



# Tracking Budgets for Rural WATSAN:

An Assessment of districts Gaya and Samastipur in Bihar, India

April 2020

Published under the Series  
**DECENTRALISED PUBLIC FINANCE FOR WASH:**  
**Policy and Practice Learnings**



## ABBREVIATIONS & ACRONYMS

BDO	Block Development Officer	NRLM	National Rural Livelihood Mission
BE	Budget Estimate	O&M	Operation and Maintenance
BPRO	Block Panchayat Raj Officer	ODF	Open Defecation Free
BSWSM	Bihar State Water and Sanitation Mission	PEO	Panchayat Executive Officer
CBO	Community Based Organisation	PGVS	Pragati Gramin Vikas Samiti
CFC	Central Finance Commission	PHED	Public Health Engineering Department
CLTS	Community Led Total Sanitation	PRIs	Panchayati Raj Institutions
CM	Chief Minister	PWS	Piped Water Supply
CSO	Civil Society Organisation	RBI	Reserve Bank of India
CSS	Centrally Sponsored Scheme	RE	Revised Estimate
DDC	Deputy Development Commissioner	RWS	Rural Water Supply
DPC	District Planning Committee	SBK	Swachh Bharat Kosh
DLFA	Directorate Local Fund Audit	SBM (G/R)	Swachh Bharat Mission (Gramin/Rural)
DPR	Detailed Project Report	SDGs	Sustainable Development Goals
DPRO	District Panchayati Raj Officer	SEM	Self-employed Mechanic
ELFA	Examiner Local Fund audit	SE	Superintending Engineer
FC	Finance Commission	SFC	State Finance Commission
GoI	Government of India	SHG	Self Help Group
GP	Gram Panchayat	SLWM	Solid Liquid Waste Management
GPDP	Gram Panchayat Development Plan	SRLM	State Rural Livelihood Mission
IEC	Information, Education and Communication	SWSM	State Water and Sanitation Mission
IHHL	Individual Household Latrine	ULB	Urban Local Body
JE	Junior Engineer	VWSC	Village Water and Sanitation Committee
LSBA	Lohiya Swachh Bihar Abhiyan	WASH	Water, Sanitation and Hygiene
LWE	Left Wing Extremism	WATSAN	Water and Sanitation
MIS	Management Information System	WIMC	Ward and Implementation Monitoring Committee
MDWS	Ministry of Drinking Water and Sanitation	WS	Water Supply
NGO	Non-governmental organisation	ZP	Zila Parishad
NRDWP	National Rural Drinking Water Programme		

## TABLE OF CONTENT

Abbreviations & Acronyms	2
Figures & Tables	3
Executive Summary	4
I. Introduction	9
II. Methodology	11
III. Budgetary Priorities for Rural WATSAN: Union & State Government	13
IV. Budgetary Priorities for Rural Drinking Water	16
V. Budgetary Priorities for Rural Sanitation	17
VI. Budgetary Priorities for Rural WATSAN: Local Government Level	19
VII. Key Findings	22
VIII. Key Recommendations	24
IX. Endnotes	26
Annexure	27

## FIGURES &amp; TABLES

**Figure 1.1:** Decentralised Governance Structure in India

**Figure 2.1:** Steps Involved in Budget Tracking Exercise in Rural WATSAN

**Figure 3.1:** Allocations for NRDWP and NBA/SBM-R vis-à-vis Ministry/Department of Drinking Water & Sanitation from 2012 to 2020 (in Rs. crore)

**Figure 3.2:** Total WASH Budget vs. Total State Budget in Bihar (in Rs. crore)

**Figure 4.1:** Budgetary Allocations for Total Rural Drinking Water Supply by GoB, 2014-15 to 2019-20 (in Rs. crore)

**Figure 4.2:** Budgetary Allocations for NRDWP & State Scheme for Water Supply/Saat Nischay Scheme in Bihar, 2017-18 to 2019-20 (in Rs. crore)

