTA into the provident fund to the extent applicable and any gratuity payable by UMTA
- Any additional benefits provided by UMTA to the staff

For the smooth day-to-day functioning of the UMTA, there is a need to estimate its entire operational expenditures and provide for the same in the budget. Further, this needs to be done on a yearly basis. The following expenses should be included when estimating operating costs:

- Cost of facility including rent
- Cost of utilities,
- Office supplies such as stationery etc.
- Travel and vehicle expenses
- Mailing expenses etc.

The budget of the UTF needs to account for capital expenditures being incurred by the UMTA in buying or augmenting any of its fixed assets. Capital expenditures could include expenditures on office equipment, property, laptops or other computers etc.

## 2. Estimates of Funding Requirements for carrying out UMTA's functions

Apart from financing UMTA's operating expenses, the UTF is also envisaged to fund Kochi UMTA in carrying out its strategic planning functions, which includes the preparation of a CMP. The UMTA may utilize the services of outside consultants for preparation of CMP. In such a case, estimates of expenses involved in addition to the operating expenses of UMTA in preparation of CMP should be worked out and accounted.

There could be explicit subsidy from UTF for promoting development of inter-modal integration. As prescribed in the Kochi UMTA Act, UTF could be utilized for providing funding for providing or subsidizing development of inter-modal integration. In order to account for this, there may be a need to estimate the planned activities that need to be carried out during the financial year as part of achieving / improving inter-modal integration.

Furthermore, the UTF could even be utilized for funding preparatory activities for implementing any urban transport project. These could include activities such as:

- Preparation of Detailed Project Reports (DPRs)
- Conducting pre-feasibility studies
- Conducting feasibility studies
- Conducting Value for money analysis for PPP projects
- Any other project preparatory activity

UMTA may utilize the services of outside consultants for carrying out such activities. In such a case, estimates of expenses involved in addition to the operating expenses of UMTA in funding such activities through outside consultants should be assessed.

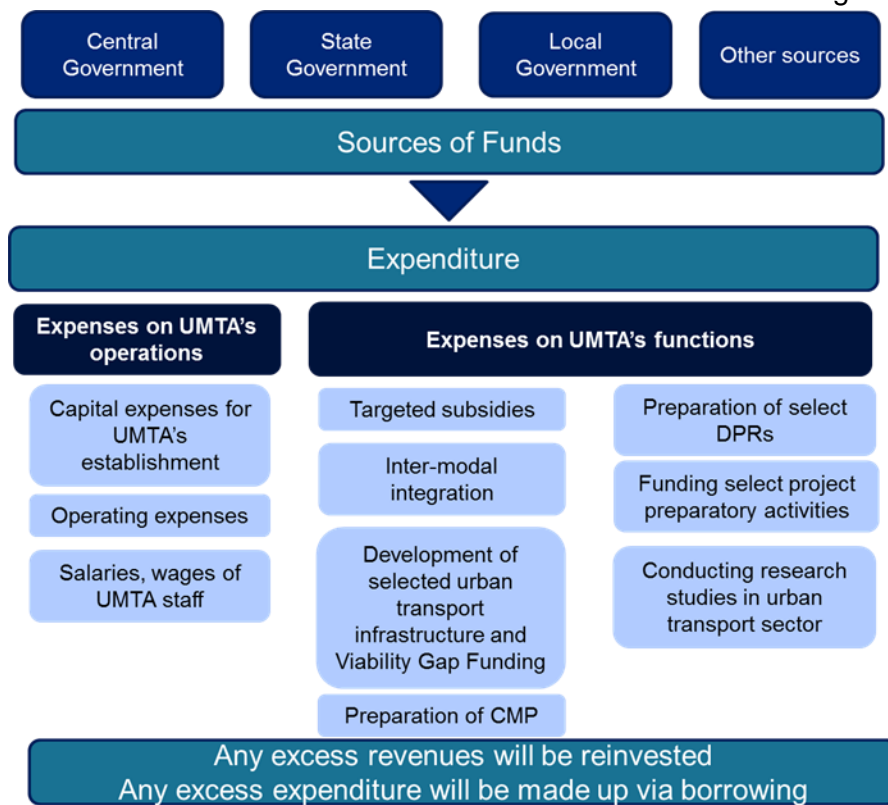
Finally, the UTF could be used for covering a fixed fraction of targeted subsidies provided to urban transport users. The UMTA Board may decide, on a regular basis, the extent of subsidies that its UTF could fund, based on the proof of costs incurred by the service operator and in accordance with financial plan of Kochi UMTA. Thus, the FMD should estimate the funding that may be

provided for meeting targeted subsidies, after all other expenses and higher priority fund utilizations have been accurately estimated.

### 3. Payments to implementing agencies for projects approved under CMP

The UMTA would prepare a detailed Transport Investment Programme for transport initiatives in the Urban Mobility Area. This programme will be based on the MYPs prepared by the various implementing agencies. The MYP is proposed to include yearly expenditure estimates for each

Exhibit 11 Estimation of excess revenues/expenditures



project, and the intended source of funding.

It is envisaged that planning of each project proposed by the implementing agencies will be in line with the CMP.

In this regard, the UTF could be utilized for funding a fraction of capital and operating investments in the urban transport sector, incurred by implementing agencies. The amount of funds available with UTF after all other funding requirements have been estimated, could be the budget for funding capital and operational investments. The UMTA Board, would decide, on a regular basis, the extent

of funding that could be provided from UTF for funding such investments. Exhibit 11 estimates the excess revenues/expenditures.

### 5.2.3 Responsibilities

The following are procedural guidelines that may be followed in the process of formulating and reviewing the annual budget of the UTF:

1. The **Director Finance** shall, in conjunction with the Directors of other divisions, prepare a budget for the authority for the forward financial year.
2. He/she shall then submit it to the **CEO** for agreement and to the Kochi UMTA **Board** for approval before the end of March prior to the start of the financial year to which the budget applies.
3. Once the budget has been approved, it should be filed and published properly, and the copies should be distributed to each division.
4. During the course of the year, the budget shall be subject to half yearly/quarterly reviews. Where the **Director Finance** anticipates that expenditure is likely to exceed the approved



budget provisions, he / she should prepare a proposal to amend the budget. Additional expenditure should not be incurred until the required changes to the budget have been approved.

5. Where, for some reason, expenditure above the budget cannot wait for being processed through the normal course of reviews and subsequent approval by the Kochi UMTA Board, the Chairperson may be requested to approve such budget adjustments.

This chapter provided guidelines for accounting and budgeting policies and procedures that the FMD would perform to ensure precise record keeping of the UTF monies. While internal accounting policies are important, monitoring the use of funds given to the implementing agencies is also crucial. The next chapter provides guidelines on monitoring arrangements for UTF monies.

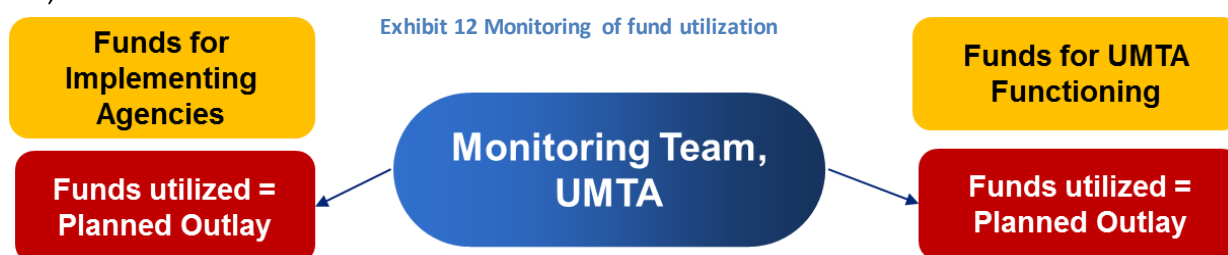
## 6. MONITORING THE UTILIZATION OF FUNDS

The objectives of the monitoring and auditing functions is to ensure that the income of the UTF from all sources is accurate and complete and that payments made are properly supported and are in respect of expenditure allowed for by the legislation.

This chapter provides guidelines for monitoring of projects and activities undertaken funded by the UTF. This covers provision of funds for activities undertaken by Kochi UMTA (its operational expenses, funding for carrying out UMTA's functions), as well as funding provided to implementing agencies.

### 6.1 MONITORING ARRANGEMENTS

Monitoring involves obtaining and evaluating information. It is imperative that issues and risks are identified so that appropriate corrective actions may be taken. The UMTA Board should have a dedicated Monitoring team. They could be assisted by the Engineering division who would carry out technical and financial audits. The primary function of the Monitoring Team will be to monitor the performance of the urban transport projects/operations and the performance of implementing agencies. The division will also carry out internal audits of the UMTA and Secretariat activities. The functions of the division will be complementary to the audit by the Comptroller and Auditor General's (CAG's) Office required by the Act & any independent audit commissioned by the UMTA. The funds that have been utilized for activities undertaken by the UMTA need to be monitored against their planned outlays as per the approved Budget of the UMTA (refer Exhibit 12).



For funding provided to implementing agencies, the financial monitoring team of FMD would be responsible for closely following, monitoring, auditing and ensuring that funds are utilized properly for the intended purposes, within agreed timelines and as per agreed terms and conditions.

The Financial Monitoring team, along with representatives from the Engineering division, will carry out the following tasks:

- Internal audit of UMTA's financial and operational activities, including its corporate governance – This will include audit of financial management practices of UMTA and compliance with all applicable laws, policies, practices and procedures; and
- Monitoring of fund utilization by the implementing agencies for which funds have been provided by UMTA.

The following principles may be followed for financial monitoring:

- Monitoring of implementing agencies activities will be continuous for the purpose of understanding the operations of the implementing agency and gathering intelligence
- An annual monitoring programme will be prepared for UMTA approval based on assessment of risk, using all sources of intelligence

- Monitoring will be on selective implementing agency activities, without prior notice
- The agreed systems and procedures, including quality control, of the implementing agency will be expected to be used
- The UMTA will pay the amount claimed and certified by the implementing agency, unless there is known reason not to.

The Manager- Financial Monitoring has the overall responsibility for monitoring implementing agency utilisation of funds and overall project progress. He /she will liaise with implementing agencies to obtain the information required for monitoring the same.

## 6.2 AUDIT ARRANGEMENTS

UMTA will have both an internal and a statutory audit. Internal audits may be carried out by the Monitoring Team of UMTA either on its own, or by hiring the services of professional external auditors. Internal checks and controls will bring about a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The accounts and other financial statements of the UTF will also be subject to an annual statutory audit in line with the provisions of the UMTA Act. The auditor will present a report to the UMTA Board which will give an opinion on the accuracy of the records and financial accounts of the UTF, the completeness of revenue of the UTF and payments according to the laid down policies. The UTF Audit will normally include:

- a. Auditing payments made from the UTF to ensure that they are supported by adequate documentation and are in accordance with the purposes allowed for in the legislation and supporting legal regulations.
- b. Verifying that the work financed from the UTF was carried out according to specifications.
- c. Auditing the transactions and balances of the bank accounts maintained by the UTF.
- d. Reviewing the accounting and internal control procedures used by the UTF to determine their adequacy; and
- e. Reviewing the accounts, files, records, and reports of the UTF to determine their adequacy.

The General Manager, Financial Monitoring has the responsibility for auditing revenue to the Fund. He /she will liaise with the Finance Department, the Transport Department, municipal corporations, and banks to obtain the information required for the audits.

## 6.3 REPORTING

The Authority shall prepare for every year, a report of its activities undertaken during that year and submit the report to the Government of Kerala in such form and on or before specified date as may be prescribed by the rules.

The Authority shall at the end of each financial year submit an audited annual statement to the Government of Kerala including but not limited to the following:

- (a) amount of debt/loan raised;
- (b) details of the investment made during the year;
- (c) mode of repayment including the amount that has been earmarked for the Sinking Fund;
- (d) amount of securities that have been created or raised; and

(e) any other matter specified by the Government of Kerala.

To sum up, this chapter provided guidelines for monitoring of projects and activities undertaken funded by the UTF. This covered provision of funds for activities undertaken by Kochi UMTA (its operational expenses, funding for carrying out UMTA's functions), as well as funding provided to implementing agencies.

## ANNEXURE I: GUIDANCE NOTE ON RESOURCE MOBILIZATION

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UTF is envisaged to have a number of dedicated revenue sources in addition to Central and State Government budgetary allocations. Innovative sources of revenue include green tax, congestion charges, betterment levy and a premium on transfer of development rights. Some of the revenue collected by the Central Road Fund (CRF) could also be diverted to the UTFs.

This Annexure is a guidance note for identification and finalization of sources of funds for the UTF that can be fully dedicated to urban transport. The objective of this section is to identify and evaluate various funding options for UTF of Kochi UMTA.

### 1. GUIDELINES & APPROACH FOR IDENTIFICATION OF UTF SOURCES

This section not only highlights the guidelines for identifying UTF sources but also draws out a list of potential funding sources. The Kochi UMTA may choose to leverage some or all of these sources mentioned below.

#### 1.1 Guidelines & approach for identification of sources of funds for UTF

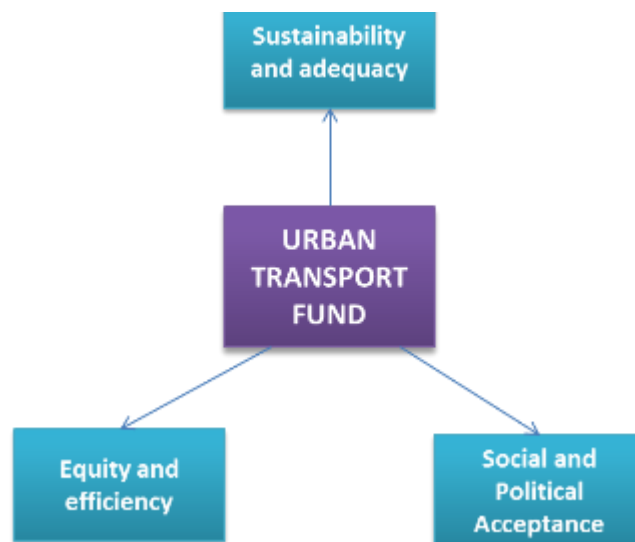
UTF should be designed in line with the recommendations of NUTP with a view to fulfil the funding requirement of urban transport in Kochi Urban Mobility Area. In this light, it is important to outline the approach for identifying the sources of funds that could be tapped for funding urban transport needs.

For funding urban transport, a prudent combination of funds should be identified such that there is not too much pressure on either the general population by way of too much taxes/cess, or on Central and State Government funds. Simultaneously, the needs of urban transport should be met. Some of the key requirements for the UTF are presented in the Exhibit 13 and are described below:

**Sustainability and adequacy:** Sustainability means that the sources of funds should remain available for a long period of time i.e. the revenue should keep flowing continuously over a long period. A major issue faced today is that of lack of sustainability of the funding sources. Adequacy means sufficiency to satisfy a requirement or meet a need. There can be some sources that require substantial effort for collection, but the amounts generated may not correspond to the effort involved. For example, a source of fund such as cess on fuel is a sustainable source. As opposed to this, a source such as congestion charges may not be that sustainable, since it is difficult to capture and also administratively costly.

**Equity and efficiency:** Around the world, an extraordinary array of revenue sources has been used to finance public transport, sometimes as dedicated sources. Some have nothing to do with transport: hotel taxes, tobacco taxes, alcohol taxes and regional general sales taxes; the proceeds of lotteries; municipal sales of gas, electricity and water etc. Others are argued to be linked to transport facilities: development or betterment gain; property taxes; business rates and taxes; payroll taxes; contributions towards the cost of public transport from developers in return for relaxations in land use or density zoning. Clearly sources of revenues can be numerous, but unless there is some relation to the urban transport, a particular source of fund should not be arbitrarily tapped. Hence, a source of funding should be related to urban transport for it to be used for funding urban transport. Efficiency describes the extent to which time, effort or cost is well used for the intended task or purpose. In this context, a source of revenue should be suitably easy to administer in terms of time, cost and effort involved.

Exhibit 13 Key requirements for UTF funding



**Social and Political Acceptance:** This implies that a source of revenue should be accepted by social and political communities. Some sources of revenue such as congestion charges may not be easily acceptable to public, since lack of good public transport facilities causes them to use private vehicles.

**Sources of Funding for Transport for London (TfL)**

Transport for London is the integrated statutory body responsible for planning, delivery and day-to-day operation of London’s public transport system. The main sources of TfL’s funding are:

- Central government grants- including investment and general operational grants
- Business Taxes- comprises of a locally retained share of London’s business rates
- Fares and congestion charges- decision of fares and charges taken by the Mayor
- Prudential Borrowing- borrowings from various lending agencies
- Commercial developments- income from advertising and property rental and development

There are three categories of potential revenue for UTF:

- (a) Taxes and charges on vehicle owners;
- (b) Revenue from other sources including direct and indirect beneficiaries; and
- (c) Central and State Government allocations.

The following paragraphs describe these different sources of revenues.



