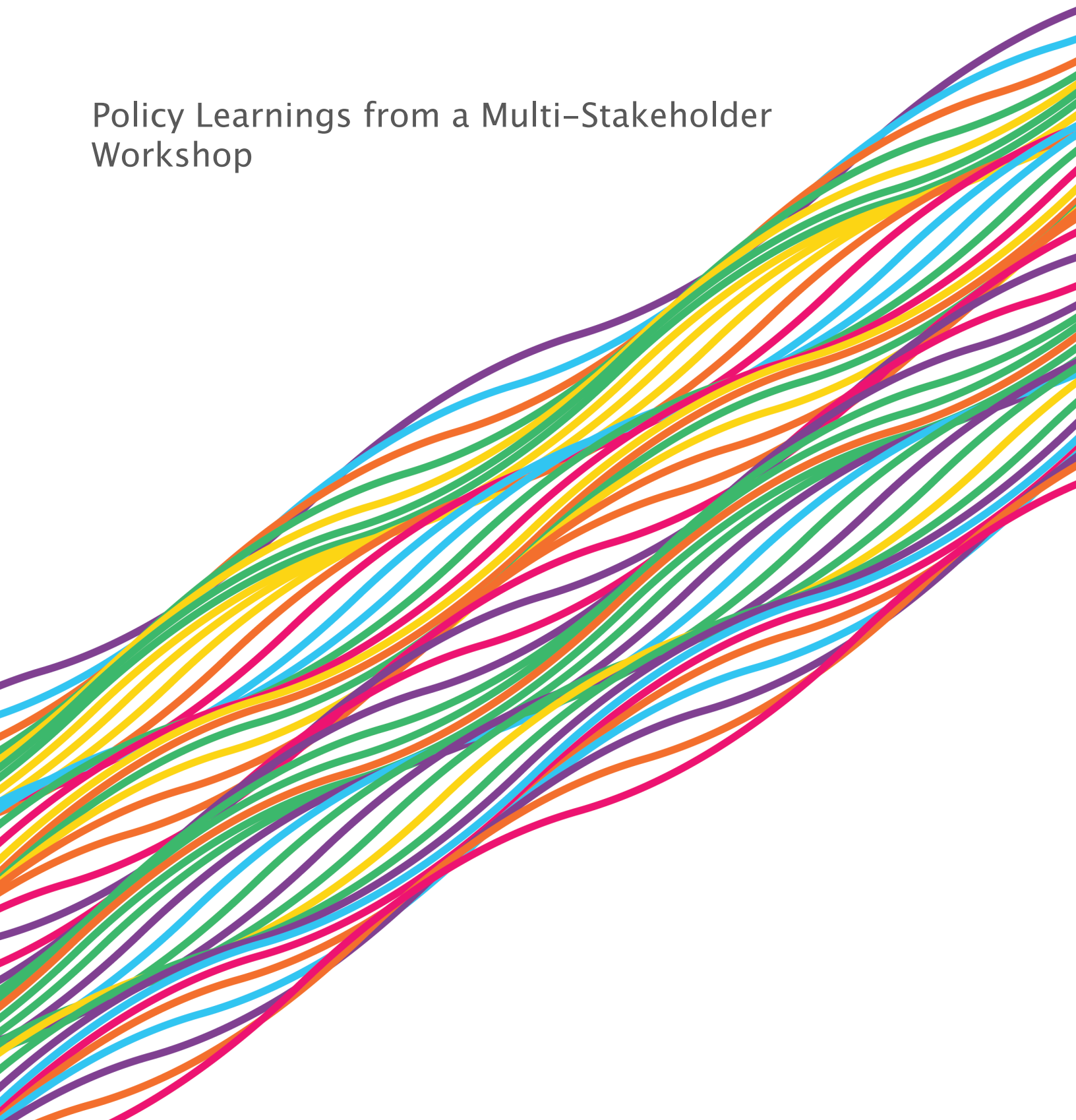


# Strengthening the Role of Rural Local Bodies in WASH Financing and Services

Policy Learnings from a Multi-Stakeholder Workshop



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25<sup>th</sup> March 2019

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**This document is based on the discussions in a multi-stakeholder workshop on Public Financing for Water and Sanitation that was held on 25<sup>th</sup> March 2019 at New Delhi. Key stakeholders attended the workshop from various levels, including heads and staffs of local bodies, representatives of civil society organisations working at local to national level, think tanks and government agencies.**