**Figure 4.3:** Share of NRDWP in WATSAN Budget of Bihar, 2014-15 to 2018-19 (in percent)

**Figure 5.1:** Budgetary allocations for rural sanitation in Bihar, 2015-16 to 2019-20 (in Rs. crore)

**Figure 5.2:** Share of SBM in Rural Sanitation Budget of Bihar, 2015-16 to 2019-20 (in percent)

**Table 6.1:** Budget Provisions of State Government to PRIs (CFCs and SFCs) in Bihar for 2011-16 (in Rs. crore)

**Table 6.2:** Recommended Transfers to PRIs in Bihar for 2015-2016 to 2019-2020 (in Rs. crore)

**Table 6.3:** Submission of Utilisation Certificates by PRIs for Funds Allotted during 2007-2016 (in Rs. crore)

**Table 6.4:** Implementation of Projects for High Priority Sectors under 4th SFC of Bihar (in Rs. crore)

**Box 1:** Fund, Functions & Functionaries

**Box 2:** Need for Credit Support and Linkages

**Box 6.1:** Usage of Basic Grants and Performance Grants during 14th FC period

## EXECUTIVE SUMMARY

Budget tracking in schemes is yet to be a widely used tool by civil society organisations (CSOs) in the water, sanitation and hygiene (WASH) sector. Given India's federal polity, understanding public finance at each level of governance (Union, State and local) becomes even more pertinent for the water and sanitation (WATSAN) sector. The key funding source in the WASH sector, in addition to households, is the government with a budget of 3,554 million USD in 2018<sup>1</sup>. The new 2030 Agenda has water and sanitation at its core with a dedicated Sustainable Development Goal (SDG) 6 on water and sanitation with clear linkage to other goals. With the National Rural Drinking Water Programme (NRDWP)<sup>2</sup>, launched in 2009 the Government of India also demonstrated its commitment to provide safe and adequate water for drinking, cooking and other domestic needs to every rural person on a sustainable basis. Similarly, with the launch of the Swachh Bharat Mission- Rural (SBM-R) in 2014, the government showed its intent to eliminate open defecation in rural areas by 2019 through improving access to safe sanitation. The implementation of these two Centrally Sponsored Schemes (CSS) also coincided with the time period of the Fourteenth Finance Commission (2015-16 to 2019-20). Adequate and appropriate budgets are necessary to ensure that these international and national commitments are met. Budget analysis is also important to understand the impact of emerging realities in view of the changing (WASH) context. Further, comprehending fund flows and its impediments to better WASH service delivery is critical and necessary.

CBGA in support with IRC<sup>3</sup> (for the Watershed project) and WaterAid India, has produced this paper which is the second working paper in the series of publications on WASH public finance in India. This paper follows the previous working paper titled 'Mapping of Water and Sanitation Programmes, Institutions and Fund Flow Architecture for Samastipur, Bihar'<sup>4</sup>, December 2018. The objective of the paper is to aid the efforts of civil society organisations (CSOs) engaging with the issues of fiscal governance in water and sanitation (WASH) sector in Bihar. It presents the use of budget tracking in rural water and sanitation (WATSAN) programmes, for Samastipur and Gaya districts in Bihar. The timeline considered for this paper is the period of the Fourteenth Finance Commission (FFC) i.e. FY 2015-16

to FY 2019-20. The period of study was from January 2019 to November 2019. The budgetary data for Gaya district has been collected by WaterAid India's partners, Pragati Gramin Vikas Samiti (PGVS) and the data for Samastipur has been collected by IRC's Watershed project partners, Nidan. The paper also presents a set of recommendations and suggestions for government and CSOs who would be tracking and analyzing the budgets for WATSAN programmes operational in different districts of Bihar, taking the case of Gaya and Samapastipur as examples.

The crucial questions which the paper tries to address are:

1. How does understanding public finance for WASH help CSOs to enhance their work in the community?
2. Are budget related data too hard to access, read and understand? And if so, what can be done to address it?

**The paper has been divided into the following sections:**

**Section I:** It sets the context of the paper by highlighting the significance of tracking budgets in the WASH sector especially in the background of a decentralised federal government.

**Section II:** It discusses the steps to build capacities of the project partners on budget tracking and the methodology used in the paper.

**Section III:** It presents the budgetary priorities for rural WATSAN and its financing.

**Section IV and V:** These sections provide the analysis of the rural drinking water and rural sanitation budgets in Bihar. The sections also assess the district and GP level data.

**Section VI:** The section examines the budgetary priorities and the various sources of funds for WATSAN at the rural local government level (i.e. GP level).

**Section VII:** The key findings and recommendations have been laid out in this section. The focus has been on presenting some of the challenges in budgetary data collection process and issues in fund flow and fund

utilization at each level of government.