## 2. TAXES & CHARGES ON VEHICLE OWNERS

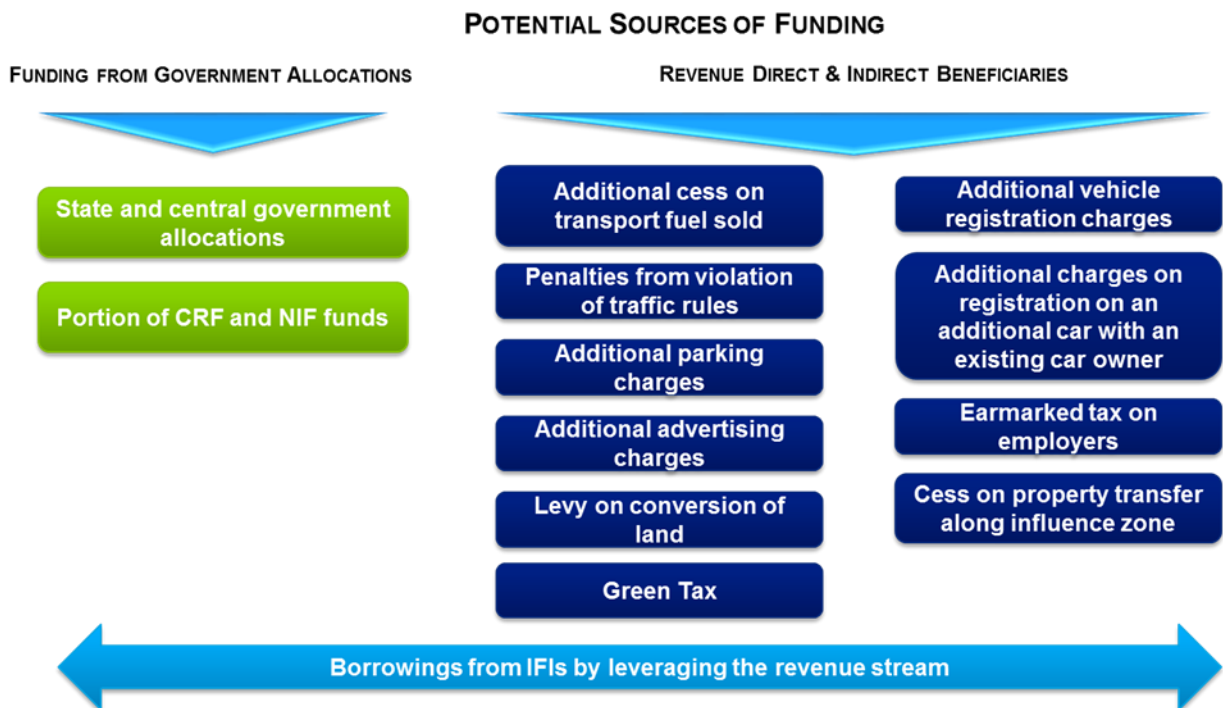
### 2.1 Additional vehicle registration charges

Under section 39 of the Motor Vehicles Act, 1988, each vehicle having a seating capacity of up to seven seats, can be allowed to be driven in a public place only after its registration, by a transport department office or an authorized dealer. Revenues through vehicle registration accrue to the State Government and are collected in the form of fees payable for availing such registration by the vehicle owners.

For the purpose of financing the UTF, an additional charge should be imposed on vehicle registration charges. The funds so collected would accrue with the Government of Kerala, and the amount would be credited to its public account. Following this, the Government of Kerala should allocate the funds so collected to the UTF, following a mechanism that the state deems fit.

The registration charges have to be borne by users of all new vehicles. Therefore, any individual purchasing a new vehicle will fall under the ambit of the additional vehicle registration charges. This makes this charge a lasting and resilient source of revenue for the UTF. Therefore, it is imperative to maximize revenue collection from this source by imposing an ad-valorem rate based on the purchase value of vehicles. This would classify the charge as progressive, as a higher rate would fall on luxury cars. Likewise, separate rates could apply to vehicles based on the type of fuel consumed. Exhibit 14 highlights the potential sources of funding from government allocations as well as revenue direct and indirect beneficiaries.

Exhibit 14 Potential sources of funding



The additional charge on vehicle registration charges may be applicable at following rates, which could be collected along with the registration charges by the Transport Department (Motor Vehicles Department), Government of Kerala and will go into the state consolidated fund. The funds may then be allocated to the UTF of Kochi UMTA by following a mechanism deemed appropriate by the State.

Exhibit 15 Amount of charge on each class of vehicle

S No.	Class of Vehicles	Amount of charge
1.	Motor vehicles other than Transport vehicles:	[ ] % of vehicle registration charges
	(1) Motor Cycle (Petrol)	[ ] % of vehicle registration charges
	(2) Other than motor Cycle (Petrol)	[ ] % of vehicle registration charges
	(3) Other than motor Cycle (Diesel)	[ ] % of vehicle registration charges
2.	Transport vehicles	[ ] % of vehicle registration charges
	(1) Petrol	[ ] % of vehicle registration charges
	(2) Diesel	[ ] % of vehicle registration charges

## 2.2 Additional charges on registration of more than one car with an existing car-owner

The registration charges could be made more progressive by taxing owners with more than one car. This could be done by imposing an additional charge on registration of a new car by an existing car-owner. The tax rate could vary depending upon:

1. Whether the existing owner has a commercial or private vehicle, with a higher rate being charged on the former.
2. Whether the new vehicle is a commercial or private vehicle, with a higher rate being charged on the former.

This means a private vehicle owner, purchasing a new private vehicle would bear the lowest incidence. The additional charge on registration of more than one vehicle with an existing car-owner could also be made progressive, by charging an ad-valorem rate.

The charge could be applicable at the rates provided in Exhibit 16:

Exhibit 16 Amount of charge on light motor vehicles

S No.	Class of Vehicles	Rate of charge
1.	Light Motor Vehicle (Car for personal use)	[ ] % of vehicle registration charges

The Government of Kerala could allocate the funds so collected into the consolidated fund to the UTF of Kochi UMTA, following an allocation mechanism that the state deems fit.

## 2.3 Cess on fuel sold in urban areas in the state

Traditionally, fuel taxes have been an important component of revenues for incurring the infrastructure costs related to transport including maintenance of road infrastructure, and development of sustainable transport systems, such as mass transit systems and non-motorized services. Fuel taxes can further provide incentives to purchase fuel-efficient and environment friendly vehicles.

A part of the additional cess of INR [ ] per litre on fuel could be collected on sale of fuel in notified urban areas in the state.

The refineries sell the fuel to the oil marketing companies at prices which do not include government taxes. The State Government taxes are then collected at the point of sale from oil marketing companies. The oil marketing companies deposit the state taxes into the respective State Government accounts.

Hence, an additional cess on fuel sold in Kochi Urban Mobility Area where UTF is established may be imposed by the Government of Kerala and the same could be deposited in the Government of Kerala account in a manner similar to the one by which other state taxes on fuel are deposited.

The Government of Kerala could then allocate the funds collected into the consolidated fund from cess on fuel sold in urban areas to the UTF of Kochi UMTA.

These could be applicable at the rates provided in Exhibit 17:

Exhibit 17 Amount of cess on petrol and diesel

S No.	Type of fuel	Amount of Cess
1.	Petrol	INR [ ] per litre
2.	Diesel	INR [ ] per litre

## 2.4 Additional parking and advertising charges

Levying of parking charges in publically owned facilities and on public roads is capable of generating significant amount of revenue. Parking charges can be instrumental in managing the demand for transport, as a high price of parking or scarce parking slots can incentivize owners of vehicles to substitute to public transport.

### Parking Space Levy: A Case Study of Sydney, Australia

Through a Parking Space Levy (PSL) Act in 1992, PSL was implemented in Sydney. The scheme was to charge a levy on the use of off-street car parking areas and use these funds to enhance the public transport in Sydney, primarily focusing on interchanges and commuter car parking spaces. The Government authorities have since then claimed to have reduced traffic congestion in several areas substantially. The PSL affects about 7 percent of all vehicles in Sydney every day. The levy is imposed only on commercial and office off-street parking spaces and not on residential or casual parking space. In subsequent years ('97, '00 & '07) PSL was doubled. PSL being a property based tax was a constant source of revenue for the government.

Parking charges in Kochi are collected either by railways, Greater Cochin Development Authority (GCDA), Kochi Municipal Corporation and other agencies, which may impose an additional charge on parking charges collected, for the purpose of UTF, [ ] % of existing parking charges collected by respective agencies.

Likewise, transport infrastructure has high “visibility”. Transit advertising, i.e. placement of commercials on buses, other public vehicles and in transport shelters like bus stops, terminals and train stations can provide an important medium for reaching out to a diverse audience. Advertising charges are levied in Kochi Municipal Corporation, KSRTC, KURTC. An additional charge on such advertising charges could be imposed for the purpose of UTFs established in the state.

The additional charges would not be more than [ ] % of existing advertising charges levied by Kochi Municipal Corporation, in the urban area and other public sector agencies operating advertising facilities in the urban area as imposed and levied by such agency.

The additional charges collected on parking and advertising charges could be deposited into UTFs through the following mechanism:

- Kochi Municipal Corporation collects the parking and advertising charges for facilities which are managed by them. In this scenario, an additional parking charge and an additional charge on advertising charges may be collected by Kochi Municipal Corporation and the amount may be transferred into the UTF.
- For parking and advertising facilities managed by city specific SPVs, such as city bus transport services, companies or metro rail corporations, the parking and advertising charges are collected by such city specific SPVs. In this scenario, the additional charge may be collected

by such city specific SPVs and the amount may be transferred into the UTF.

- c. For parking and advertising facilities managed by State / Central Government agencies such as STUs or Indian Railways, the charges are collected by such STUs or the respective Divisional Offices of Indian Railways for all urban areas within the division's jurisdiction. In this scenario, the additional charges may be collected by such STUs / Indian Railways divisional Offices and the amount may be transferred into the UTF.

The administrative work of collection of the parking and advertising charges may be carried out by the existing agencies and expenses of collection maybe deducted by such agency.

## 2.5 Green Tax

A 'Green Tax' may be introduced to curb emission levels in vehicles and promote a clean environment, while also providing revenue to the UTF. The green tax aims at penalising 'old' vehicles, so as to internalize the social cost of polluting the environment. Worldwide, the concept of "pay for polluting" has been implemented extensively across Japan, UK, US, France, South Korea and China. Presently, the imposition of green tax as a potential source of revenue has been emerging in only a few states in India, including Maharashtra, Tamil Nadu and Uttarakhand.

### Milan introduces the "eco-pass"

Milan's congestion charge was introduced in January 2008 to tackle pollution by charging drivers of the worst offending vehicles a variable toll adjusted to reflect how polluting their vehicle is. The daily congestion charge applied between 7 a.m. and 6 p.m. costs between €2 and €10 depending on how polluting a vehicle is and at what time of day the vehicle enters the zone. Monthly passes are charged according to the level of pollution a vehicle emits, costing between €50 and €250. Vehicles are divided into five categories determined by the Euro emission standards.

Under the provisions of the Central Motor Vehicles Act, 1988, the registration of a vehicle is treated as valid only if the vehicle has a valid certificate of fitness. In case of private vehicles, the fitness certificate is valid for 15 years and thereafter, for every 5 years. In case of commercial vehicles, the fitness certificates are issued for each new vehicle for 2 years and subsequently renewed for one year.

Under this framework, the green tax can be levied as an additional cess, each time vehicle owners renew their vehicle's fitness certificate. This means that the green tax would be borne only by the owners of those private vehicles which exceed 15 years, and those commercial vehicles which exceed two years. Some of the key incidences under which the green tax may be customized to act as a stringent deterrent to the use of old vehicles, rather than serving as a blanket stipulation as highlighted below:

1. The green tax rate may rise progressively with the age of the vehicle. So each time a vehicle owner renews a fitness certificate, he/she faces a higher tax rate.
2. The green tax may be customized for different vehicle types. There are a number of factors that affect the rate at which any vehicle emits air pollutants. Some of the most conspicuous factors are:
  - a. Vehicle type/size (passenger cars, light-duty trucks, heavy-duty trucks, urban and school buses, motorcycles)
  - b. Fuel used (gasoline, diesel, others). A lower tax rate may be imposed on compact cars and eco-cars, including hybrid, electric, fuel cell and alternative-fuel vehicles.
  - c. Maintenance condition of the vehicle (well maintained, in need of maintenance, presence

and condition of pollution control equipment)

This would imply a higher tax rate for high-emission and gasoline-based vehicles, in order to serve as an added incentive to shift to cleaner and efficient vehicles.

3. The tax rate may be kept higher for premium and luxury vehicles, including vintage vehicles.

This green tax may be collected by the Government of Kerala through the Transport Department, and the revenues may be deposited into the State Consolidated Fund. Further, the Government of Kerala should allocate the funds collected into the consolidated fund from Green Tax to a particular UTF in the state following an appropriate mechanism. It should be noted that the green tax legalizes vehicular emissions from old vehicles. It may therefore, not be fit for cities which experience high levels of air pollution. The Government of Kerala may need to discuss and debate the implementation of green tax before levying it.

This tax could be collected at rates as decided by the Government of Kerala time to time, and is depicted in Exhibit 18:

Exhibit 18 Amount of tax on each class of vehicle

S No.	Class of Vehicles	Amount of Tax
1.	Motor vehicles other than Transport vehicles which have completed [ ] years from the date of their registration (1) Motor Cycle (2) Other than motor Cycle	Rs. [ ] Per Annum Rs. [ ] Per Annum
2.	Transport vehicles which have completed [ ] years from the date of their registration	Rs.[ ] Per Annum

### 3. GOVERNMENT ALLOCATIONS

The government's budgetary allocations (Central Government / Government of Kerala) are main sources of financing for urban transport. This funding is mostly for the infrastructure development, but often it is also for funding the operations (through payment of subsidies or in the form of direct operations of systems through state agencies). Potential government budgetary allocations include:

#### 3.1 Funds from Central Road Fund

The Indian Central Road Fund (CRF)<sup>2</sup> was established in 1930 and revitalized under the Central Road Fund Act, 2000. The CRF provides funds for construction and maintenance of national and state road networks and development of rural roads. The revenue for the fund is mobilized through cess, a duty of excise and a duty of customs on petrol and high speed diesel. Therefore, under the Central Road Fund Act, an additional cess is levied on petrol and high speed diesel - currently @ Rs.2 per litre. The revenues collected through the cess are dedicated to the CRF through the Consolidated Fund of India (CFI). The CRF is managed by the Central Government's Ministry of Finance. The receipts from the fuel cess are allocated to states on the basis of fuel consumption.

One of the sources of funds of CRF is "Additional Excise Duty" on fuel. The revenue collected from Additional Excise Duty is initially credited to the CFI. The CRF is, thereafter, distributed by Planning Commission amongst three Ministries i.e. Ministry of Rural Development, Ministry of Railways and Ministry of Road Transport & Highways in the manner prescribed under section 10(viii) of the Central Road Fund Act, 2000. As per the CRF Act, the fund allocated to a State or Union Territory remains with the Central Government until funds are actually required for expenditure.

<sup>2</sup> Source: CRF Act 2000



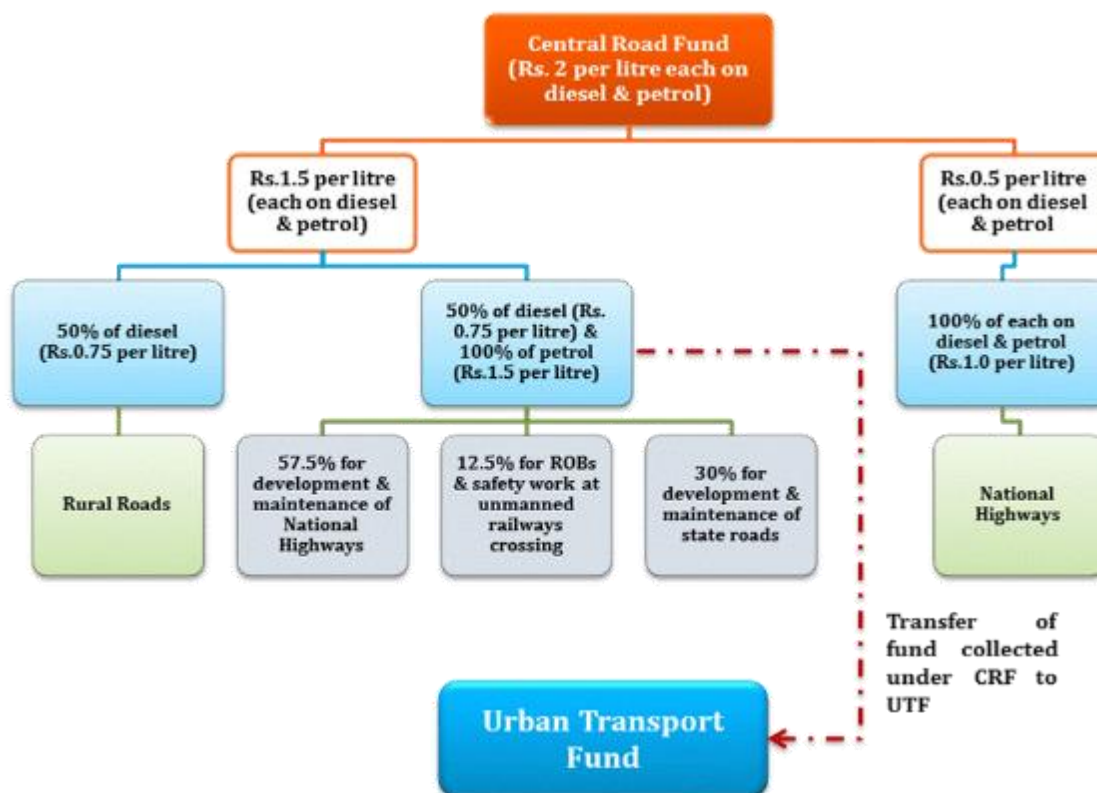
If the UMTA Act so prescribes, a certain portion of funds allocated to the state from the CRF may be distributed appropriately to a particular UTF in the state for development of urban transport infrastructure.