Centre for Budget and Governance Accountability (CBGA), IRC and WaterAid India (WAI), undertook a joint initiative to understand the ground level situation of devolution of powers and decentralized financing that is proposed under the 14<sup>th</sup> Finance Commission<sup>i</sup> (14<sup>th</sup> FC) of India, and to develop tools to equip districts as well as local government bodies, communities and Civil Society Organisations (CSOs) to improve budget planning and utilization, especially towards better governance and management of water and sanitation services in rural areas. The initiative had CSO led field level data collection and assessment in select Gram Panchayats of two districts each, in the states of Bihar and Odisha; and a state and national level review component to understand the financing systems and processes in detail, towards identifying systemic and policy change needs.

The initiative led to a multi-stakeholder workshop held on 25<sup>th</sup> March 2019 at New Delhi. The key aim of the workshop was to discuss policy and implementation issues around decentralized financing envisaged under 14<sup>th</sup> FC and to derive lessons and way forward for improving the public financing for rural local bodies in the two states of Odisha and Bihar and for strengthening the roles of rural local bodies in efficiently

imparting public services, especially water and sanitation related services.

The workshop specifically focussed on the planning processes and utilization of funds available to the Gram Panchayats<sup>ii</sup> (GPs) with a focus on water and sanitation services. The discussion mainly touched upon the 14<sup>th</sup> FC funds and the State Finance Commission Funds. The experiences, challenges and recommendations of CSOs (district, state and national) and GP (local government) representatives are captured in this brief.

### **Setting the context: What does it mean to devolve powers to the GP?**

In India, the 73<sup>rd</sup> Constitutional Amendment Act provided for states to endow the GPs with powers and authority to enable them to function as institutions of self-government at the village level. The functions of a GP are mentioned in the 11<sup>th</sup> Schedule<sup>iii</sup> of the Constitution of India, which consist of the provision of basic services and maintenance of public goods — street lighting, sanitation, village commons, and water supply.

Every five years, the Central Finance Commission revises the distribution of funds between the Centre and the states. As per the 14<sup>th</sup> Finance Commission 2015–

2020, 42 per cent of the Central funds are transferred to the states as 'untied funds' (i.e., not earmarked but used by the local government to fulfil specific requirements) – an increase of 10 per cent over the previous proportion. The other 58 per cent is channelled through line ministries to specific programmes, most of which ultimately get implemented by state governments. All states have gained from 14<sup>th</sup> FC transfers in absolute terms leading to more funds devolved to GPs.

### **Local perspectives & experiences of GPs in the planning and implementation, with a focus on WASH services**

As per the 11<sup>th</sup> Schedule, water and sanitation are a GP's responsibility. However, the GP as an independent identity has a limited role to play in programmes that are implemented on Mission mode, such as the Swachh Bharat Mission (SBM) – the Central Government's flagship programme to make the entire country open defecation free. Hence, GPs in practice have a restricted role in the planning process of such programmes.

Traditional knowledge of local communities is usually given little or no importance by line departments, especially in the case of water supply. While the Constitution of India envisages them as full-fledged local governments, in reality GPs are not yet truly autonomous entities. GPs depend heavily on block (sub-district) and district officials for checks and approvals on works and annual plans related to water supply and sanitation, before actually taking them up. Lack of understanding on financial processes along with technical dependence on line departments further constrain the role of GPs.