A summary of the key observations from the budget tracking analysis of rural WASH and recommendations for the various levels of government are given below:

**KEY OBSERVATIONS:**

**A) Rural WATSAN at the Union and State government level**

- There has been an overall increase in budgetary allocations for rural sanitation since the launch of SBM (R) in 2014-15 to 20-21. However, the allocations for rural water (NRDWP) has not seen much increase except in the last two years (i.e. 2019-20 & 2020-21)
- The prioritisation of WATSAN has also been reflected in the 14<sup>th</sup> FC recommendations and 15<sup>th</sup> FC interim report<sup>5</sup>.
- In Bihar, the share of budgetary allocation for WATSAN as a percentage of the total State budget has seen a significant increase from 2014-15 to 2019-20.

**B) Rural water at the State and local government level**

- The overall budgetary allocation for rural water has seen a gradual increase in Bihar in the last years with considerable increases from 2017-18 onwards. This has been due to the launch of Chief Minister's (CM) Nischay Scheme which contains the Har Ghar Nal Ka Jal and Gali Nali Pakkikaran schemes.
- The CM Nischay scheme has seen a gradual increase in budget allocation whereas the NRDWP allocation has remained stagnant. This trend has also been reflected at the district and GP level.
- The budget heads under NRDWP are 'Main Construction Work' (NRDWP) and 'Grant-in-aid'. For CM Nischay Scheme, the budget heads are 'Main Construction Work' and 'Construction of Assets'.

**C) Rural sanitation at the State and local government level**

- A substantial increase has been observed in

the budgetary allocation for rural sanitation primarily since the launch of the SBM (R). SBM (R) has been renamed by the state and is called the Lohiya Swachh Bihar Abhiyan (LSBA). The increase has been the most in the year 2018-19. The funds for rural sanitation were mainly used for toilet construction subsidy. SBM (R) is the only scheme for rural sanitation in the State and hence comprises 100 percent of the allocation.

- Since the budget data for rural sanitation at the district and block level was sketchy and not uniform, carrying out a trend analysis was difficult. However, the study team found that many households did not receive the incentive even after toilets were constructed under SBM (R).

**D) Central and State Finance Commission grants for WATSAN**

- The Comptroller & Auditor General (C&AG) Audit Report on Local Bodies, 2017 observed that during the 4<sup>th</sup> SFC (2010-15), against the recommendations of Rs. 4,026.5 crore grants, only Rs. 1,580.5 crore (39 percent) was released. In two years (2011-13) of the 4<sup>th</sup> SFC period (2010-15), grants were released in one instalment at the end of the financial year, hence, indicating the poor utilisation of the grants by PRIs across the years.
- There was delay in release of 5<sup>th</sup> SFC grants to the PRIs during 2015-16. They received the grants only in January 2017. Additionally, the poor record of utilisation certificates (UC) submission by PRIs in case of 13<sup>th</sup> FC, 4<sup>th</sup> SFC and 14<sup>th</sup> FC clearly reflects the weak financial management of PRIs.

**E) Challenges in budget collection process and budget policy and process issues**

- The capacity of CSOs in budget data collection was found to be severely deficient. There was a lack of understanding on the collection of information that includes what to collect, how to collect and from where to collect.

- There are budget policy issues (where there is a need for increasing budgets) such as lack of human resources for implementing the relevant schemes, budgets for major (and minor) maintenance, and budget for improving water quality. Further, there are budget process issues (where the requirement is for better utilisation of available budgets). These include poor maintenance of assets, low/no capacities of community level organisations (e.g. Village Water Sanitation Committees) to manage water supply, delays in payment of toilet subsidy, unrealistic pre-conditions for releasing the subsidy/beneficiary incentive for toilet construction, lack of skilled masons, misuse of Information, Education and Communication (IEC) budgets and corruption.

#### **F) Issues in fund flow and fund utilisation**

In Bihar, there were many instances found in delay of fund transfer to Gram Panchayats (GPs) from the State in case of 14<sup>th</sup> FC and 5<sup>th</sup> SFC. Funds could not be utilised due to the State and Panchayat elections which were held in 2015-16. Further, the litigation of 2017 in the High Court by GP Mukhiyas against devolving power regarding implementation of 14<sup>th</sup> FC funds to Ward Implementation and Monitoring Committee (WIMC) led to delay in utilisation.