It is to be noted that CRF allocation is only for development and maintenance of various type of road networks. These road networks provide linkages to major market and business centres in urban areas. However, there is no fund allocation for the development of various modes of urban transport to provide accessibility to the people on these networks, towards and within urban centres. Furthermore, it is claimed that a large fraction of the fund remains unutilized, largely due to low proposals of states and slow progress of projects. In this framework, some portion of fund collected from diesel (consumed by most of the public transport vehicles) [say Rs.0.25 per litre] could be allocated to UTF.

The Government of Kerala could earmark [ ] % of the funds attributable to cess on diesel received from CRF and allocate to a particular UTF based on a mechanism that it deems fit.

The mechanism of allocation of the cess through CRF and UTF is illustrated in Exhibit 19 below.

Exhibit 19 Cess allocation from CRF



### 3.2 Funds from National Investment Fund

The GoI constituted the National Investment Fund (NIF) on 3rd November, 2005, into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized. The corpus of the fund was to be of a permanent nature and the same was to be professionally managed in order to provide sustainable returns to the Government, without depleting the corpus.<sup>3</sup> NIF was to be maintained outside the CFI. The income from the NIF corpus investments has been utilized on selected social sector schemes, namely the Jawaharlal Nehru National Urban Renewal Mission (JnNURM), Accelerated Irrigation Benefits Programme (AIBP), Rajiv Gandhi Gramin

<sup>3</sup> Dept. of Disinvestment, Ministry of Finance, GoI



Vidyutikaran Yojana (RGGVY), Accelerated Power Development and Reform Programme, Indira Awas Yojana and National Rural Employment Guarantee Scheme (NREGS).

On the 5th of November 2009, Cabinet Committee on Economic Affairs approved a change in the policy on utilization of disinvestment proceeds. Again on 17th January, 2013 the Government approved restructuring of the NIF and decided that the disinvestment proceeds with effect from the fiscal year 2013-14 will be credited to the existing 'Public Account' under the head NIF and they would remain there until withdrawn/invested for the approved purpose. It was decided that the NIF would be utilized for the following purposes:

- b. Subscribing to the shares being issued by the Central Public Sector Enterprises (CPSEs) including Public Sector Banks (PSBs) and Public Sector Insurance Companies, on rights basis so as to ensure 51% ownership of the Government in those CPSEs/PSBs/Insurance Companies, is not diluted.
- c. Preferential allotment of shares of the CPSE to promoters as per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet its Capex programme.
- d. Recapitalization of public sector banks and public sector insurance companies.
- e. Investment by Government in India Infrastructure Finance Company Limited / National Bank for Agriculture and Rural Development / Exim Bank;
- f. Equity infusion in various Metro projects;
- g. Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corporation of India Ltd.;
- h. Investment in Indian Railways towards capital expenditure

Utilizations as per the points "e" and "g" are related to urban transport.

The receipts from disinvestment of CPSEs are deposited in CFI under the designated Head. Thereafter, these amounts are appropriated from the CFI, with due approval, by the Department of Disinvestment and transferred to the selected Fund Managers through CEO of NIF. The funds are appropriated from NIF for specific purposes.

As the Kochi UMTA Act states, "proceeds accruing to the National Investment Fund which are allocated for use specifically in development of Urban Transport and received by the state could be allocated to the UTF as [ ] % (as may be decided by the Government of Kerala and amended time to time) of the proceeds may be allocated to the UTF".

### **3.3 Funding from centrally sponsored schemes**

The funds received by the Government of Kerala under centrally sponsored schemes of the GoI such as the JnNURM, which are intended for development of urban transport in the State of Kerala could be deposited in the UTF of Kochi Urban Mobility Area.

The funds from JnNURM are tied to a specific utilization, and cannot be used for any other purpose. The role of UMTA would be to monitor the implementation of the specific urban transport project by releasing funds in a manner so as to monitor the progress of the project and ensuring that the funds are utilized in a judicious way.

## 4. FUNDS FROM DIRECT AND INDIRECT BENEFICIARIES

Since the huge investment needs for urban transport cannot be met from traditional sources alone, innovative financing mechanisms need to be tapped. There are various possibilities of raising funds for the urban transport sector including exploiting the direct beneficiaries and various other indirect beneficiaries.

Direct beneficiaries include mainly the commuters who use the transport services. Indirect beneficiaries include those who benefit not directly by using the public transport services but by other benefits accruing to them by better transport facilities / development of infrastructure / enhancement of commercial opportunities etc. These include businesses, advertisers, property owners, property developers and similar others.

Other than these, urban transport can also be funded by way of revenues collected from commercial activities such as selling / leasing / renting of public spaces / infrastructure, commercial activity licenses to private parties etc.

### Innovative Transport Funding in Seoul

Seoul Metropolitan government imposes a congestion charge in one tunnel which connects the central business district with the southern business district. It also levies a traffic inducement charge to owners of certain large scale buildings, which are likely to generate high volumes of traffic. These revenues are used to improve public transport facilities and services.

Although a number of possibilities may exist, not all may be suitable for raising funds due to many factors. Based on the review of Indian and some international practices, some of the potential sources of revenue in this category are discussed in the following paragraphs.

#### 4.1 Fare box collection

User charges are one of the most important sources of revenue for public transport operators. However, fare box revenues in India are dictated by social and political considerations and seldom cover the full cost of the service provided. Often they do not even cover the operating costs.

In the State of Kerala, much of the public transport service is provided by Kerala State Road Transport Corporation and Kerala Urban Road Transport Corporation. In this case, the fare box revenues are retained by these organisations and are liable to pay for the operating expenses. Such a mechanism of taking the revenues without incentivising the drivers degrades the service. This is because they are not rewarded for any increase in the number of passengers utilising their service and they therefore do not even try to garner more passengers. A more commercial and transparent approach would be for this revenue to be retained by the passenger service provider and the difference between this revenue and total operating costs made up by specific subsidies.

Whichever way that fare box revenues are treated, they do not provide a net source of revenue for the UTF. Hence, it would be sensible to not include the funds collected by this method to be transferred to UTF.

#### 4.2 Betterment levy

A betterment levy is a one-time tax to capture a share of the increase in asset value attributable to development of infrastructure. Development of major transport infrastructures such as for BRT, MRT, Metro, etc. results in substantial increase in property values close to the development areas. It makes sense to get a share in the benefit accruing to the property owners. Hence, it appears to

be justified for funding urban transport. However, there are opponents of betterment levy who argue that there should also be a worsening benefit to compensate for any decrease in value attributable to factors other than actions of asset owners. It has been observed that betterment levies are difficult to administer. The reason is that it is not easy to identify exactly the gain in value from development projects. It is also worth noting that betterment levies can be collected only after a certain project has been completed. So, a betterment levy from one development project can only be used for funding other projects or other needs.

#### The case of Betterment Levy in Brazil

Aguas Claras, located 20 km outside Brasilia's city centre, was largely unused until the beginning of the 1990s. It was purchased by the Federal District Authorities before building the Brasilia – Samambaia underground line, linking the pilot plan area to satellite cities that have developed around Brasilia. The land acquired was developed and sold off as individual plots to property developers, in order to capture the significant land value gains generated by the investment. Today close to 75,000 residents live in this new city, and the figure is forecast to double by 2020. This project – the first of its kind in Brazil – was a complete success, as demand for property in the region is very high. Out of the US\$770 million cost to build the underground infrastructure, 85% (or US\$680 million) was generated by selling off plots of land.

Betterment levies can take several forms, as described below:

#### a) Cess on property tax in influence zone of TOD

If a transit-oriented development is proposed within the Urban Mobility Area, then such development can be tapped to fund increase public transport infrastructure development. For this purpose, an 'influence zone' would need to be defined, which could be done based on access to the transit station by walk or non-motorized transit modes. An additional cess on the property tax of the structures within the 'influence zone' of the TOD may be imposed. The rationale is that such TOD usually leads to a rise in the value of the property along the influence zone. It is proposed to charge a cess on the property tax paid by the owners of property that fall within the influence zone of such development. Such cess could be collected by Kochi Municipal Corporation, along with the property tax, and then transferred to the UTF account.

#### b) Additional levy on conversion of land use

This levy is based on the assumption that with urban sprawl, there is a general tendency to get the agricultural land use changed to either residential or commercial purpose and in this way land starts fetching higher market value. Hence, urban road development results in financial benefit to the land owners.

Charges on conversion of land use are levied by the Government of Kerala on land holders who intend to convert any agricultural land to industrial or commercial land in the influence zone of the corridor. The Government of Kerala could impose and collect an additional levy on conversion of land use charges calculated by [ ] % of existing land use conversion charges. Such amounts collected may be distributed among the UTFs in the state based on the population of urban area as the proportionating factor. The urban area of [ ] may be allocated [ ] % of such charges for the UTF.

### 4.3 Tax on Employers

Transport is vital to economic activity within a metropolitan area. It plays a key role in encouraging business development by providing employees with daily access to their workplace, giving clients access to sales outlets, and facilitating the delivery of goods. Viewed in this light, it is only logical and equitable that companies and business activities should contribute to funding public transport.

In the Indian context, this could be one of the potential sources of revenue for UTF. By levying taxes on employers, a good amount of funds may be generated depending on the tax rate employed (In Ile de France region the tax rate is 2.6% for Paris<sup>4</sup>). It is necessary that there should be a legal backing for enabling collection of such tax.

A levy could be imposed on 'large' employers (with staff above a minimum defined threshold) located in transit service areas. The Kochi UMTA could impose and collect a tax levied on employers employing more than [50] employees which could be equal to [ ] % of total wages paid by the employer in a financial year.

#### Versement Tax: The employer tax in France

One of the most successful cases of employer tax in recent history has been in France where the Versement Tax (Transport Tax) is implemented and has funded approximately 35% to 40% of total expenditure on urban transport. It was introduced in 1971 for public and private companies with more than nine salaried employees in the Ile-de-France region. Its purpose was to provide the necessary funding to extend and improve public transport services in the Paris area, which at the time was experiencing rapid economic growth. It was then gradually extended to all metropolitan areas with a transit authority. VT, which is calculated as a percentage of a company's total payroll costs, is collected by Social Security and transferred to the transit authority. The percentage rate applicable is determined by the individual local authorities, although a ceiling is imposed by the State.

### 4.4 Leveraging Revenue Stream

The various sources of funds identified above are mostly revenues that would keep flowing into the UTF of Kochi UMTA. Given the huge requirements of funding for urban transport, these revenues would not be sufficient to fund all urban transport needs. Moreover, since capital intensive development projects often require huge funding, such revenue stream cannot fund such projects on its own. For example, metro rail or mono rail development projects require very high capital funding and usually external funding is required. The continuously flowing revenue stream to the UTF could be used as security for such funding.

It is also envisaged that UTF should be able to raise funds from commercial banks and capital markets (by way of issuance of bonds). Many international examples suggest use of this practice.

The continuously flowing revenue stream to a UTF could be used as security for such funding. UTF could raise funds from commercial banks and capital markets (by way of issuance of bonds). Funding could also include funds from international funding agencies for soft loans, using the continuously flowing stream of UTFs revenues as a source of credibility for debt servicing.

<sup>4</sup> Financing Urban Transport, Ken Gw illiam

## 5. MECHANISM FOR FUND COLLECTION

The collection mechanism for the various identified sources of the UTF is described in Exhibit 20 below.

Exhibit 20 Mechanism for fund collection

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
<b>Charges on vehicle owners</b>			
Additional vehicle registration charges	Regional Transport Officer, Transport Department of the state	Upon registration of a new vehicle	<ul style="list-style-type: none"> <li>The additional charges would be collected by the Transport Department of the state (through the Regional Transport Officer)</li> <li>The charges would accrue to the Government of Kerala, the amount being credited to the state's public account, under the "State Tax Revenue" head.</li> <li>The Government of Kerala would allocate the funds so collected to the UTFs within that state, following an allocation mechanism that the state deems fit.</li> <li>E.g.: Karnataka</li> </ul>
Additional charges on registration of more than one 'motor car' with an existing 'motor car' owner	Regional Transport Officer, Transport Department of the state	Upon registration of a new motor car	<ul style="list-style-type: none"> <li>The additional charges would be collected by the Transport Department of the state (through the Regional Transport Officer).</li> <li>The RTO would verify if the owner of the new motor car already has a motor car registered in his name. In such a case, the additional charges would be applicable.</li> <li>'Motor car' would be as defined under the Motor Vehicle Act.</li> <li>The charges would accrue to the Government of Kerala, the amount being credited to their public accounts, under the "State Tax Revenue" head.</li> <li>The Government of Kerala would then allocate the funds so collected to the UTFs within that state, following an allocation mechanism that the state deems fit.</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
Additional parking charges	ULBs	Parking lots	<ul style="list-style-type: none"> <li>• The ULBs, either on their own, or through private contractors, would collect the additional parking charges from the vehicle owners using the parking facility.</li> <li>• The additional charges would be a certain specified percentage of the parking charges.</li> <li>• The mechanism for collection would be in line with the parking fees collected and deposited in the ULB’s account, under “Income from parking fees” under the head “Rental Income from Municipal Properties”.</li> <li>• Funds from this head would then be transferred to the UTF of the Urban Mobility Area which falls under the ULB’s jurisdiction.</li> </ul>
Traffic penalties accruing to Municipal Corporation	Kochi Municipal Corporation	On the city roads	<ul style="list-style-type: none"> <li>• The penalties from those traffic violations that occur within the jurisdiction of Kochi Municipal Corporation go into the budget of the corporation, with the exception of penalties from violation of rules under Motor Vehicle Act.</li> <li>• A portion of such revenues that are deposited in the account of Kochi Municipal Corporation could be allocated to the UTFs in the Urban Mobility Area.</li> <li>• E.g. : Pune</li> </ul>
Cess on fuel sold	Government of Kerala	Fuel stations	<ul style="list-style-type: none"> <li>• An additional cess on fuel sold in the state where UMTAs have been established may be collected and deposited in the Government of Kerala account by the oil marketing companies along with the tax on sale of fuel.</li> <li>• The Government of Kerala could then allocate a portion of the funds collected through such cess to the UTFs in the state.</li> <li>• E.g.: Proposed in the state of Maharashtra</li> </ul>



Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
Green tax	Transport Department of the state	Upon renewal of vehicle's fitness certificate	<ul style="list-style-type: none"> <li>The green tax may be collected by the Transport Department of the state (through the Regional Transport Officer), each time vehicle owners renew their vehicle's fitness certificate. This would be applicable if renewal is permitted, and the frequency of collection would vary with the frequency of renewal of the fitness certificate.</li> <li>The revenues would be deposited into the state consolidated fund.</li> <li>Further, the Government of Kerala would allocate the funds collected into the consolidated fund from green tax to the UTFs in the state.</li> <li>E.g. : Kanpur</li> </ul>
<b>Central Government Allocations</b>			
Funds from CRF	Ministry of Finance, Gol	-	<ul style="list-style-type: none"> <li>The revenues collected through the cess on petrol and diesel dedicated to the CRF are transferred to the Consolidated Fund of India (CFI).</li> <li>These are then allocated for specific utilizations, such as development of rural roads, national highways, state highways etc.</li> <li>A certain portion of the funds allocated to states for development and maintenance of state roads could be allocated to the UTFs of that state, for funding the development of urban transport.</li> <li>The corresponding amount would be transferred to the state consolidated fund, from where the funds could be allocated to the UTFs, in a manner that the state deems fit.</li> </ul>
Funds from NIF	Ministry of Finance, Gol	-	<ul style="list-style-type: none"> <li>The receipts from disinvestment of CPSEs are deposited in the National Investment Fund, separate from the consolidated fund of India. It is managed by public sector fund managers.</li> <li>These proceeds which are allocated for use specifically in</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
			development of urban transport are then received by the states. <ul style="list-style-type: none"> <li>• A portion of such funds could be allocated to the UTF (as may be decided by the Government of Kerala and amended time to time).</li> </ul>
Funds from centrally sponsored schemes (such as AMRUT)	Ministry of Finance, GoI	-	<ul style="list-style-type: none"> <li>• Funds from centrally sponsored schemes may be channelized through the state consolidated fund.</li> <li>• For example, under the AMRUT scheme of the GoI, one of the components to be funded is urban transport.</li> <li>• The funds under this scheme are allocated to the states based on an equitable formula, at the beginning of the year. They are collected under the “Central Government Transfers” head.</li> <li>• A portion of these funds allocated for urban transport could be transferred from the state consolidated fund to the UTFs in that state.</li> </ul>
Grants under Finance Commission	Ministry of Finance, GoI	-	<ul style="list-style-type: none"> <li>• A portion of the grants received by the states under the Finance Commission could be transferred to the UTFs in that state.</li> <li>• Such grants are collected under the “Central Government Transfers” head in the state account.</li> <li>• For example, grants under the 13<sup>th</sup> Finance Commission are deposited under “Special Grant for 13<sup>th</sup> Finance Commission”.</li> <li>• This amount may be transferred from the state consolidated fund to the UTF account, based on a proportioning factor that the state deems fit.</li> </ul>
<b>Funds from direct and indirect beneficiaries</b>			
Additional charge on advertising fee	Kochi Municipal Corporation/ other public sector agencies	Along with advertising fee	<ul style="list-style-type: none"> <li>• The concerned authority under whose jurisdiction the public space falls, could collect the additional charges on the advertising fee from the advertiser/ advertising company.</li> </ul>