### **The Budget story– from allocation to expenditure– a ground level perspective**

In order to guarantee increase of funds at the local body level, it is necessary for the Union government to ensure an overall escalation in the share of the budget for social sector that is to be managed by these bodies at the lower level of governance. While coverage targets for basic water needs and sanitation facilities in most states of the country have been met, some gaps still persist. Further, the investments required to keep these services sustainable and functional cannot be ignored. For water supply, these entail household level piped water supply, water quality testing, treatment, minor and major repair, replacements, monitoring, initiatives for water source sustainability, capacity building of local self-government, etc. Similarly, for sanitation this includes continued behaviour change initiatives towards usage and safely managed sanitation<sup>iv</sup> and monitoring. Hence, there is a need for a sustained increase in the budgetary allocation.

For Odisha and Bihar, the GP is the focal point in the implementation of water and sanitation schemes and programmes. However, the lack of capacities to allocate money to GPs and to ensure spending at the district level as well as systemic constraints at the state government level to wait for the submissions of Utilization Certificates (UCs) from every GP for releasing the next tranche cause avoidable and excessive delays, the most being at the stage from the state level to the district level<sup>v</sup>. The GP's own problems, as stated above, add to these woes.

The overall process of fund flow is perceived to be a bottleneck at the district headquarters level, wherein all the data from the blocks (sub-districts) for all the development projects gets consolidated. This is usually done with limited human resources, in terms of both skills and numbers. Thus, the process of reporting from the GP to the block and from block to the district takes a long time. This gets further aggravated with limited staff (human

resource) at the lowest levels. The staffing challenges lead to further delay in implementation of projects, creating a vicious cycle. In effect, the GPs are suffering for the gaps and problems at the systemic level and for the lack of capacities at the districts.

In Bihar, apart from delays caused due to verification of beneficiaries at the district level for SBM, delay in release of funds from banks has added to the delay in fund flow. While the SBM is a program with a targeted and time bound approach, such delays obviously affect the GP's abilities to complete the initiatives in time, or lead them to difficulties. Similar delays in fund release have been noted in the case of the National Rural Drinking Water Programme (NRDWP) as well. Notably, during 2012–17, the release of funds for NRDWP by the state government had been delayed by 81 days<sup>vi</sup>.

Coming to untied funds for rural water and sanitation, Odisha has received both basic<sup>vii</sup> and performance grants<sup>viii</sup>, as opposed to Bihar, as part of the 14<sup>th</sup> FC devolution. The Bihar government's inability to avail the 10 per cent performance grant has been due to lack of maintenance of audit accounts and generation of own source revenue at the GP level (which, comparatively, Odisha has been able to achieve). The Bihar government has not yet issued an order to specify the terms for generating own source revenue for the GPs.

Staffing of GPs also poses major challenge in planning and implementation of water and sanitation services. Each GP is supposed to have one Panchayat Secretary to assist the elected local body. However, in most GPs, this position is vacant; and, wherever present, the GP Secretary is made responsible for multiple GPs, compromising their performance immensely. In both Bihar and Odisha, dearth of finance and accounts support staff to manage GP funds has also been a consistent challenge. To capture and inform the proper management of finances, each GP requires an accounts support staff along with a Panchayat Secretary.

It has been observed in Odisha that only state level officials and engineers are given training opportunities. At the district and lower levels, the quality and quantity of WASH training was found to be wanting. Many of the training recipients at village and sub-district levels such as junior engineers, village leaders, motivators and block functionaries, felt that training was sub-standard and sparse<sup>ix</sup>.

### **Why do communities need to be involved for WASH services and how do they want to bring about change?**

The role of community in planning, implementation and monitoring WASH services cannot be underestimated. The traditional, local specific knowledge around WASH services comes in the domain of the community. Communities, in addition to line departments, need to understand and take into consideration the plans and the various costs involved in establishing an ongoing WASH service. These costs include costs for capital, operation & maintenance (minor and major) and support. A very clear role for the community can be marked out and visualized in the area of O&M costs. In this regard, Gram Sabhas as community platforms can play a critical role but are yet to be used to their potential.