**1) Shortage of staff:** There was a delay in preparing activity plan/ estimation of the projects by WIMC members due to poor capacity. Further, shortage of staff in the line departments had affected the planning, implementation, monitoring and accounts preparation work of GPs. As per the C&AG Report No.4 on Local Bodies, 2017, Government of Bihar, at the GP level, 3,160 posts for Panchayat Secretaries (38 per cent of the total 8,397 posts) were vacant as of 31st March 2016<sup>6</sup>. Further, the functions, functionaries and fund (3Fs) should have been transferred to the PRIs long back. However, in reality only subjects related to rural development and Panchayati Raj were transferred to PRIs.

#### **2) Mechanism of audit and accounts practiced at the GP level and financial monitoring**

- Social audit was not being carried out at the GP level. Currently, audit of account is done by empanelled private chartered accountants under the supervision of ZP. GP and WIMC accounts are prepared separately. Moreover, the accounts for SFC, FFC and CM Nishchay Yojana are maintained separately by the State departments.
- In Bihar, the financial progress of GPs was monitored in a weekly meeting at the block level by Block Development Officer (BDO) and Block Panchayati Raj Officer (BPRO). Monthly or quarterly review meetings were convened by the Department of Panchayati Raj in the district by District Panchayati Raj Officer (DPRO). However, physical monitoring of assets created from the 14<sup>th</sup>FC and SFC grants were found to be weak.
- Challenges were found in the financial capacities at GP level due to inadequate human resources and less focus on conducting capacity building of the GP for planning, implementation, monitoring and on maintaining accounts. However, the State government has provided an Executive Assistant/Karyapalak Sahayak since the past one year who is supposed to ensure reporting of data related to schemes and maintenance of records.

#### **3) Budget data unavailability and minimal role of Gram Sabha:**

There is a lack of budget data availability and transparency on 14<sup>th</sup> FC and SFC funds at the district as well as reluctance to share financial information/data at the district, block and especially at the GP level. The role of Gram Sabha is minimal in terms of deciding the development priority for the GP. Priorities are decided by the State government as per the fund availability and sources of funding.

## KEY RECOMMENDATIONS

Some of the key recommendations, for the government at different levels, are listed below. For detailed information, please refer to Section VII. They are as follows:

### i) For State government:

- Transfer funds, functions and functionaries (3Fs) to PRIs for better implementation of WATSAN projects in GPs.
- Increase focus on improving accounts at PRI level and capacitate the line department.

### ii) For District and Block government

- Capacitate PRI functionaries and need for greater budget transparency
- Strengthen District Planning Committees

(DPCs).

- Improve communication between line departments and PRIs.
- Increase role and more functional powers for block governments and better coordination of key stakeholders.

### iii) For GPs and NGOs

- Improve awareness on budgetary information and data as well as water security and water conservation.
- Set up a dedicated cadre of staff for GPs and transparency on GP budgetary information.
- Provide support to grassroot level CSOs/NGOs for training and awareness on budgetary issues and WASH.

# Tracking Budgets for Rural WATSAN:

## An Assessment of districts Gaya and Samastipur in Bihar, India

### I. INTRODUCTION

The purpose of this working paper is to aid the efforts of civil society organisations (CSOs) engaging with the issues of fiscal governance in water and sanitation (WASH) sector in Odisha. It presents the use of budget tracking in rural water and sanitation (WATSAN) programmes, for Ganjam and Nuapada districts in Odisha. It also presents a set of recommendations and suggestions for CSOs who would be tracking and analyzing the budgets for WATSAN programmes operational in different districts of Bihar, taking the case of Samastipur and Gaya<sup>7</sup> as examples.

This paper has been produced under the Watershed India Project (2016 - 2020), which aims to facilitate improvements in governance and management of WASH (Water, Sanitation and Hygiene) services and water sources on which such services depend upon by strengthening the role of CSOs as agents of change in the sector. The Watershed India Project is focusing on two landscapes in Bihar and Odisha. The objective of the paper is to understand the ways in which **pub-**

**lic budgets are spent** and allocated for rural water and sanitation at the national, state and local (district, block and gram panchayat) government levels<sup>8</sup>. This is the second working paper in the series of publications on WASH public finance in India.

In the series of Working Papers on Budget Tracking for Rural WASH, this paper follows the previous working paper titled 'Mapping of Water & Sanitation Programmes, Institutions and Fund Flow Architecture for Samastipur, Bihar<sup>9</sup>', December 2018. The said paper mapped out the institutional architecture of WASH at the state and district levels. The institutional mapping captured the governance structure of the sector and the financial mapping captured the sources and flow of funds.