Source	Agency responsible for collection/ allocation	Point of collection	Collection mechanism
		paid to the concerned public authority	<ul style="list-style-type: none"> <li>• This would be reflected in the budget of the ULB, along with the “Sign Advertisement Board Fees” item under “Fees and User Charges”.</li> <li>• These charges could then be transferred to the UTF of the Urban Mobility Area.</li> </ul>
Cess on property tax in influence zone of Transit-Oriented Development corridor	Kochi Municipal Corporation	Along with property tax	<ul style="list-style-type: none"> <li>• The cess would be collected annually by Kochi Municipal Corporation, along with property tax.</li> <li>• It would then be transferred to the UTF of the UMTA in the Urban Mobility Area by Kochi Municipal Corporation.</li> <li>• E.g.: Ahmedabad, Surat</li> </ul>
Additional levy on conversion of land use charges	Land and Revenue Department/ Development Authority/ concerned authority	Upon conversion of the land	<ul style="list-style-type: none"> <li>• The Government of Kerala could impose and collect an additional levy on conversion of land use charges calculated as [ ] % of existing land use conversion charges.</li> <li>• Such amounts collected may be distributed among the UTFs in the state based on a mechanism that the Government of Kerala deems fit.</li> </ul>
Tax on employers	UMTA	To be transferred annually by the employers to the UTF account	<ul style="list-style-type: none"> <li>• A levy could be imposed on ‘large’ employers (with staff above a minimum defined threshold) located in the Urban Mobility Area where UMTA exists.</li> <li>• The UMTA could impose and collect a tax levied on employers employing more than [50] employees which could be equal to [ ] % of total wages paid by the employer in a financial year.</li> <li>• This tax would be transferred by the employers to the UMTA on an annual basis.</li> <li>• E.g. : France (versement tax)</li> </ul>

## 6. GUIDELINES FOR UTILIZATION OF THE IDENTIFIED SOURCES OF FUNDS

It is important to set clear rules for utilization of funds under the UTF and, on how disbursements are to be made, what investments are permissible, what are the accounting rules for the Fund, etc. Hence, guidance is also needed on distribution of funding among the various modes of urban transport i.e. bus, rail, waterways, BRT/MRT. A common practice across the world and in some Indian cases is to have allocation rules for the type of transportation system to be funded, for example Pimpri Chinchwad Municipal Corporation and Ahmedabad Municipal Corporation have each created a UTF specifically to meet the funding requirements of the BRT system. In this context, this section provides guidelines for finalizing the various options for utilizations of the funds from the UTF of Kochi UMTA. It further suggests guidelines for prioritization of the utilization of funds.

It is implicit that funds from the UTF are to be specifically utilized for the purpose of urban transport activities. The funding needs of urban transport may be categorized broadly into the following two categories:

- Capital Expenditure requirements
- Operational Expenditure requirements.

There can be numerous funding requirements in these categories in the urban transport sector ranging from development of infrastructure to funding the research and development activities.

In this regard, UTF funding can be utilized for several purposes, from funding major capital improvements in the transport system, to funding different types of recurrent expenditure such as subsidizing services, funding maintenance of facilities, and paying for staff to administer the urban transport system. Funds from UTF should be judiciously utilized for overall improvement of the urban transport in best possible way. This requires identifying the major utilizations that UTF funds can be put to use and then prioritizing the utilizations.

The recommended options for utilizations of funds from UTF are provided in the following paragraphs. It may be the case that some of the utilizations may not be preferred by Kochi UMTA or that these utilizations may be considered and implemented in a phase wise manner. Kochi UMTA may also consider inclusion of certain other utilizations that UTF funds may be put to. The possible utilization of UTF is highlighted in Exhibit 21. The recommended options for utilizations of funds from UTF are:

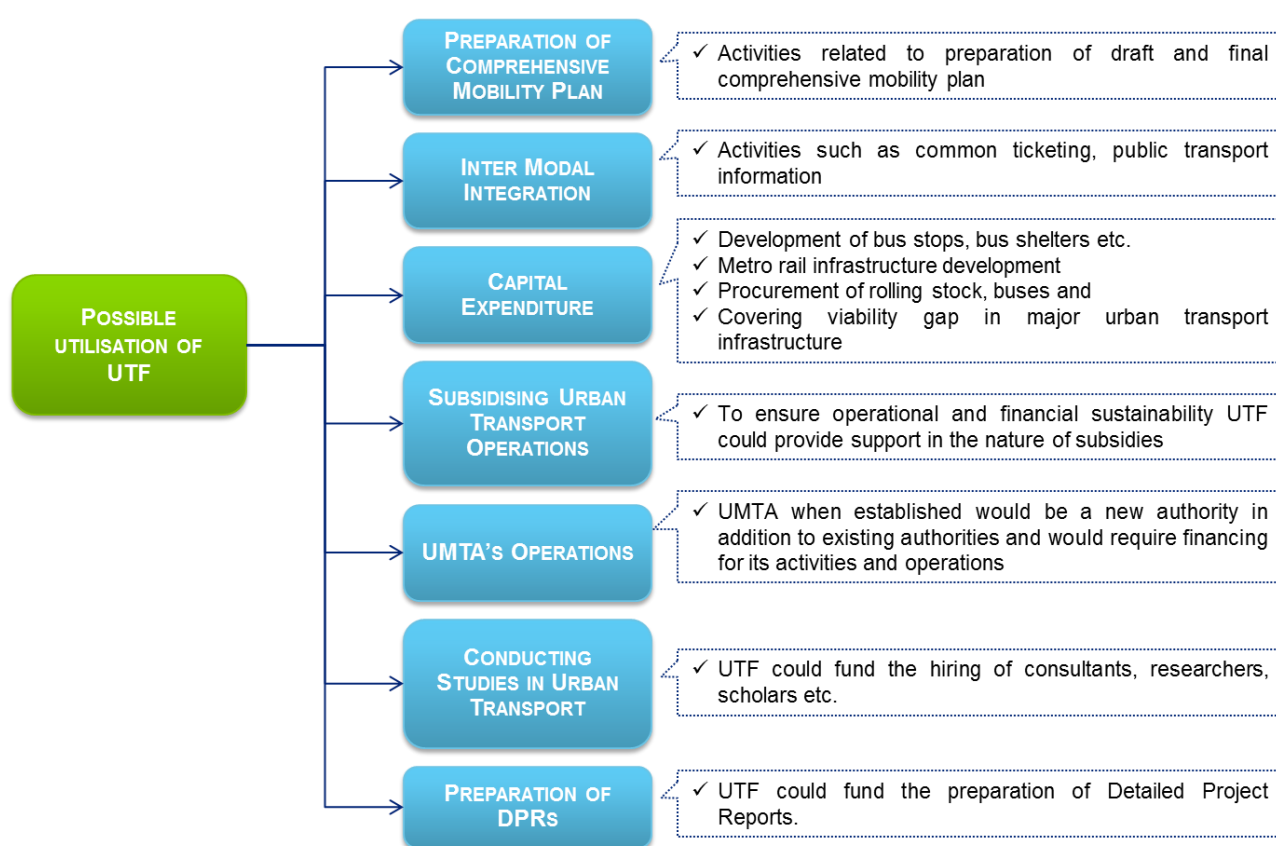
### 5.1 Funding of Capital Investments

UTF could be leveraged to fund the development of infrastructure in urban transport, which could include development of bus stops, bus shelters, metro rail infrastructure development, and procurement of rolling stock, buses and other capital investments. In this way, UTF would be a major funding source for all capital investments in urban transport.

However, it may not be possible for UTF to be able to fund all capital investments at all times. Projects such as development of Metro Rail infrastructure are capital intensive. Moreover such projects are usually implemented through formation of a SPV, in which case servicing the loans should ideally be the responsibility of the SPV itself; as this reflects the operational efficiency of the SPV. Alternatively, UTF can be used for providing viability gap fund for developing urban transport infrastructure. Overall, the UTF could be utilized for funding capital investments in the development of the following:

- Bus stops
- Bus shelters
- BRT corridors
- Metro rail infrastructure development
- Procurement of rolling stock, buses
- Investments in new technologies such as energy efficient vehicles
- Intelligent Transport Systems (ITS)
- Other forms of technology and
- Any other capital investments

Exhibit 21 Possible utilization of UTF



## 5.2 Subsidizing urban transport operations

A major use of funds from UTF could be to subsidise the operation of urban transport services. This is required since urban transport operators seldom generate profits. Considering the economic status and social benefits for the citizens, the transport services cannot be operated at high fares. Moreover, subsidised services are provided for various classes of travellers such as elderly people, students, disabled etc. In such a case to ensure operational and financial sustainability, UTF could provide support in the nature of subsidies. However, dedicated funding from UTF for covering the subsidies could dissuade the operators from achieving operational and financial efficiencies. Therefore, it is recommended that UTF be used for covering only targeted subsidies.

UTF funds could be used for covering targeted subsidies provided to urban transport users to some extent. This shall be to cover some of the costs of such urban transport operations. These

could include funding for targeted subsidies including subsidies for:

- Elderly people,
- Students,
- Women,
- Disabled, or
- Any other form of targeted subsidies etc.

The UTF could fund the targeted subsidies to the extent as decided by the UMTA board on regular basis, based on the proof of costs incurred by the service operator and the financial plan of Kochi UMTA.

### **5.3 Subsidizing inter-modal integration**

There could be explicit subsidy from UTF for promoting development of inter-modal integration. Inter-modal integration requires that implementing agencies / service operators coordinate with each other and collaborate to provide integrated services. However the implementing agencies/ service operators provide services independent of other modes of transport services and are not interested in funding inter-modal integration development due to various reasons including the perceived non-profitable operation on such integrating routes. Thus inter-modal integration is difficult to be achieved in the absence of a coordinating body and a separate funding mechanism. UTF can be suitably used for providing funding for such inter-modal integration services.

The advantage of UTF funding inter-modal integration development is that other agencies are not in conflict for the funding requirements and the development of inter-modal integration can be unbiased thereby resulting in the overall betterment of the transportation services. The UTF could fund the inter-modal integration to the extent as decided by the Kochi UMTA board on regular basis, based on the costs incurred in such inter-modal integration projects and the financial plan of UMTA.

### **5.4 Funding UMTA's operations**

UTF could be primarily used for funding UMTA's establishment expenses and its operations. Kochi UMTA when established would be a new authority in addition to existing authorities and would require financing for funding its activities and payment of salaries to its staff. As UTF is proposed to be part of UMTA, it is understandable that UTF should be used for funding UMTA's operations. This would include:

- Funding for procuring works, services and goods for its own operations by UMTA
- Meeting all operating expenses of UMTA including salaries, utilities expenses, maintenance expenses etc.
- Any other expenses incurred by UMTA for its own operations

All such operating expenses should be paid out form the UTF on the first priority.

### **5.5 Development of Comprehensive Mobility Plan**

UTF should be utilized for financing all expenses of Kochi UMTA related to development of CMP.

### **5.6 Conducting Urban Transport Studies**

UTF could be used to fund the research and development activities in the urban transport sector. Usually such studies are carried out by consultants, researchers, scholars etc. and this requires funding support. The UTF could fund the research and development activities to the extent as



decided by the Kochi UMTA board on regular basis, based on the costs incurred in such research and development activities and the financial plan of UMTA.

### 5.7 Funding for project preparatory activities

UTF could be utilized for funding project preparatory activities for implementing any urban transport project. These shall include activities such as:

- Preparation of DPRs
- Conducting pre-feasibility studies
- Conducting feasibility studies
- Conducting VFM analysis for PPP projects
- Any other project preparatory activity

## 7. GUIDELINES FOR PRIORITIZATION

Capital expenditure would generally apply to fixed assets such as railways, bus, cycle paths, tramlines, stations, roads and bridges. It also applies to investments in new technologies, such as energy efficient vehicles, as well as ITS and other forms of technology. These investments are generally large scale, and require the strong support of governments, international agencies and the private sector.

The recurrent expenditures require a continuous stream of financial resources to cover the operation of urban transport. These include funding for maintenance of para-transit and other transport services, the maintenance of infrastructure, administrative costs for institutions, support for policies and programmes – such as legislation, regulation and traffic rules, air quality management programmes, safety campaigns, and traffic management – including signalling, bus lanes, priority at crossings etc.

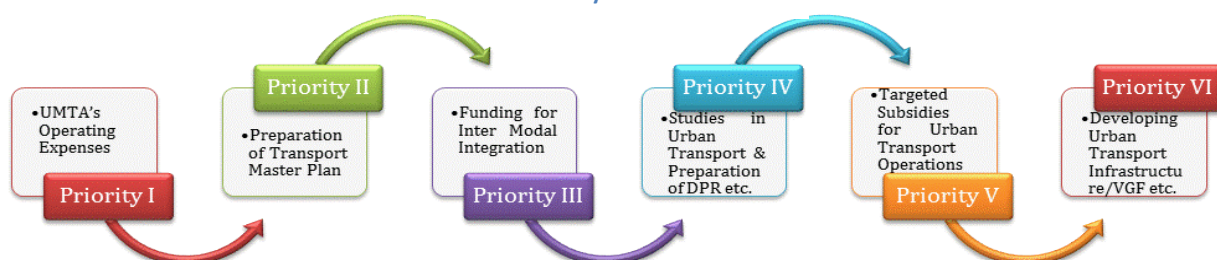
Such expenditures should generally be met by users of the transport system (e.g. via road tolls, public transport fares etc.).

An order of priority of utilizations needs to be followed in utilizations of funds from UTF. The priority with which funds may be utilised is highlighted in Exhibit 22. The recommended order of priority with rationale has been provided below, however an urban area may choose to alter the prioritization based on the local conditions:

**Priority I – Funding UMTA’s Operating Expenses:** It is suggested that the first and foremost priority should be to fund UMTA’s operating expenses. The reasoning is that it is not desired that Kochi UMTA becomes non-functional in the first place and the objective of setting up of UMTA is not fulfilled.

**Priority II – Preparation of CMP:** The second in the order of priority should be preparation of CMP, which is an activity involving substantial effort in terms of time and cost. This is considered to be the most important activity which would provide path for overall development of urban

Exhibit 22 Priority of fund utilization



transport. Efficient planning is the first and most important step to ensure that there is coordination among different agencies and planning overlaps and gaps are minimized. All other activities such as inter-modal integration, capital investments, studies, research etc. are guided by CMP. Therefore, funding for preparation of CMP should be next in priority to funding for UMTA's operating activities.

**Priority III – Funding inter-modal integration:** The third in the order of priority should be funding for inter-modal integration. The different service operators who provide services independently of other modes of transport are usually not interested in funding inter modal integration developments. Since inter-modal integration is very important for smooth public transport, this can be funded by UTF after it funds development of CMP.

From the suggested options for utilizations of funds from UTF in this operations document, prioritization order for three options has been suggested till now. The three remaining utilizations are:

1. Funding for research, studies and project preparatory activities
2. Fund targeted subsidies
3. Funding for capital investments

**Priority IV – Funding research & development activities:**

It is suggested that funding for capital investments should be the last in order of priority for utilization of funds. Further, out of the remaining two options, it is suggested that funding for research, studies and project preparatory activities should be given a higher priority for the following reasons:

- Such activities provide a solid foundation for development of the sector and in the development stages of specific projects.
- Usually a lack of inclination is observed in service operators and any other agencies to conduct research and development activities.

**Priority V – Funding targeted subsidies:** Going by the arguments provided above and also for the following reasons, funding targeted subsidies is the next in the order of priority:

- UTF is envisaged to fund for covering the operating costs of the operators only to a certain extent.
- Funding for covering operating costs might dissuade the service operators in achieving efficiency in their operations.

**Priority VI – Development of urban transport infrastructure:** The last in the order of priority is envisaged to be funding for developing urban transport infrastructure / covering viability gap for developing urban transport infrastructure. The reason for this flows from the understanding that since the needs of urban transport are very high and this is the reason dedicated funding mechanism in form of UTF is envisaged, the UTF should provide funding for capital investments and operations and maintenance of urban transport services. However, the funding need of capital projects is expected to be very high and UTF alone might not be able to support these. Hence, if capital funding needs are prioritized, then it is feared that UTF might exhaust all its funds and other funding needs might not be met.

This order of priority of utilization of funds provides a guideline for efficient utilization to ensure Kochi UMTA is able to achieve the objectives with which it is established. Kochi UMTA can use this as a reference point and based on its specific requirements and characteristics, prioritize the options utilization to best suit its needs.

## ANNEXURE II: FMD STAFF SPECIFICATIONS

### Director Finance

<b>Position</b>	<b>Director Finance</b>
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) To be part of the senior management of the authority and being in-charge of the all the activities of FMD ensuring it efficiently and effectively carries out its functions and pursues the authority's objectives.</li> <li>b) To provide strategic support to the CEO and the board on all matters related to sources of funds for UTF, collection of funds from such different sources and the allocation of funds for different utilizations.</li> <li>c) To oversee the budget preparation, fund management and reporting requirements of the authority. Additionally analyze the authority's financial position and suggest plans for improvement.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.</li> <li>b) Contributing to the effective corporate management of the authority</li> <li>c) Supporting the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework; and corporate decision making arrangements.</li> <li>d) Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.</li> </ul> <p><b>General Responsibilities:</b></p> <ul style="list-style-type: none"> <li>a) Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business</li> <li>b) Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework and assistance in appointment of requisite resources</li> <li>c) Implementing robust processes for recruitment of finance staff and/or outsourcing of functions</li> <li>d) Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders</li> <li>e) Seeking continuous improvement in the finance function</li> <li>f) Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to carry out financing functions of authority</li> <li>g) Contributing to the discussions and decisions of the authority and implementing the decisions of the board and the CEO</li> </ul>	

- h) Meeting the demands of openness and accountability in decision making, balance competition for limited resources across a range of worthwhile objectives, deliver value for money and safeguard taxpayers' money.
- i) Represent the Board in government financial forums, including Finance Department, Planning Commission, Parliament and other review committees securing operational funding for the Board and providing advice as required.
- j) Carry out such other functions and duties that are delegated to the position.