Ground level realities vastly differ from what is drawn out or described in the Guidelines. There needs to be an effort to bridge the gap between technical know-how of the line departments, existing local ground level knowledge of communities and the commitments of the local political representatives.

Regular handholding support should be given to GPs by the line departments and other Panchayati Raj Institution (PRI) officials to help them understand their role in WASH service delivery and to increase ownership as well as leadership.



## Going forward: Summary of Recommendations

For democracy to be effective, a fully functional, responsive grassroots-level system of self-governance is a pre-requisite. However, administrative decentralisation has progressed slowly and unevenly across the country. Devolution of the three Fs – Funds, Functions and Functionaries – to the PRIs/local bodies should be expedited in a comprehensive manner. That is to imply that the devolution of powers should accompany adequate funds, clear-cut roles and responsibilities, and adequate human resources for executing such roles and utilizing the allotted funds. Additionally, the elected bodies should have supervisory powers to monitor and execute schemes. The funds allocated for local bodies should go into the accounts of the GPs. In this context, a few recommendations are given below:

### 1. Invest in regular capacity building of local government functionaries.

Efforts towards capacity building of local government functionaries need to be improved substantially. Better and more detailed information, frequent training course, refreshers and internal performance monitoring needs to be imparted to the PRI functionaries. Specifically on WASH, GPs capacity should be improved in the WASH budgetary processes, and basic technical knowledge on WASH should be done via capacity building programmes at regular intervals. These should be incorporated in the annual implementation plans at the block and district level. The aim should be to create an enhanced understanding of the GP on the financial systems, sources, funds flows, approvals, disbursements of the district with reference to WASH services. Similar processes may be needed for the block and district level Panchayats as well.

### 2. Invest in financial capacities and monitoring of finances of local government.

Local bodies (PRIs) are the direct interface of the state with the communities for fulfillment of all basic services and needs. The ability of PRIs to render such services can be strengthened only if they are empowered through administrative measures. This can be achieved by improving their financial capacities – in management and utilization of available resources, as well as in generation of own-source revenue.

Monitoring financial processes of the GPs is crucial and can be done through implementing social audits. While social audits are mentioned in the guidelines of major schemes, it is essential that they are carried out in a meaningful, smooth and well-planned manner. The planning in terms of time and human resources needs to be institutionalized and implemented so as to make it an effective exercise.

In Bihar, there is a huge shortage of Panchayat Secretaries (PS), the direct staff who is supposed to support the elected chair and members of the GPs (they are known as Panchayat Secretary in Bihar and Panchayat Executive Officers (PEO) in Odisha). The situation is that one PS is given the responsibility of 3–5 GPs, whereas, each GP needs one dedicated PS or PEO for supporting the GP and an account staff to maintain all accounts. To support the efforts of the frontline government functionaries, regular monitoring by the district and block staff is required.

### 3. Better coordination of line departments and local government and expedited fund-flow: participation beyond tokenism.

Since the process of fund transfer gets delayed from the state level, it is necessary to ensure better coordination and communication between the state government and the line departments at the district, and go beyond mere tokenism. As a lesson learnt from the 14<sup>th</sup> FC, the 15<sup>th</sup> FC must institutionalize the devolution process to PRIs and ULBs

so that the recommended fund-flow to them happens in a time-bound manner. As per the existing system, all funds devolved to the state on recommendations of the Central Finance Commission are directly transferred to the state government treasury. This process needs to be expedited to avoid unnecessary delays.

Specifically on WASH, a platform for regular coordination and communication between PRI members, communities and the line departments should be set up to discuss related needs and solutions, both – short and long term. This is key for sustainability of development initiatives.

GP, block and district level data for improved planning is another major missing link. Investments are needed for generating and managing a reliable database on various development initiatives including WASH services. Without data, the quality of planning and development processes, and of outcomes cannot be ensured.