The timeline taken under consideration for this paper is the period of the Fourteenth Finance Commission (FFC) i.e. FY 2015-16 to FY 2019-20. The period of study was from January 2019 to November 2019.

### 1. Budget tracking for WASH services: Why and for whom?

At the outset, it is pertinent to understand the meaning of budget tracking and its need and importance in WASH services. It is well acknowledged that the key contributing factor to the success or failure in the implementation of any social sector project lies in the way public sector funding or government budgets are allocated and spent (Savedoff, 2008, pg 5). There are many challenges in managing public sector funding. Some of the familiar approaches to budget tracking include public expenditure tracking surveys (PETS), quantitative service delivery surveys (Rogall, 2007), client satisfaction surveys (or service delivery surveys) and financial and institutional mapping exercises. In the

context of the WASH sector, the budget tracking is often used to increase transparency of service providers at the local level - to inform/empower local community to obtain the agreed upon services.

Some crucial questions on budgets and public finance that are often raised are as follows.

- How does understanding public finance for WASH help CSOs to enhance their work in the community?
- Are budget related data too hard to access, read and understand? And if so, what can be done to address it?

## 2. Setting the context for financing rural WATSAN: A decentralised process?

Public finance should be based on the four interlinked pillars of equity, sustainability, effectiveness and inclusion. These being even more pertinent for the WATSAN sector, the research team went forward with budget tracking at different government levels for rural water and sanitation programmes. The exercise of budget tracking was primarily centred at the data collected by the partner CSOs of the Watershed project and WaterAid India (Refer to Section II Methodology). In India, with the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Act, governance has devolved down a long federal chain of command with the Union government playing a pivotal role. Especially in the case for WATSAN, the responsibility of service delivery has shifted between two models - as a Union/State government function (top-down) during the 1950s and 1960s and as a local agenda (bottom-up) from the 1980s.

The principle of subsidiarity<sup>10</sup> has held even truer since the advent of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Act. This development was expected to facilitate integration of sanitation and water supply services, ease the transfer of schemes to Gram Panchayats for operation and maintenance, and to engage user communities in sectoral decision-making. It would be crucial to see how the three Fs (funds, functions and functionaries) in rural WATSAN have taken place in the case of Samastipur and Gaya. (Box 1)

### Box 1: Fund, Functions & Functionaries

**Devolution of the three Fs- Funds, Functions and Functionaries, to the PRIs/local bodies, means the devolution of powers should accompany with adequate funds, clear-cut roles and responsibilities and adequate human resources for executing such roles and spending funds.**

As seen in Figure 1.1, the Union government has a very clear role in making policies, guidelines and contributing budgets as Grants-in-aid to State governments and at national level or centrally sponsored schemes such as the Swachh Bharat Mission-Rural (SBM-R) and National Rural Drinking Water Programme (NRDWP). Further, it is also involved in monitoring and evaluation processes. As water and sanitation are State subjects<sup>11</sup>, the State government also plans and formulates State-specific WATSAN programmes and guidelines, contribute budgets for them (such as Saat Nischay in Bihar) and is further involved in monitoring and evaluating processes. They also play a crucial role in preparing and supporting the budgeting and execution of district-specific WASH programmes from Union, State and other sources. They also provide the support in monitoring water quality. The local government subsequently gets involved in executing the WASH programme by using tied and untied funds<sup>12</sup>.

Figure 1.1: Decentralised Governance Structure in India



## II. METHODOLOGY

### 1. Process

The budget tracking exercise involved three elements viz. secondary research, capacity building and field visits. Union and State level budgetary information was obtained through secondary research from Union and State government documents. (Refer Annexure 1 for details). Capacity building workshops were held with CSOs in Samastipur and Patna, covering topics related to planning and budgeting for WATSAN, and institutional mapping for rural WATSAN in the two project districts - Samastipur and Gaya. In the workshops, the CSOs were involved in identifying budgetary flows, key officials, key documents/reports at the block and district levels as well as the process to source WATSAN budgetary data. The capacity building activity was unique as it also covered the WATSAN budgets especially around delivery of services.