**Responsibility for financial strategy and financial management:**

- a) Maintaining a long term financial strategy to underpin the authority's financial viability
- b) Implementing financial management policies to underpin sustainable long-term financial health
- c) Coordinating the planning and budgeting processes
- d) Ensuring financial stability and sustainability of the authority
- e) Ensuring financial prudence in the activities of the authority
- f) Present periodic Progress Reports to the Board and the CEO. These Progress Reports shall be to a format agreed with the Board time to time, but as a minimum shall report upon the activities of the FMD with regard to revenue collection and disbursement in accordance with the UMTA's objectives.
- g) Oversee the debt management practice of the authority. It is imperative that sufficient funding is available for improvement of urban transport, however only the amount of loan that could be serviced without imposing excessive financial burden on the authority should be a consideration.
- h) Identify and report what sources of funds are most efficient and how the authority can capitalize on this information. This aspect of Director Finance's duties also includes economic forecasting and modelling.
- i) Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction
- j) Actively promoting financial literacy throughout the authority
- k) Achieving value for money
- l) Safeguarding public money
- m) Applying strong internal controls in all areas of financial management, risk management and asset control
- n) Establishing budgets, financial targets and performance indicators
- o) Implementing effective systems of internal control that include standing financial instructions, and compliance with codes of practice to secure probity.
- p) Ensuring that delegated financial authorities are respected
- q) Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties
- r) Implementing appropriate measures to prevent and detect fraud and corruption

- s) Supporting and advising the Audit Committee and relevant scrutiny groups
- t) Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts
- u) Liaising with the external auditor
- v) Develop and manage budgets and financial plans for the Division consistent with financial and accounting policies and reporting systems and monitor costs against budget
- w) Ensure proper mechanisms for cost control are in place for the Division
- x) Develop investment strategy, planning, monitoring and reporting that maximise the prudent and effective use of financial resources, and invest the fund balances in accordance with the policy and procedures approved by the Board

### Reporting

The Director Finance will report regularly to the CEO through verbal and as necessary, written, reports. The Director Finance will periodically prepare and deliver written reports to the Board, particularly on finance matters. The Director Finance will manage production of periodic reports to the Board and will coordinate preparation and publication of UMTA annual reports and reports on the activities and achievements of the Board.

### Salary and Benefits

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### Key Competence required

- a) Leadership: The quality to inspire, lead, coach and develop others to achieve desired goals and objectives. This competency includes defining a vision and guiding individuals towards that vision.
- b) Financial Excellence: This includes deep understanding of financial discipline, including fund management, investments, revenue growth and cost reductions wherever possible.
- c) Decision Making / Problem Solving: The ability to effectively analyse and evaluate information and situations and render effective decisions. This includes anticipating, identifying and defining problems, seeking root causes and developing and implementing practical and timely solutions.
- d) Strategic Orientation: The ability to think and act strategically, to link short and long-term visions to daily activities. This includes the ability to provide clear direction and priorities, and clarify roles and responsibilities. This direction is based on a wider external perspective, where the directions of industry and community are considered.
- e) Results Orientation: A commitment to meeting and exceeding standards of excellence.
- f) Risk Management Orientation: This is the ability to identify and take advantage of opportunities while identifying and minimizing risks that will impede the authority from achieving its goals.
- g) Innovation: The ability to generate new ways of revenue generation, identifying efficient processes, identifying non-value adding processes and develop creative approaches that lead to improved performance.

**Qualifications and Experience**

- a) First Class post graduate degree in Finance / Commerce / Economics / Accountancy
- b) At least 15 years of work experience with at least 5 years of experience in Senior Management position in Financial Function of any public / private sector entity
- c) Membership of a relevant professional body.
- d) Experience in developing and describing the future vision, in a way that encourages and motivates staff to follow.
- e) Experience in a position with strategic focus, ability to rise above detail, to summarize overall patterns, assess value, and see trends.
- f) Experience in delegation, managing workloads and work streams, budgeting and monitoring costs, and ensuring compliance.
- g) Experience in building and fostering relationships.

**Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, authority's performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively demonstrates, promotes and models desired organizational behaviours and values.
- c) Promotes a climate of innovation, change and adaptation within own area.
- d) Delegates' decision making where appropriate, ensuring staff have the capability and knowledge to make sound decisions.
- e) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results.
- f) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made.
- g) Takes responsibility for the position accountability and own actions, and for the actions of staff who report to the position.
- h) Is honest, ethical, and able to develop and maintain the trust and confidence of all constituents.
- i) Has Financial Accounting, Cash Management, and Corporate Finance Competence
- j) Demonstrates strong leadership within the financial departments and with the management team as a whole
- k) Has strong communication skills
- l) Has strong work ethic
- m) Works reliably under pressure to produce timely, accurate information



## General Manager – Accounts and Finance

<b>Position</b>	General Manager – Accounts and Finance
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to accounting and financing activities</li> <li>b) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD</li> <li>c) Assistance in appointment of managers and junior executive staff</li> <li>d) Assist director finance in implementing decisions of the board and the CEO</li> <li>e) Supervise the activities of respective managers and monitor progress</li> <li>f) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Maintenance of all records and accounts with regard to the UMTA including all funds collected, all funds disbursed, all expenses of the authority in accordance with prevailing accounting and financial practices;</li> <li>b) Opening and maintenance of bank accounts as required and authorized by the UMTA Board, in which shall be recorded all revenue received by the Fund and all disbursements from the Fund;</li> <li>c) Assistance in ensuring full and timely collection, transfer and deployment of funds dedicated for Kochi UMTA in accordance with the Kochi UMTA Act;</li> <li>d) Effectively represent the Board's interests to external stakeholders and key partners.</li> <li>e) Assistance to Director Finance in carrying out the functions of FMD;</li> <li>f) Assistance in appointment of managers and junior executive staff;</li> <li>g) Assist director finance in implementing decisions of the board and the CEO;</li> <li>h) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD;</li> <li>i) Supervise the activities of respective managers and monitor progress;</li> <li>j) Ensure compliance with applicable laws and financial practice.</li> <li>k) Ensure that the values, behaviours and culture of the staff in the respective Division are aligned with the strategy of the Board to achieve a truly integrated work environment.</li> <li>l) Demonstrate excellence in staff management including the appropriate recruitment, retention, performance management and development of employees.</li> </ul>	
<p><b>Reporting</b></p> <p>The General Manager – Accounts and Finance will report regularly to the Director Finance</p>	

through verbal and as necessary, written reports.

### **Salary and Benefits**

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### **Key Competence required**

- a) Excellent financial and accounting skills
- b) A commitment to meeting and exceeding standards of excellence
- c) Risk management orientation to identify and take advantage of opportunities while identifying and minimizing risks that will impede the authority from achieving its goals.
- d) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines.
- e) Good knowledge of Indian Accounting Standards, GAAP, IFRS etc.
- f) Advanced computer skills, particularly knowledge of MS Word and MS Excel software
- g) Strong managerial and operational excellence to plan and execute tasks and manage team members.
- h) Effective ability to analyse and evaluate information and situations and render effective decisions. This includes anticipating, identifying and defining problems, seeking root causes and developing and implementing practical and timely solutions.
- i) Commitment to meeting and exceeding standards of excellence.
- j) Excellent communication skills

### **Qualifications and Experience**

- a) First class post graduate degree in Finance / Accountancy / relevant field
- b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Accounting Function of any public / private sector entity
- c) Membership of a relevant professional body.
- d) Experience of applicable Indian laws, standards, policies and practices.

### **Skills and Personal Attributes**

- a) Excellent knowledge of Indian Accounting Standards, GAAP, IFRS etc.
- b) Excellent Knowledge of use of software/IT in accounting and finance functions
- c) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills.
- d) Should possess stress management and time management skills
- e) Maintains a good understanding of the work environment and trends and the political and regulatory climate
- f) Makes timely decisions based on evidence and on merit, within authority levels, and

takes responsibility for the results.

- g) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made.
- h) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.

## General Manager – Budgeting

<b>Position</b>	General Manager – Budgeting
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to budgeting, fund management and Multi-Year Programming activities</li> <li>b) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD of UMTA</li> <li>c) Supervise the activities of respective managers and monitor progress</li> <li>d) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Assistance in preparation of the annual forecasted and actual budgets for the UMTA required for carrying out the functions of UMTA;</li> <li>b) Assistance in undertaking efficient fund management of funds available with Kochi UMTA, ensuring that the funds do not erode in value and are available for use at required times;</li> <li>c) Prepare annual reports, including reports on audited annual accounts, financial statements and on the activities and achievements of UMTA, for approval of the Board and submission to the respective government authorities and publishing and making available to the public;</li> <li>d) Prepare periodic reports (monthly / quarterly / semi-annually) on financial statements of UMTA and on periodic progress, activities and achievements of UMTA;</li> <li>e) Assistance in preparing urban transport Multi-Year Programme and provide inputs regarding the financing arrangements including the estimated requirement and availability of funds, options for arrangement of funds for fulfilling the funding gaps, plans for achieving financial independence, sustainability and efficiency etc.;</li> <li>f) Preparation of options for consideration by Board for financing urban transport programmes and preparation of associated requisite documentation;</li> <li>g) Assistance in appointment of managers and junior executive staff;</li> <li>h) Assist Director Finance in implementing decisions of the Board and the CEO;</li> <li>i) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD;</li> <li>j) Supervise the activities of respective managers and monitor progress;</li> <li>k) Demonstrate excellence in staff management including the appropriate recruitment, retention, performance management and development of employees.</li> <li>l) Define, clarify and communicate the Board's strategic direction and a culture of collaborative working, with particular focus on compliance with the Authority's policies and procedures and the Approved Annual budgets and other reports.</li> <li>m) Ensure that the values, behaviour and culture of the staff in the Executive office are</li> </ul>	

<p>aligned with the strategy of the Board to achieve a truly integrated work environment.</p> <p>n) Ensure compliance with applicable laws and financial practice.</p>
<p><b>Reporting</b></p> <p>The General Manager – Budgeting will report regularly to the Director Finance through verbal and as necessary, written reports.</p>
<p><b>Salary and Benefits</b></p> <p>The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).</p>
<p><b>Key Competence required</b></p> <ul style="list-style-type: none"> <li>a) Excellent Financial, Budgeting, Reporting and Fund Management Skills;</li> <li>b) Risk Management Orientation to identify and take advantage of opportunities while identifying and minimizing risks that will impede the authority from achieving its goals.</li> <li>c) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines.</li> <li>d) Good knowledge of Indian Accounting Standards, GAAP, IFRS etc.</li> <li>e) Advanced Computer skills, particularly knowledge of MS Word and MS Excel software</li> <li>f) Strong managerial and operational excellence to plan and execute tasks and manage team members.</li> <li>g) Effective ability to analyse and evaluate information and situations and render effective decisions. This includes anticipating, identifying and defining problems, seeking root causes and developing and implementing practical and timely solutions.</li> <li>h) Commitment to meeting and exceeding standards of excellence.</li> <li>i) Excellent communication skills</li> </ul>
<p><b>Qualifications and Experience</b></p> <ul style="list-style-type: none"> <li>a) First Class post graduate degree in Finance / Accountancy / Commerce / Economics / other Relevant Field</li> <li>b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Budgeting/Treasury/Fund Management Function of any public / private sector entity</li> <li>c) Membership of a relevant professional body.</li> <li>d) Experience of applicable Indian laws, standards, policies and practices.</li> </ul>
<p><b>Skills and Personal Attributes</b></p> <ul style="list-style-type: none"> <li>a) Excellent knowledge of fund management practices, reporting practices, budgeting practices;</li> <li>b) Excellent skills in forecasting and estimation</li> <li>c) Excellent skills in budget monitoring and risk management;</li> </ul>

- d) Excellent Knowledge of use of software/IT in finance/treasury/reporting functions
- e) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills.
- f) Should possess stress management and time management skills
- g) Maintains a good understanding of the work environment and trends and the political and regulatory climate
- h) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results.
- i) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made.
- j) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.



## General Manager – Financial Monitoring

<b>Position</b>	General Manager – Financial Monitoring
<b>Position Description</b>	
<b>Purpose of the Position</b>	
<ul style="list-style-type: none"> <li>a) Responsible for carrying out all activities and fulfilling all responsibilities related to Financial Monitoring of fund utilizations by the implementing agencies;</li> <li>b) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD of UMTA;</li> <li>c) Supervise the activities of respective managers and monitor progress;</li> <li>d) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<b>Key Responsibilities</b>	
<ul style="list-style-type: none"> <li>a) Evaluate proposed projects or other urban transport activities in line with the objectives of the authority and approved Multi-Year Programme for the urban transport with regards to the financial arrangements including the estimated costs, availability of finances, direct / indirect revenue generation potential, socio-economic benefits, overall value for money etc.</li> <li>b) Monitor the performance of implementing agencies in execution and supervision of activities as per Approved Multi-Year Programmes</li> <li>c) Discuss monthly progress reports from implementing agencies and assist them with resolving any bottlenecks or constraints</li> <li>d) Undertake financial monitoring of urban transport activities implemented by implementing agencies, including monitoring cash flows, capital expenditures, debt repayments, equity structure, revenue inflows etc.</li> <li>e) Assistance in appointment of managers and junior executive staff,</li> <li>f) Assist director finance in implementing decisions of the board and the CEO,</li> <li>g) Carrying out all activities as allocated by the director finance in fulfilment of responsibilities and functions of FMD,</li> <li>h) Supervise the activities of respective managers and monitor progress,</li> <li>i) Ensure compliance with applicable laws and financial practice.</li> <li>j) Process reviews of Urban Transport Multi-Year Programmes as necessary</li> <li>k) Monitor the performance of implementing agencies in execution, supervision and certification of activities in Approved Multi-Year Programmes</li> <li>l) Collecting and reviewing progress reports submitted by Implementing Agencies;</li> <li>m) Reporting irregularities (if any);</li> <li>n) Cross-checking verified expenditures together with the implementing agencies.</li> </ul>	
<b>Reporting</b>	
The General Manager – Financial Monitoring will report regularly to the Director Finance	

through verbal and as necessary, written reports.

### **Salary and Benefits**

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### **Key Competence required**

- a) Excellent Financial monitoring and supervision skills;
- b) Excellent knowledge of financial risks;
- c) Excellent knowledge of project financial management;
- d) Excellent understanding of financial indicators and their effects including those on cash flows, debt repayments, equity structure, capital expenditures, revenue inflows etc.;
- e) Ability to anticipate accounting, financial and operational issues assess their implications, determine their impact and develop an appropriate action plan;
- f) Strong analytical skills with ability to set priorities, complete work with minimal supervision, and meet deadlines;
- g) Advanced Computer skills, particularly knowledge of MS Word and MS Excel software;
- h) Excellent communication skills.

### **Qualifications and Experience**

- a) First Class post graduate degree in Finance / Accountancy / Commerce / Economics / other Relevant Field
- b) At least 12 years of work experience with at least 5 years of experience in Senior/Middle Management position in Financial/Audit/Monitoring function of any public / private sector entity
- c) Membership of a relevant professional body
- d) Experience of applicable Indian laws, standards, policies and practices

### **Skills and Personal Attributes**

- a) Excellent communication skills including fluency in English;
- b) Ability to organize, plan and implement work assignments and work under deadlines;
- c) Ability to establish and maintain effective working and team relations;
- d) Excellent Knowledge of use of software/IT in finance functions;
- e) Should possess excellent interpersonal skills, team building skills, analytical and problem solving skills;
- f) Should possess stress management and time management skills;
- g) Maintains a good understanding of the work environment and trends and the political and regulatory climate;
- h) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results;

- i) Gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions made;
- j) Takes accountability for the position responsibilities and own actions, and for the actions of any staff that report to the position.

## Support Staff – Accounting

<b>Position</b>	<b>Support Staff – Accounting</b>
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Being part of the executive team and provide assistance in carrying out all activities and fulfilling all responsibilities related to accounting function of UMTA</li> <li>b) Carrying out all activities as allocated by the Director Finance in fulfilment of responsibilities and functions of FMD</li> <li>c) Ensure compliance with applicable laws and financial practice</li> <li>d) To ensure effective execution, operational efficiency and functional excellence in fulfilment of tasks of FMD.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Assistance to ‘General Manager Accounting and Finance’ in carrying out the assigned functions of FMD;</li> <li>b) Maintenance of all records and accounts with regard to the UMTA including all funds collected, all funds disbursed, all expenses of the authority in accordance with prevailing accounting and financial practices;</li> <li>c) Assist ‘General Manager Accounting and Finance’ in carrying out process of opening and maintenance of bank accounts as required and authorized by the UMTA Board, in which shall be recorded all revenue received by the Fund and all disbursements from the Fund;</li> <li>d) Assistance in ensuring full and timely collection, transfer and deployment of funds dedicated for the UMTA in accordance with the UMTA Act;</li> <li>e) Ensure compliance with applicable laws and financial practice.</li> <li>f) Coordinating with other officials within UMTA and outside UMTA for fulfilment of their responsibilities.</li> <li>g) Carry out such other functions and duties that are delegated to the position.</li> </ul>	
<p><b>Reporting</b></p> <p>The Support Staff shall report regularly to the General Manager – Accounting &amp; Finance, through verbal and as necessary, written, reports.</p>	
<p><b>Salary and Benefits</b></p> <p>The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).</p>	
<p><b>Key Competence required</b></p> <ul style="list-style-type: none"> <li>a) Experience and proven expertise in the relevant field</li> <li>b) The support staff should have excellent operational capabilities to execute tasks within</li> </ul>	

assigned timelines and expectations.