#### **4. Invest in staff: need of the hour!**

The acute shortage of staff especially at frontline levels in rural WASH is clearly pointed out by the Comptroller and Auditor General of India (CAG) in its Report No.15, 2018 Performance Audit on NRDWP. According to the report, at the state level in Odisha, the director, consultants (hydro-geologist), accountant and data entry operator had not been appointed in the Water and Sanitation Support Organisation (WSSO). Further, at the district level against a

requirement of eight staff per water quality testing laboratory (lab), there was only one staff in thirteen labs, two staff in ten labs and three staff in three labs. The district and block level offices did not have the technical capacity to help in the preparation or review of the technical proposals for improving water or sanitation services, including piped drinking water supply, drainage systems, protection of water bodies, solid and liquid waste management as well as faecal sludge management. In addition to investments to fill such critical vacancies in line departments, WASH service delivery also requires investments to hire sufficient frontline staff for the local government – to plan, implement and monitor such essential services.

#### **5. Accountability and Regulatory systems**

WASH service delivery also requires clear accountability measures and regulatory frameworks that clarify roles and responsibilities around various WASH services including water conservation, proper use, sanitation and waste management. Such mechanisms are necessary to ensure that the current inputs in development do not adversely affect the future. Competent authorities and community institutions should be envisaged for ensuring better and responsible management of services from the GP level, to block, district and state level. It is, therefore, important to invest in empowering rural local bodies with sufficient skills and resources for adept handling of responsibilities and to ensure accountability.

***“While it has taken time for us to understand the requirements for using finance commission funds, the devolution of resources has helped our communities. Going ahead we will make better use of this.”***

**Hemendra Pandit**

Gram Panchayat (local government) representative  
Bhagwanpur Kamla, Samastipur, Bihar

<sup>i</sup>A Finance Commission is set up once every five years to recommend on sharing of fiscal resources between the Union and the states, a major part of which pertains to sharing of revenue collected in the Central Tax System. The total amount of revenue collected from all Central taxes – excluding the amount collected from Cesses, Surcharges and taxes of Union Territories, and an amount equivalent to the cost of collection of Central Taxes – is considered as the shareable/divisible pool of Central tax revenue. In the recommendation period of the 13th Finance Commission (2010–11 to 2014–15), 32 per cent of the divisible pool of Central tax revenue used to be transferred to states every year, which was increased to 42 per cent by the 14th FC (for 2015–16 to 2019–20).

<sup>ii</sup>Gram Panchayats (GP) is the village level local government in India, which are officially part of the Panchayat Raj Institutions (PRIs) of the Indian constitution.

<sup>iii</sup>The 11<sup>th</sup> Schedule was added in the year 1992 as part of the 73rd Constitutional Amendment that enacted PRIs. This schedule contains 29 subjects that are the responsibility of the GPs.

<sup>iv</sup>Safely managed sanitation – is defined as the use of an improved sanitation facility which is not shared with other households and where excreta is – treated and disposed in situ, stored temporarily and then emptied and transported to treatment off-site, or transported through a sewer with wastewater and then treated off-site.

<sup>v</sup>Performance Audit on NRDWP, Ministry of Drinking Water and Sanitation, Report No.15, 2018, CAG, GoI

<sup>vi</sup>Performance Audit on NRDWP, Ministry of Drinking Water and Sanitation, Report No.15, 2018, CAG, GoI

<sup>vii</sup>Basic Grant –Grants under the 14<sup>th</sup> FC provided to GPs to support and strengthen basic civic services

<sup>viii</sup>Performance Grant –Grants under 14<sup>th</sup> FC provided on conditions of maintaining audited accounts and generating own income/revenue.

<sup>ix</sup>WASH Training in Odisha is too limited, IRC, 22<sup>nd</sup> Oct'18'. Refer to: <https://www.ircwash.org/blog/wash-training-odisha-too-limited>