To facilitate collection of budgetary data from the districts and the Gram Panchayats (to be obtained from officials and elected representatives at these levels) CSOs were provided regular guidance on techniques and processes, and handholding. For this paper, the secondary data was collected from the FY 2012-13 to FY 2020-21. For Union Budget, actual expenditure data for FY 2012-13 to FY 2018-19, and estimates for FY 2019-20 and FY 2020-21 have been taken. For State budget, actual expenditure data for FY 2014-15 to FY 2017-18, and estimates for FY2018-19 and FY 2019-20 have been provided. For Gram Panchayats, data on expenditure have been obtained for FY 2015-16 to FY 18-19. A combination of two approaches – sectoral analysis and trend analysis in budget allocations over time has been used.

### 2. Steps to build capacities of the project partners on budget tracking

The government, both Union and State, plays a key role in providing programmatic provisions and finances for all households to be covered by water and sanitation services. These have to be in line with the service levels prescribed by the Union/State government. The process of engaging the State CSO partners in this kind of approach was initiated by conducting participatory exercises with community members in order to map the available water and sanitation facilities (and their functionality) in the respective communities. Post this, there was a WASH planning exercise, facilitated by the partners, to discuss the gaps. These gaps can be addressed at the planning level in the Gram Panchayat in order to ensure the availability of WASH services to all in the respective villages. The planning is further categorised into short- and long-term plans. This was to support the CSOs formulate their demands to the Gram Panchayat realistically. Workshops on planning processes were conducted through this intervention in the districts with Panchayati Raj Institutions (PRIs) and CSOs to orient them on the official planning processes,

the time period/windows and officials to influence to include their needs in the plans. (Figure2.1). These were the first level of workshops conducted with the partners at Samastipur district, Bihar. Based on some understanding of the planning processes, the partners were then taken through the workshops on public finance. These were the second level of workshops conducted in Patna, Bihar. These workshops focused on the need to understand the use of the funds, as plans and expenditures need to highlight budget lines required in the life cycle of the services. These State level workshops built on more basic understanding on the financial architecture, the roles of the Union and State governments, institutions involved in WASH, fund flow architecture and the challenges/bottlenecks faced. To further deepen the understanding from the above exercises for all involved in the processes, Centre for Budget and Governance Accountability (CBGA), IRC and the project partners planned to organise sense making /dissemination workshops<sup>14</sup>.

Figure 2.1: Steps Involved in Budget Tracking Exercise in Rural WATSAN

**PARTICIPATORY EXERCISES**

*Resource and social mapping were facilitated by field partners at ward/village levels*

**WASH PLANNING**

*Discussions with ward members and CSOs to identify gaps in WASH services for the respective Wards/villages that need to be included in the Gram Panchayat plans.*

**UNDERSTANDING PLANNING PROCESSES, PROGRAMMES AND INSTITUTIONS**

*Workshops with partners and CSOs in the respective districts were conducted to discuss the planning processes and share the mapped the government programmes for WASH in the respective states*

**UNDERSTANDING FINANCES**

*State level workshops were conducted with partners on understanding public finance, sources of funds for WASH, the significance of the information to CSOs*

**BUDGET DATA COLLECTION**

*Partners collected budgets from Gram Panchat, line departments for WASH at the district level*

**BUDGET SENSE MAKING**

*Sense making workshops with partners will be done at the state level (to be done shortly after the publication of this paper)*

### III. BUDGETARY PRIORITIES FOR RURAL WATSAN

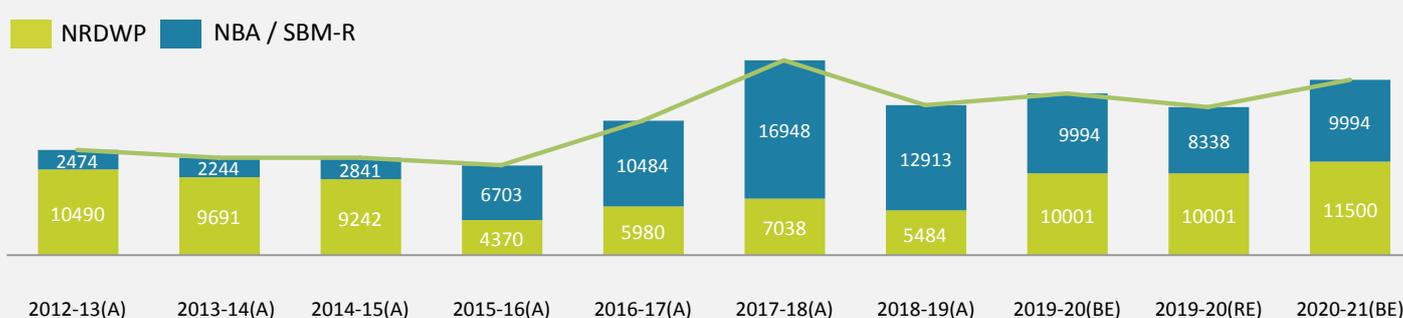
#### 1. Rural water and sanitation financing by the Union government