- c) The support staff should have the ability to effectively analyse and evaluate information and situations and render effective solutions.
- d) Should be committed to achieving results with high standards of quality and efficiency  
Demonstrated experience in the development of financial strategic plans and frameworks.
- e) Familiar with government sector accounting procedures and financial requirements.

### **Qualifications and Experience**

- a) Post-graduate qualifications in accountancy or business administration
- b) Should have at least 5 years work experience, with minimum 2 years of work experience in a public sector entity in its accountancy function.
- c) Membership of a relevant professional accounting body.
- d) Financial management experience in a complex authority with multiple revenue streams.
- e) Demonstrated working knowledge of finance systems.
- f) Detailed knowledge of revenue management, treasury management, financial analysis and cash flow management.
- g) Demonstrated excellence in revenue management and forecasting.
- h) Experience in building and fostering relationships.

### **Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, organizational performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively looks for opportunities to improve services and support organizational change.
- c) Maintains awareness of overall organizational goals, and looks for opportunities to contribute authority-wide as able.
- d) Consults and shares information within a team environment, and cross functionally.
- e) Able to present complex financial matters in simple and understandable terms.
- f) Excellent communication skills.
- g) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results; gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions on own business area and overall.
- h) Takes accountability for the position responsibilities and own actions.

## Support Staff – Collection

Position	Support Staff – Collection
<b>Position Description</b>	
<b>Purpose of the Position</b> <ul style="list-style-type: none"> <li>a) Being part of the executive team and provide assistance in carrying out all activities and fulfilling all responsibilities related to collection of funds for UMTA in accordance with the UMTA Act</li> <li>b) Carrying out all activities as allocated by the General Manager – Accounting and Finance in fulfilment of responsibilities and functions of FMD</li> <li>c) Ensure compliance with applicable laws and financial practice</li> <li>d) To ensure effective execution, operational efficiency and functional excellence in fulfilment of tasks of FMD.</li> </ul>	
<b>Key Responsibilities</b> <ul style="list-style-type: none"> <li>a) Assistance to ‘General Manager Accounting and Finance’ in carrying out the assigned functions of FMD;</li> <li>b) Assistance in ensuring full and timely collection of funds dedicated for the UMTA in accordance with the UMTA Act;</li> <li>c) Carrying out the process of collection of funds and in this process ensuring sufficient coordination with the respective government departments / agencies / banks / financial institutions / other agencies from which funds are to be collected for UTF in accordance with the UMTA Act;</li> <li>d) Maintaining records of funds required to be collected and funds actually collected;</li> <li>e) Carry out the required documentation for collection of funds from different sources;</li> <li>f) Preparing and presenting periodic reports of collections of funds. The reports may include details with regards to targeted and actual collections, issues in collection of funds, options for improvement of collection process, any other relevant details etc.</li> <li>g) Ensure compliance with applicable laws and financial practice.</li> <li>h) Coordinating with other officials within UMTA and outside UMTA for fulfilment of their responsibilities.</li> <li>i) Carry out such other functions and duties that are delegated to the position.</li> </ul>	
<b>Reporting</b> <p>The Support Staff shall report regularly to the General Manager – Accounting &amp; Finance, through verbal and as necessary, written, reports.</p>	
<b>Salary and Benefits</b> <p>The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).</p>	



**Key Competence required**

- a) Experience and proven expertise in the relevant field
- b) The support staff should have excellent operational capabilities to execute tasks within assigned timelines and expectations.
- c) The support staff should have the ability to effectively analyse and evaluate information and situations and render effective solutions.
- d) Should be committed to achieving results with high standards of quality and efficiency  
Demonstrated experience in the development of financial strategic plans and frameworks.
- e) Familiar with public sector collection procedures and financial requirements.

**Qualifications and Experience**

- a) Post-graduate qualifications in accountancy / relevant field
- b) Should have at least 5 years work experience, with minimum 2 years of work experience in a public sector entity in its accountancy / fund management / collection function.
- c) Membership of a relevant professional accounting body.
- d) Fund Collection experience in a complex authority with multiple revenue streams.
- e) Demonstrated working knowledge of finance systems.
- f) Experience in building and fostering relationships.

**Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, organizational performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively looks for opportunities to improve services and support organizational change.
- c) Maintains awareness of overall organizational goals, and looks for opportunities to contribute authority-wide as able.
- d) Consults and shares information within a team environment, and cross functionally.
- e) Able to present complex financial matters in simple and understandable terms.
- f) Excellent communication skills.
- g) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results; gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions on own business area and overall.
- h) Takes accountability for the position responsibilities and own actions.

## Support Staff – Disbursement

Position	Support Staff – Disbursement
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Being part of the executive team and provide assistance in carrying out all activities and fulfilling all responsibilities related to disbursement of funds available with UMTA in accordance with the Kochi UMTA Act</li> <li>b) Carrying out all activities as allocated by the General Manager – Accounting and Finance in fulfilment of responsibilities and functions of FMD</li> <li>c) Ensure effective execution, operational efficiency and functional excellence in fulfilment of tasks of FMD.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Assistance to ‘General Manager Accounting and Finance’ in carrying out the assigned functions of FMD;</li> <li>b) Assistance in ensuring accurate and timely disbursement of funds, as decided and approved by UMTA for development of urban transport in accordance with the defined utilizations and prioritizations as per the Kochi UMTA Act;</li> <li>c) Carrying out the process of disbursement of funds and in this process ensuring sufficient coordination with the respective government departments / implementing agencies / banks / financial institutions / other agencies to / through which funds are to be disbursed and transferred from UTF in accordance with the Kochi UMTA Act;</li> <li>d) Maintaining records of funds required to be disbursed and funds actually disbursed;</li> <li>e) Carry out the required documentation for disbursement of funds for different utilizations;</li> <li>f) Preparing and presenting periodic reports of disbursement of funds. The reports may include details with regards to targeted and actual disbursements, issues in disbursement of funds, options for improvement of disbursement process, any other relevant details etc.</li> <li>g) Make available the information on disbursement of funds to the Monitoring and Audit team of FMD for enabling them to monitor the utilizations in accordance with the defined objectives;</li> <li>h) Ensure compliance with applicable laws and financial practice.</li> <li>i) Coordinating with other officials within UMTA and outside UMTA for fulfilment of their responsibilities.</li> </ul>	
<p><b>Reporting</b></p> <p>The Support Staff shall report regularly to the General Manager – Accounting &amp; Finance, through verbal and as necessary, written, reports.</p>	

### **Salary and Benefits**

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### **Key Competence required**

- a) Experience and proven expertise in the relevant field
- b) The support staff should have excellent operational capabilities to execute tasks within assigned timelines and expectations.
- c) The support staff should have the ability to effectively analyse and evaluate information and situations and render effective solutions.
- d) Should be committed to achieving results with high standards of quality and efficiency. Demonstrated experience in the development of financial strategic plans and frameworks.
- e) Familiar with public sector disbursement procedures and financial requirements.

### **Qualifications and Experience**

- a) Post-graduate qualifications in accountancy / relevant field
- b) Should have at least 5 years work experience, with minimum 2 years of work experience in a public sector entity in its accountancy / fund management / disbursement function.
- c) Membership of a relevant professional accounting body.
- d) Fund disbursement experience in a complex authority with multiple revenue streams.
- e) Demonstrated working knowledge of finance systems.
- f) Experience in building and fostering relationships.

### **Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, organizational performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively looks for opportunities to improve services and support organizational change.
- c) Maintains awareness of overall organizational goals, and looks for opportunities to contribute authority-wide as able.
- d) Consults and shares information within a team environment, and cross functionally.
- e) Able to present complex financial matters in simple and understandable terms.
- f) Excellent communication skills.
- g) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results; gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions on own business area and overall.
- h) Takes accountability for the position responsibilities and own actions.

## Support Staff – Budgeting and Fund Management

<b>Position</b>	<b>Support Staff – Budgeting and Fund Management</b>
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Being part of the executive team and provide assistance in carrying out all activities and fulfilling all responsibilities related to fund management, budgetary and related activities of UMTA</li> <li>b) Carrying out all activities as allocated by the General Manager – Budgeting, Fund Management &amp; Multi-Year Programming in fulfilment of responsibilities and functions of FMD</li> <li>c) Ensure effective execution, operational efficiency and functional excellence in fulfilment of tasks of FMD.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Assistance in carrying out the assigned functions of FMD;</li> <li>b) Assistance in preparation of the annual forecasted and actual budgets for the UMTA required for carrying out the functions of UMTA;</li> <li>c) Assistance to in preparing annual reports, including reports on audited annual accounts, financial statements and on the activities and achievements of UMTA, for approval of the Board and submission to the respective government authorities and publish and make available to the public;</li> <li>d) Assistance in preparing periodic reports (monthly / quarterly / semi-annually) on financial statements of UMTA and on periodic progress, activities and achievements of UMTA;</li> <li>e) Assistance in efficient fund management in accordance with the fund management policies decided by the UMTA Board ensuring that the funds do not erode in value and are available for use at required times</li> <li>f) Assistance in preparing urban transport Multi-Year Programme and provide inputs regarding the financing arrangements including the estimated requirement and availability of funds, options for arrangement of funds for fulfilling the funding gaps, plans for achieving financial independence, sustainability and efficiency etc.;</li> <li>g) Assistance in preparation of options for consideration by Board for financing urban transport programmes and preparation of associated requisite documentation;</li> <li>h) Ensure compliance with applicable laws and financial practice.</li> <li>i) Coordinating with other officials within UMTA and outside UMTA for fulfilment of their responsibilities.</li> </ul>	
<p><b>Reporting</b></p> <p>The Support Staff shall report regularly to the General Manager – Accounting &amp; Finance, through verbal and as necessary, written, reports.</p>	

### **Salary and Benefits**

The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).

### **Key Competence required**

- a) Experience and proven expertise in the relevant field
- b) The support staff should have excellent operational capabilities to execute tasks within assigned timelines and expectations.
- c) The support staff should have the ability to effectively analyse and evaluate information and situations and render effective solutions.
- d) Should be committed to achieving results with high standards of quality and efficiency. Demonstrated experience in the development of financial strategic plans and frameworks.
- e) Familiar with public sector disbursement procedures and financial requirements.

### **Qualifications and Experience**

- a) Post-graduate qualifications in finance / relevant field
- b) Should have at least 5 years work experience, with minimum 2 years of work experience in a public sector entity in its fund management / treasury / budgeting function.
- c) Membership of a relevant professional accounting body.
- d) Budgeting, financial planning and fund management experience
- e) Demonstrated working knowledge of finance systems.
- f) Experience in building and fostering relationships.

### **Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, organizational performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively looks for opportunities to improve services and support organizational change.
- c) Maintains awareness of overall organizational goals, and looks for opportunities to contribute authority-wide as able.
- d) Consults and shares information within a team environment, and cross functionally.
- e) Able to present complex financial matters in simple and understandable terms.
- f) Client focused.
- g) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results; gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions on own business area and overall.
- h) Takes accountability for the position responsibilities and own actions.

## Support Staff – Financial Monitoring

<b>Position</b>	<b>Support Staff – Financial Monitoring</b>
<b>Position Description</b>	
<p><b>Purpose of the Position</b></p> <ul style="list-style-type: none"> <li>a) Being part of the executive team and provide assistance in carrying out all activities and fulfilling all responsibilities related to financial monitoring and fund utilisations by the implementing agencies</li> <li>b) Carrying out all activities as allocated by the General Manager – Financial Monitoring in fulfilment of responsibilities and functions of FMD</li> <li>c) Ensure effective execution, operational efficiency and functional excellence in fulfilment of tasks of FMD.</li> <li>d) Ensure compliance with applicable laws and financial practice.</li> </ul>	
<p><b>Key Responsibilities</b></p> <ul style="list-style-type: none"> <li>a) Assist in evaluation of proposed projects or other urban transport activities in line with the objectives of the authority and approved Multi-Year Programme for the urban transport with regards to the financial arrangements including the estimated costs, availability of finances, direct / indirect revenue generation potential, socio-economic benefits, overall value for money etc.</li> <li>b) Assist in monitoring the performance of implementing agencies in execution and supervision of activities as per approved Multi-Year Programmes</li> <li>c) Assist in undertaking financial monitoring of urban transport activities implemented by implementing agencies, including monitoring cash flows, capital expenditures, debt repayments, equity structure, revenue inflows etc.</li> <li>d) Ensure compliance with applicable laws and financial practice.</li> <li>e) Assist in conducting process reviews of urban transport Multi-Year Programmes as necessary</li> <li>f) Assist in collecting and reviewing progress reports submitted by Implementing Agencies;</li> <li>g) Assist in cross-checking verified expenditures together with the implementing agencies.</li> <li>h) Carrying out all activities as allocated for the position time to time.</li> </ul>	
<p><b>Reporting</b></p> <p>The Support Staff shall report regularly to the General Manager – Financial Monitoring, through verbal and as necessary, written, reports.</p>	
<p><b>Salary and Benefits</b></p> <p>The pay scale is recommended to be at par with that of central/state level public sector undertakings (PSUs).</p>	



**Key Competence required**

- a) Experience and proven expertise in the relevant field
- b) The support staff should have excellent operational capabilities to execute tasks within assigned timelines and expectations.
- c) The support staff should have the ability to effectively analyse and evaluate information and situations and render effective solutions.
- d) Should be committed to achieving results with high standards of quality and efficiency  
Demonstrated experience in the development of financial strategic plans and frameworks.
- e) Familiar with public sector disbursement procedures and financial requirements.

**Qualifications and Experience**

- a) Post-graduate qualifications in accounting / finance / relevant field
- b) Should have at least 5 years work experience, with minimum 2 years of work experience in a public sector entity in its financial monitoring / audit function.
- c) Membership of a relevant professional accounting body.
- d) Budgeting, financial planning and fund management experience
- e) Demonstrated working knowledge of finance systems.
- f) Experience in building and fostering relationships.

**Skills and Personal Attributes**

- a) Maintains a good understanding of the work environment and trends, organizational performance, and the political and regulatory climate and identifies potential opportunities, risks and issues before they arise.
- b) Actively looks for opportunities to improve services and support organizational change.
- c) Maintains awareness of overall organizational goals, and looks for opportunities to contribute authority-wide as able.
- d) Consults and shares information within a team environment, and cross functionally.
- e) Able to present complex financial matters in simple and understandable terms.
- f) Client focused.
- g) Makes timely decisions based on evidence and on merit, within authority levels, and takes responsibility for the results; gathers all relevant information, utilizes an analytical and logical approach to problem solving, and accurately assesses impact of decisions on own business area and overall.
- h) Takes accountability for the position responsibilities and own actions.

## ANNEXURE III: LETTER FOR AVAILING FINANCIAL ASSISTANCE

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Covering Letter

*(On the letterhead of the Beneficiary)*

Date:

The \_\_\_\_\_  
Kochi Unified Metropolitan Transport Authority  
{Insert Address}

Dear Sir/Madam,

Sub: Availing Financial Assistance under Urban Transport Fund for {insert project name}  
for {town/city/district/any other implementing agency}

With regard to Project #ABC envisaged in the Multi-Year Programme, *[insert Beneficiary Name]* proposes to undertake *[insert Project Name]* for *[insert purpose of the Project]* at *[insert town/ city/ district / any other local planning area]*. For this purpose, we intend to avail financial assistance in the form of \_\_\_\_\_ (Grant/ Soft Loan) to the amount of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ Only) from the Urban Transport Fund (UTF). The other details of the Project are provided in the Proposal for Financial Assistance under UTF.

Looking forward to your assistance.

Thanking You.

Yours sincerely / faithfully,

Signature

Name

Designation

Department

## ANNEXURE IV: APPROVAL LETTER FOR FINANCIAL ASSISTANCE

Approval Letter

(On the letterhead of Kochi UMTA)

Date:

Project # ABC

The Secretary,

{Insert Beneficiary Name}

{Insert Beneficiary Address}

Dear Sir/Madam,

Sub: Financial Assistance under UTF for {Insert Project Name} for {insert town/ city/ local planning area}

With regard to the captioned project, please find the details of the Financial Assistance extended. Total amount of funds sanctioned under UTF for this project is Rs. \_\_\_\_\_/- lakhs (Rupees \_\_\_\_ only).

The details of release of sanctioned funds shall be as follows:

### RELEASE OF FINANCIAL ASSISTANCE SCHEDULE

S. No.	Schedule of release of grant	% of funds to be allocated	Funds to be allocated (in Rs. Lakhs)
1.	Stage 1		
2.	Stage 2		
3.	Stage 3		
	Total	100%	

*Highlight the milestone(s) for which the amount is being disbursed*

### Terms and Conditions

A total amount of Rs. \_\_\_\_\_ /- (Rupees \_\_\_\_\_ only) has been sanctioned from the Kochi Urban Transport Fund for the Project subject to the following conditions:

- The amount of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) shall be released as per the Release for Financial Assistance Schedule.
- The Release for Financial Assistance for subsequent stages shall be subject to satisfactory submission of deliverables and appropriate Fund Utilization Certificates.

The sanctioned amount shall be released from the [insert Account Details], administered by Kochi UMTA in favour of [insert Beneficiary Name].

Thanking You

Yours Sincerely,

Signature

Name

Designation

Kochi UMTA

## ANNEXURE V: MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the “MoU”) is made on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ at

{Insert city name}.

### BETWEEN

Kochi **Unified Metropolitan Transport Authority (UMTA)** having its office at \_\_\_\_\_, represented through an officer authorized by the Commissioner of Unified Metropolitan Transport Authority and Ex-officio Principal Secretary to Government (hereinafter referred to as “**UMTA**” which expression shall, unless it be repugnant to the context or meaning thereof, include its successors and assigns) of the First Part,

### AND

{**Insert Beneficiary Name**} having its office at {**Insert Beneficiary Address**}, represented through the {**Insert the Designation of the Authorized Signatory**} (hereinafter referred to as “{**Insert abbreviation of the Beneficiary**}” which expression shall, unless it be repugnant to the context or meaning thereof, include its successors and assigns) of the Second Part.

UMTA and {**Insert abbreviation of the Beneficiary**} are collectively referred to as “Parties” and individually as “Party”.

### WHEREAS

1. The Ministry of Urban Development (MoUD), Government of India (GoI) has recommended setting up of dedicated Urban Transport Funds (UTF) at city levels to finance various initiatives for addressing the issues in urban transport system. The Government of Kerala has accorded approval for creation of UTF at the city level vide [ ] dated [ ] for the city of Kochi.
2. [ ] is appointed as the nodal agency to administer the above said funds. [**Insert abbreviation of the Beneficiary**] submitted a proposal vide Letter No. {**Insert Letter Number**} and requested [ ] for sanction of funds for [**Insert Name of the Project**] (the “**Project**”).
3. For the purpose of implementing the Project, {**Insert abbreviation of the Beneficiary**} had submitted a Project Proposal dated \_\_\_\_\_ to Kochi UMTA for obtaining financial assistance under the UTF scheme to the tune of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ Only) which shall be utilized by {**Insert abbreviation of the Beneficiary**} for meeting the Project Cost.
4. Therefore, to further the objectives of the Project, Kochi UMTA has agreed to provide up to a sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) (“**Amount**”), after duly assessing viability of the Project. The Amount shall be used by {**Insert abbreviation of the Beneficiary**} solely for implementing the Project.

5. UMTA has agreed to release the Amount as per the Release for Financial Assistance schedule provided in Schedule III, to **{Insert abbreviation of the Beneficiary}** for the implementation of the Project, pursuant to the terms and conditions as set out in this MoU and Schedules thereof.

6. It is now deemed necessary and expedient by the Parties hereto enter into this MoU and record the terms of services to be provided by **[Insert abbreviation of the Beneficiary]** with respect to the Project.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

#### **1. PURPOSE AND SCOPE**

1.1 Kochi UMTA hereby agrees to release the Amount up to a sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) on the terms and conditions contained in this MoU and the **[Insert abbreviation of the Beneficiary]** agrees to implement the Project as per the Project Proposal.

1.2 **[Insert abbreviation of the Beneficiary]** further agrees to perform the Project as per the Project Proposal and shall comply with the said guidelines and amendments thereto, if any.

1.3 The Amount released to **[Insert abbreviation of the Beneficiary]** shall be used by **[Insert abbreviation of the Beneficiary]** solely for the implementation of the Project and **[Insert abbreviation of the Beneficiary]** undertakes that the Amount shall not be used for payment of any outstanding loan or debts, due to any other person or for any other purposes.

1.4 The disbursements of the Amount shall be made by Kochi UMTA as per the Release for Financial Assistance Schedule provided in Schedule III of this MoU.

1.5 The disbursements shall be subject to fulfilment of pre-disbursement conditions by UMTA as set out in Schedule III and subject to the **[Insert abbreviation of the Beneficiary]** complying with the provisions of this MoU, as may be applicable, and the disbursement procedure stipulated by the **[Insert abbreviation of the Beneficiary]** and the expenditure incurred being in consonance with the details mentioned herein / approved by UMTA.

1.6 The disbursements shall be credited by Kochi UMTA into the designated account of the **[Insert abbreviation of the Beneficiary]** for amounts disbursed under this MoU. All the related collection/ remittance / other charges in relation to obtaining the Amount will be borne by the **[Insert abbreviation of the Beneficiary]**.

1.7 The **[Insert abbreviation of the Beneficiary]** shall be severally liable to comply and fulfil all its obligations under this MoU.

1.8 The **[Insert abbreviation of the Beneficiary]** shall submit all necessary and relevant documents demonstrating that the Amount has been utilized as per the Project Proposal to the complete satisfaction of UMTA and shall submit Fund Utilization Certificate(s) in time & as per the format provided hereto.

1.9 Any interest accrued on the Amount disbursed by UMTA into the bank account of the **[Insert abbreviation of the Beneficiary]** where the Amount was credited under this MoU shall be accounted for and used solely for the purposes of the Project.

## 2. **[Insert abbreviation of the Beneficiary] REPRESENTATION AND WARRANTIES**

2.1 **[Insert abbreviation of the Beneficiary]** hereby makes the following representations, warranties and confirmations; and state that the same are true, correct, valid and subsisting in every respect as on the date of this MoU and shall remain true, correct, valid and subsisting in every respect as on the date of each disbursement by Kochi UMTA hereunder

(a) That the information given in the Project Proposal and any prior or subsequent information or explanation furnished by the **[Insert abbreviation of the Beneficiary]** to Kochi UMTA is true, *bona fide* and accurate in all material respects.

(b) That the **[Insert abbreviation of the Beneficiary]** is duly incorporated and validly existing under the Laws of India and is in compliance of all applicable laws and possesses all statutory approvals and compliances for the execution of this MoU and for implementation of the Project.

(c) That the **[Insert abbreviation of the Beneficiary]** does not violate any covenants, conditions and stipulations of any of its existing agreement and shall at all times abide by all the terms and conditions of this MoU.

## 3. COVENANTS

3.1 During the subsistence of this Project and/or the MoU, the **[Insert abbreviation of the Beneficiary]** hereby agrees to:

### **(a) Promptly notify UMTA:**

(i) of any event or circumstance which would, or is likely to, result in any of the representations and warranties made by the **[Insert abbreviation of the Beneficiary]** hereunder becoming untrue, incorrect or misleading in any manner;

(ii) of any material loss or damage which the **[Insert abbreviation of the Beneficiary]** may suffer due to any event, circumstances or act of God.

### **(b) Deliver to UMTA:**

(i) Project Evaluation Report agreed upon by both parties shall be submitted by the **[Insert abbreviation of the Beneficiary]** to UMTA demonstrating the status of the Project;

(ii) Fund Utilization Certificate for every milestone demonstrating the utilization of Amount by the **[Insert abbreviation of the Beneficiary]** as per the format provided hereto.



(iii) any other document as may be reasonably required by Kochi UMTA to demonstrate the utilization of the Amount by the **[Insert abbreviation of the Beneficiary]** to implement the Project as per the terms of this MoU.

3.2 UMTA shall nominate an Officer for day-to-day co-ordination with **[Insert abbreviation of the Beneficiary]**

3.2 **[Insert abbreviation of the Beneficiary]** shall submit to UMTA 2 (two) hard copies and (one) soft copy of the deliverables.

#### 4. FUNDING ARRANGEMENT

4.1 The first instalment of Amount under this MoU shall be made during the \_\_\_\_\_ month of financial year 20\_\_\_\_ and will be contingent upon execution of this MoU.

4.2 Subsequent instalment releases shall be regulated on the basis of the milestones achieved, Fund Utilization Certificates and written reports, if any to be submitted by the **[Insert abbreviation of the Beneficiary]** indicating the progress of the agreed milestones as per the Project Proposal including the following:

- (a) Documentary evidence indicating achievement of targets / milestones for the agreed performance indicators,
- (b) Fund Utilization Certificate(s) as per agreed procedures under this MoU

#### 5. COMPLIANCE WITH LAWS

5.1 **[Insert abbreviation of the Beneficiary]** shall take due care that all its documents / reports comply with all relevant laws and statutory regulations and ordinances, guidelines in force which includes all laws in force and effect as of the date hereof and which may be promulgated or brought into force and effect hereinafter in India including judgments, decrees, injunctions, writs of or orders of any court of record, as may be in force and effect during the subsistence of this MoU applicable to **[Insert abbreviation of the Beneficiary]**.

#### 6. TERM AND TERMINATION

6.1 This MoU shall be effective from the date of signing and shall continue till a period of **[Insert number of months / year]** from the date of first disbursement of the Amount as per the Release for Financial Assistance schedule.

6.2 Kochi UMTA may terminate or suspend this MoU, upon XX day's written notice to the **[Insert abbreviation of the Beneficiary]**, in whole or in part for any material breach of the conditions stipulated herein, committed by the **[Insert abbreviation of the Beneficiary]**.

#### 7. GOVERNING LAW AND SETTLEMENT OF DISPUTES

7.1 The MoU shall be governed by the laws of India. The district court of ErnakulamKochi shall have jurisdiction over all matters arising out of or relating to this MoU.

#### 9. TRANSFER OF PROJECT

9.1 The **[Insert abbreviation of the Beneficiary]** shall not be entitled to assign any of its rights, benefits or obligations under this MoU without written consent of Kochi UMTA.

9.2 Save as aforesaid, this MoU shall be binding upon and shall ensure for the benefit of Kochi UMTA and its successors in title and assigns and the ***[Insert abbreviation of the Beneficiary]*** and its successors in title.

## ANNEXURE VI: TRANSPORT FUNDING- INTERNATIONAL EXAMPLES

A transport fund and dedicated sources of revenues for the fund are named in the legislation for Lagos Metropolitan Area Transport Authority (LAMATA). Similarly, a land transport revenue account is specified in the legislation for the Singapore Land Transport Authority (LTA) and all revenue received by the Authority is paid into this account. LTA also collects certain other charges such as Electronic Road Pricing (ERP) charges which are paid directly into consolidate fund of the government.

In New Zealand, there is a Central Government fund (Land Transport Fund) with dedicated revenues, which is used for government contributions to all land transport activities. Auckland Transport (AT) which designs, builds, and maintains Auckland's transport infrastructure gets its funding from various sources including the above mentioned Land Transport Fund.

A trust fund is used in Bogotá to manage bus revenues. This is required because of the contractual arrangement between TransMilenio and bus operators for common ticketing. Revenue from ticket sales is paid into this trust fund and operators are paid from the fund on the basis of distance logged by the bus fleet.

In Boston, the public transport services are operated by Massachusetts Bay Transportation Authority (MBTA) which operates most bus, subway, commuter rail, and ferry routes in the greater Boston, Massachusetts area. It maintains its own funds and gets government grants and also raises funds from the market.

The sources of revenue for urban transport agencies in other countries are very closely linked to the functions carried out by these agencies. For agencies like Transport for London (TfL), the primary responsibility includes operating public transport services and therefore much of their revenue accrues from fare box collections. Some authorities are responsible for registration and licensing and directly receive revenue from these sources. In such cases, the need to specifically dedicate revenues is much less. However, all agencies still depend on government budgetary allocations or transfers from their parent authority. The budgetary support to international cities for Urban Transport funds are highlighted in Exhibit 23.

The various sources of funds generally used for funding urban transport are mentioned below:

### 1.1.1 Sources of Funds

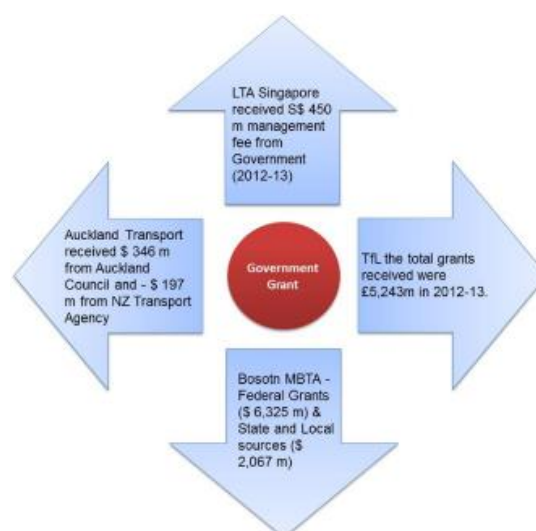
#### Government Grants/ Budgetary support:

Government funding plays a crucial role in funding urban transport activities across the world. In Singapore, LTA receives management fee from government every year in lieu of discharge of its services. The annual amount is not fixed and has increased over the years.

In TfL the main source of grant income is the Transport Grant from the Department for Transport ('DfT') which comprises of two major elements:

- An investment grant, which supports delivery of the investment programme; and
- A general grant, to support TfL's operating activities.

Exhibit 23 Budgetary support in International cities



The total grants received were £5,243 m (approx. INR 52,000 crores) in 2012-13.

Similarly, in Auckland there is a Land Transport fund for which one of the funding sources is government grant, funding from NZTA comes through this fund. Additionally, there is Auckland Transport which receives funding from Auckland Council - \$ 346 m (approx. INR 1,700 crores) and from NZ Transport Agency - \$ 197 m (approx. INR 1,004 crores). In Bogota, a trust fund is used to manage bus revenues which gets its revenues from transfers from city governments. Sources of government funding used by various cities are analysed in Exhibit 24 below.

Exhibit 24 Pros and cons of government funding

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>Govt. grants can be dedicated sources of funding</li> <li>Operating revenues are insufficient to fund even the operating expenses let alone the capital expenses. Therefore government grants provide a way to cover operating expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Government resources are limited and not sustainable</li> <li>Lack of incentive to agencies to achieve operational efficiency.</li> </ul>	<p>In Indian scenario, the government provides grants and other funding support for public transport related purposes. Since, operating revenues are generally not sufficient, government grant as a source of revenue should continue to fund urban transport needs.</p> <p>It is observed that in some cases such as in the case of TfL and AT more than half of the total revenues come from government funding. However, in Indian scenario, focus should be more on improving the operational efficiency of the public transport operations so as to reduce operational costs and reliance on government grants.</p>

**Revenue from Vehicle related charges / taxes:**

Another widely used source of funding is to collections from charges / taxes / other revenues from vehicles. The Singapore LTA provides registration and licensing systems for road transport and collects income generated from Vehicle Transit Licensing Fee. Also, in Singapore, additional registration fees are collected on purchase of new vehicles. There is a vehicle quota premium payable when registering the vehicles. In various places road taxes are charged which are used for funding the transport activities including public transport activities. Revenues from road user charges and revenues from motor vehicle registration fees are collected for the Land Transport fund in Auckland.

In Lagos, the main sources of revenue for Transport Fund are Transport road user charges and Motor Vehicle Administration revenue. Sources of revenue from vehicle related charges / taxes used by various cities are analysed in Exhibit 25 and Exhibit 26.

Exhibit 25 Revenue from vehicle related charges

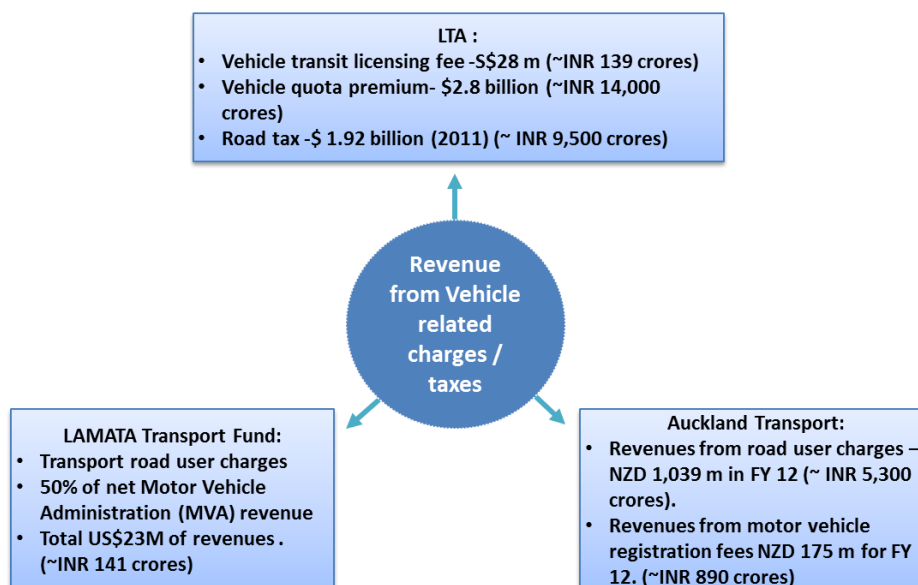


Exhibit 26 Pros and cons of vehicle related taxes in Indian context

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>Sustainable source of revenue</li> <li>Dissuades public to purchase vehicles and therefore, dual advantages of reducing congestion and raising some funds.</li> </ul>	<ul style="list-style-type: none"> <li>Should be supported by good public transport.</li> <li>Collection of entire amount by an agency not involved in administering the collection process is not justified.</li> <li>Certain charges such as increased charges on purchase of vehicles would receive opposition from general public.</li> </ul>	<p>In Indian context functions related to the activity of licensing are carried out by specific state department. Therefore, revenue from licensing activity should be provided to such state department.</p> <p>Charges on the vehicles in various forms such as registration charges on private vehicles and road tax etc. are imposed in India also. These are applicable in different proportions on different classes of vehicles.</p> <p>Funds generated from such charges can be used for funding public transport activities in India.</p>

**Revenue from Fare box collections:** It is observed that revenue from fare box collections goes into the accounts of the operators who use them to fund their operating costs. This is logical as it incentivizes the operators to achieve operational efficiencies and reduce their costs. In Singapore, there are two main public transport operators viz. SMRT Corporation Ltd and SBS Transit Corporation. For SMRT - of the total revenue of \$1.1 billion in FY2012-13, the fare revenue was \$ 842.5 m (~INR 4,200 crores). Since TfL is responsible for running the public transport operations, it is entitled to collect fares. TfL generated a total of around £4,496m (~ INR 45,000 crores) revenues in year 2012-13 from operating activities, out of which revenue from fares accounted for around 85 per cent (~ INR38, 000 crores). Auckland Transport (AT) does not collect fare revenues. Instead these are collected by operators who are contracted by AT. In Boston the Massachusetts Bay Transportation Authority (MBTA) which operates most of the bus, subway, commuter rail, and ferry routes in the greater Boston, Massachusetts area gets fare revenues

{\$465 m (~INR 2,800 crores) – FY 12<sup>5</sup>}. Fare revenues are not available to LAMATA in Lagos. Revenue from public transport fares are analysed in Exhibit 27 and Exhibit 28.

Exhibit 27 Revenue from fare box collection

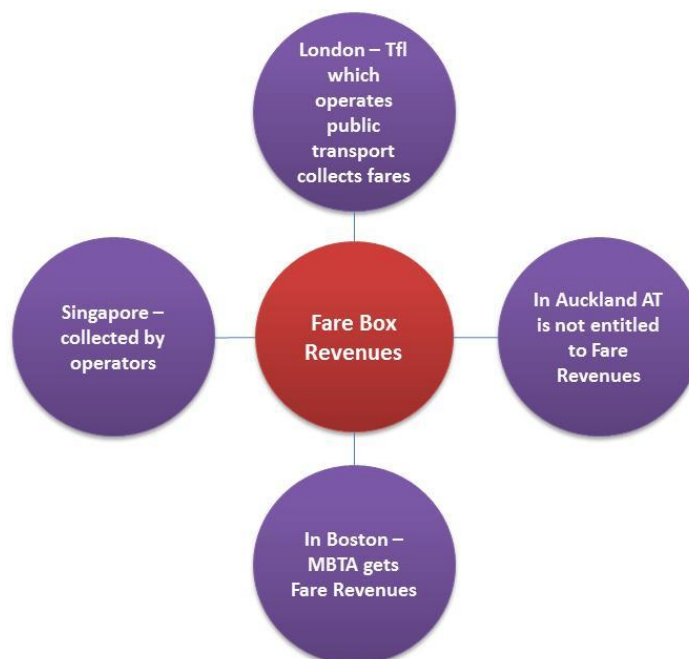


Exhibit 28 Pros and cons of fare box revenues in Indian context

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>• Directly related to public transport</li> <li>• Sustainable source of revenue</li> <li>• Directly reflect the operational efficiency by operational costs involved against operational revenues.</li> </ul>	<ul style="list-style-type: none"> <li>• If these revenues do not go to the operator, they will have no incentive to provide good services and achieve operational efficiency.</li> <li>• Owing to the social and political compulsions, there is limited flexibility to change the fare structure as per the needs of the public transport sector.</li> </ul>	<p>In Indian context fares are collected by the operators which are usually autonomous bodies which are required to meet their costs from their revenues including fare box revenues.</p> <p>Taking away the fare box collections from the operators would dis-incentivize them in achieving operational efficiency. Hence, it is not advisable that revenue from fare collection is transferred to UTF. Doing so would require that operational costs are also met from UTF.</p>

**Borrowings:** Borrowing from different sources including from lending agencies or from the capital markets is another fund raising method used in various international cases. To support its Capital Investment Programme, TfL raised funds by way of borrowing. In 2012/13 it borrowed a net amount of £409m (~ INR 4,000 crores).<sup>6</sup> MBTA in Boston is another example of an agency which

<sup>5</sup> Financial Statement s – June 2012

<sup>6</sup> Annual Report and Statement of Accounts – TfL 2012/13

raises funds from market by issue of bonds {\$ 5,827 m (~INR 36,000 crores) – FY 127}. Raising funds by way of borrowings is analysed in the Exhibit 29.

Exhibit 29 Pros and cons of borrowings for public transport funding

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>Funds can be generated quickly</li> <li>Reduces pressure on government funds</li> <li>Efficient market can result into better options for raising funds</li> </ul>	<ul style="list-style-type: none"> <li>Borrowings should be backed by dedicated revenue stream to service the borrowed funds.</li> <li>Borrowings usually require guarantee from Governments.</li> </ul>	<p>In the Indian context, the funds available from traditional funding sources are insufficient to meet high investment requirements. In such a case, issuing bonds would be can be a suitable option.</p> <p>In India various public sector agencies raise funds by way of borrowings. This method can be used for raising funds for funding public transport as well.</p>

**Revenues from Parking, Advertising and Commercial Activities:** TfL generates some revenue from commercial activities which include rental incomes, income from commercial advertising etc. In 2012-13 this accounted for almost 5% of the revenues generated from operating activities. MBTA in Boston generated revenue of \$ 63 m (~INR 380 crores) from other operating activities which includes revenue from parking lots, renting space to retail vendors in and around stations, rents from utility companies using MBTA rights of way, selling surplus land and movable property, advertising on vehicles and properties, etc. 8}. Raising funds by way of commercial sources is analysed in the Exhibit 30.

Exhibit 30 Pros and cons of revenues from commercial sources

Pros	Cons	Applicability in Indian Context
<ul style="list-style-type: none"> <li>Sustainable source of funding</li> <li>Parking charges can be used to induce modal shifts also.</li> </ul>	<ul style="list-style-type: none"> <li>Justified to be collected by agency managing the associated infrastructure and administration process.</li> </ul>	<p>In the Indian scenario parking facilities and infrastructure related to advertising and other commercial activities are usually handled by Urban Local Bodies (ULBs). The revenues coming from these activities go to the respective ULBs.</p> <p>However, a cess on these revenues can be collected and transferred to the agency responsible for planning and coordinating public transport activities.</p>

### 1.1.2 Other Sources of Funding

**Revenue from Charges on Fuel:** The New Zealand Land Transport fund gets a part of its funds from fuel excise duty. This amounted to NZD 1,478 million (~INR 7,500 crores) in FY 2011/12.

**Electronic Road Pricing (ERP):** The ERP system is an electronic toll collection scheme in Singapore which manages traffic by way of road pricing. The system uses open road tolling according to which vehicles do not have to stop or slow down to pay tolls. The capital cost of the ERP system, since its inception in September 1998 was S\$197 million (~INR 980 crores in current

<sup>7</sup> Financial Statement s – June 2012

<sup>8</sup> Financial Statement s – June 2012



terms) and incurred an annual operational and maintenance cost of S\$25 million (INR 124 crores in current terms) for 66 control gantries (in 2009). The program’s annual revenue was estimated at S\$144 million (~INR 700 crores in current terms) in 2008-09<sup>9</sup>.

**Congestion Charging (London):** This is another source of revenue for TfL and it accounted for around 5% of revenues generated from operating activities 2012-13. The revenues are collected from transport users using private vehicles in defined areas planned to be experience reduced congestion levels. A charge per entry – exit is levied from private vehicle users.

### Observations on Management of Funds in International cases

#### Management of Fund

The provision of a dedicated fund exists in all the six countries reviewed. These funds are systematically managed for ensuring effective financial management. The management of fund usually lies with the authority as is in the case of LAMATA and LTA. In case of Auckland Transport, Boston and TfL, the financial committees which form a part of the governing body of such agencies, are appointed with the task of executing the financing plans and financial management.

The scope of managing funds is further bifurcated among two committees in the case of Auckland Transport, wherein the *Finance and Risk Committee* is responsible for financial reporting, audit and risk management, and the *Capital Review Committee* is responsible for ensuring that capital expenditure is optimized.

Each country reviewed has a dedicated support staff which assists in management of the funds.

### 1.1.3 Other International Funding Examples

#### A. Taxes on Fuel

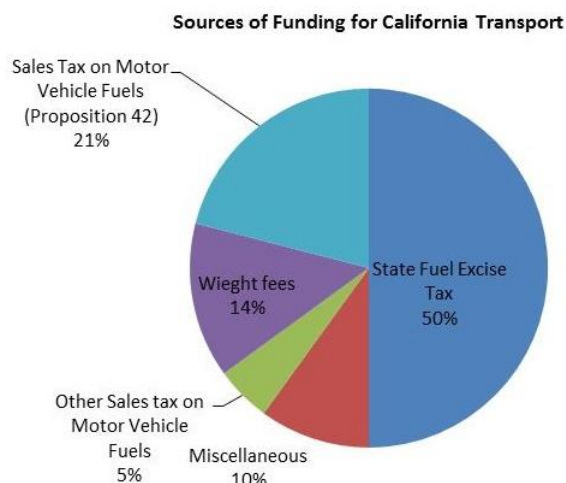
Excise taxes on gasoline and diesel fuel, and sales tax on gasoline and diesel fuel are used to fund public transport in California, USA.

In 1971, California State Government enacted the Transportation Development Act (TDA). Through TDA, 0.25% of the money collected from the state sales taxes was dedicated for public transport. Instead of directly using a portion of funds from sales tax on gasoline, 0.25% of all state sales taxes are used for public transport and this 0.25% of all state sales tax is compensated by 5% state sales tax to gasoline.

The funds are distributed to the individual counties and are administered by a Local Transportation Fund (LTF) created in each county.

State Sales tax on diesel is deposited into the Public Transportation Account (PTA) which is

Exhibit 31 Sources of funding for California Transport



<sup>9</sup> Electronic Road Pricing: Experience & Lessons from Singapore Prof. Gopinath Menon, Dr. Sarath Guttikunda, January, 2010

used for funding mass transit operations and capital projects.

**Allocation and Utilization of funds: The funds from LTF and PTA are used for various purposes including:<sup>10</sup>**

- Planning and programme activities,
- Pedestrian and bicycle facilities,
- Community transit services,
- Public transportation, and bus and rail projects.
- These may be used also for local streets and roads, construction and maintenance.

**Management of funds<sup>11</sup>:**

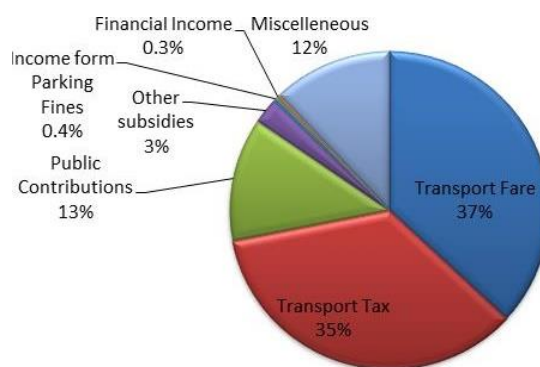
The responsibilities of the different entities in the fund allocation and utilization process are as listed below:

- State Government -- Responsible for governing statutes, oversees funding program, allocations to cities and counties, reviews transit financial and performance audits;
- Regional Transportation Agencies, local government – Responsible for authorizing funding to local transportation agencies, ensure public participation process and needs assessment are conducted;
- Transportation operators – Receive capital and operating funds for transportation projects; and
- Public Works Departments – Under certain conditions, receive funding for streets and roads maintenance.

**B. Versement Transport (VT)**

The presence of public transport system financially benefits the companies by facilitating the commuting of its employees without any financial burden on the company itself. Keeping this in mind, France implemented a tax known as Versement Transport in 1971 through an Act. According to this employers having 9 or more employees are required to contribute to the funding in public transport system. Exhibit 32 depicts the sources of funds for public transport in Ile de France in 2008.

Exhibit 32 Funding public transport in Ile de France in 2008



**Sources of funds:**

In France public transport is funded by following major sources:

1. Users (through ticketing),
2. Companies (through the Versement tax),
3. Local government contributions and
4. French government (through the subsidy allocated to school transport).

<sup>10</sup> Transportation Development Act - Statues and California Codes of Regulation - Caltrans

<sup>11</sup> Transportation Development Act - Statues and California Codes of Regulation - Caltrans

**Collection of Versement Tax:** This tax is calculated as a percentage of a company's total payroll costs and is collected by Social Security and transferred to the transit authority (SITF in Ile de France). The tax rate is determined by the individual local authorities, and also a ceiling is imposed by the State. The tax rates applied are as follows:

- Paris and its suburbs: 2.6% maximum, 1.7% for the other inner ring suburbs, and 1.4% for the outer suburbs;
- The rest of France: 1.75% for towns that have dedicated public transport corridors; 1% for towns with more than 100,000 inhabitants, and 0.55% for towns with fewer inhabitants.

**Allocation and Utilization:** The Syndicat des transports d'Île-de-France (STIF), which is the Autorité Organisatrice De Transport Urbain (AOT, "Urban Regional Transport Authority") for the Île-de-France (one of the 27 administrative regions of France which included Paris and is popularly known as Paris Region) allocated the revenues collected from Versement Tax to the service operators.

**Contribution to Total Funding:** In 2010, nearly 37% (€ 3,016 million) of the Ile de France region's public transport operating revenues came from the 'versement transport'<sup>12</sup>.

### C. Vale Transporte

To induce shift from use of private vehicles to use of public transport Brazil introduced an employer subsidized public transport legal scheme by the name of "Vale Transporte" in 1987. This scheme incentivizes both the employers and the employees to use public transport services. This scheme provides dual benefit of increasing use of public transport thereby reducing congestion and increasing fare box revenues to the public transport operators.

**Mechanism of the scheme:** Under this scheme the employers are obligated to provide for the employee's public transport expenses at a deduction of 6% of the salary. The employer buys public transport vouchers from the transit authority and provides them to the employees.

Advantages and disadvantages of this scheme:

- It promotes and incentivizes the use of public transport system
- The cost to employees is fixed at 6% of their salaries. Any increase in the fares does not affect their outflow.

A drawback of this scheme is that it is available only to formal sector employees.

### D. Green Tax

Taxation system can be useful in incentivizing use of low emission vehicles. For example, in Germany a new tax system was introduced in 2009 that imposes a larger tax burden on environmentally unfriendly vehicles.

Similarly, in December 2007 France initiated a system of green taxes on cars and bonuses for cleaner vehicles. A one-off penalty of up to €2,600 has to be paid when buying a new car emitting more than 160 grams of CO<sub>2</sub> per km while buyers of more environmentally-friendly cars receive a bonus.

Besides raising some funds such mechanisms support environment sustainability. Such sources may be considered in the Indian context as well. The ease of implementing such a system is another advantage.

<sup>12</sup> Funding Urban Public Transport – Case study Compendium – International transport Forum - OECD

## E. Higher taxes on vehicles resulting in higher acquisition costs

In Denmark and Hong Kong, acquisition taxes that approximately triple the cost of cars have been major factors limiting motorization. This system is easy to implement as it just requires increase in taxes.

In India, various taxes and charges are applicable related to acquisition of vehicles, but these result in increase in acquisition costs in a limited manner. In this light it is suggested that gradually such taxes / charges on vehicles may be increased to dissuade purchase of vehicles.

## F. Differential Pricing

Differential pricing is a mechanism of raising additional revenues by charging different amounts over different periods or in different areas or on different routes etc. Examples of such practices include:

### Washington, D.C.:

The Washington Metro is the rapid transit system in Washington, D.C., United States. It is the second-busiest rapid transit system in the United States in terms of number of passenger trips, after the New York City Subway. The Washington Metro experiences high level of congestion during peak hours. In this scenario it introduced differential pricing mechanisms. As per this mechanism the fares vary based on the distance travelled, the time of day, and the type of card used by the passenger. Peak SmarTrip Fares<sup>13</sup> (in effect on weekdays from opening to 9:30 am and 3pm to 7 pm and weekends midnight to closing) are:

- \$2.10 minimum + a \$1 surcharge if a paper fare card is used
- \$5.75 maximum + a \$1 surcharge if a paper fare card is used

Off-Peak SmarTrip Fares (all other times)

- \$1.70 minimum + a \$1 surcharge if a paper fare card is used
- \$3.50 maximum + a \$1 surcharge if a paper fare card is used.

In FY 2012 passenger revenue accounted for ~ USD 750 m (almost 37% of the total revenues to Washington Metropolitan Area Transit Authority)<sup>14</sup>.

### Seoul Korea Road Pricing Measures:

In 1996, the Seoul metropolitan government used differential charging scheme on two tunnels. Besides raising about US\$15 million, this scheme also reduced congestion.

Such differential pricing measures may be adopted in India as well on a case to case basis. In case of differential pricing by operators the revenue may go to the operators themselves. In case of differential pricing on roads, the administrative job of collecting revenues may be done by the State Government and the collected funds may be transferred to the relevant UTF.

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<sup>13</sup> <http://www.wmata.com/fares/metrorail.cfm>

<sup>14</sup> FY 2012 Comprehensive Annual Financial Report



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