Financing of water and sanitation by the Union government can be assessed through the funds allocated for two centrally sponsored schemes viz. National Rural Drinking Water Programme (NRDWP) and Swachh Bharat Mission – Rural (SBM-R). Figure 3.1 below, indicates that the allocations for NRDWP fell from 2014-15 to 2018-19, taking the maximum dip in 2018-19. However, it significantly increases (almost doubled) in 2019-20 and 2020-21.

In sanitation, the situation was seen to be different with SBM recording high allocations since 2014-15, reaching its peak in 2017-18. The major reason behind the high allocations for sanitation was the political priority at the national level, as reflected in the launch of Union government's flagship programme - Swachh Bharat Mission (2015-2019).

However, this brings us to another pertinent observation on the overall Ministry/Department of Drinking Water and Sanitation's allocation which has not increased significantly from 2012-13 till 2016-17, hence clearly hinting at the shift in NRDWP's allocations to SBM. The increase has been the most in 2017-18 and considering the allocation for 2020-21, there has been a 78 percentage point increase when compared to 2014-15. However, it is interesting to note that the figures for NRDWP were considerably higher prior to the launch of SBM in 2014-15. In fact, the allocation for NRDWP in 2012-13 and 2020-21 has only a marginal increase of 10 percentage points. In the current year, the Union government is focusing on supplying piped water to all households by 2025. Further with the launch of the Jal Jeevan Mission in July 2019, the increase in NRDWP is expected and a first since 2012-13.

Figure 3.1: Allocations for NRDWP and NBA/SBM-R vis-à-vis Ministry/Department of Drinking Water & Sanitation from 2012 to 2020 (in Rs. crore)



Source: Compiled by CBGA from Union Budget documents, various years.

## 2. Financing by Local Administrations: 14<sup>th</sup> and 15<sup>th</sup> Finance Commissions (FCs)

The WATSAN sector has been given priority by the 14<sup>th</sup> FC<sup>15</sup> of India, which emphasised delivery of basic services such as water supply and sanitation in the utilisation of basic (90 per cent) and performance (10 per cent) grants provided to Gram Panchayats. The Ministry of Panchayati Raj, which is the nodal ministry for the Finance Commission Funds, further focused on the use of the grants by issuing advisories towards using the 14<sup>th</sup> FC grants for sanitation and safe drinking water supply in schools and anganwadi centres. The 14<sup>th</sup> FC had awarded over Rs. 2 lakh crore to the Gram Panchayats for the financial period 2015-2020. The 15<sup>th</sup> FC, which submitted its final recommendations in November 2019, has been requested to further prioritize rural drinking water, sanitation and hygiene sector in the new grant matrix. Our analysis on budgetary data at the local government level show that some of the areas for which these local funds are being used include Capital Expenditure and Operational Expenditure<sup>16</sup> for water supply schemes, with provision of maintenance, creation and maintenance of rainwater harvesting and ground-water recharge infrastructure, localized water quality treatment solutions, Solid Liquid Waste Management (SLWM) infrastructure and other initiatives to promote and sustain provision of safe drinking water and sanitation.

### Box 2: Need for Credit Support and Linkages

To facilitate the investments in WATSAN sector, there is a major need for credit, both at the household and at the enterprises level. Three regulatory changes were made by the Reserve Bank of India with the support of Ministry of Drinking Water & Sanitation in order to facilitate consistent lending in this sector<sup>1</sup>. These were as below:

- Inclusion of WATSAN as a priority sector towards which banks and regional rural banks should direct their credit.
- Inclusion of toilet construction as a category for which Self Help Groups (SHGs) linked to the National Rural Livelihood Mission (NRLM)/ State Rural Livelihood Mission (SRLMs) can avail loans.
- According to RBI data, directing one per cent of the priority sector limits of commercial banks towards water and sanitation sector can release approximately Rs. 28,000 crore of credit annually.

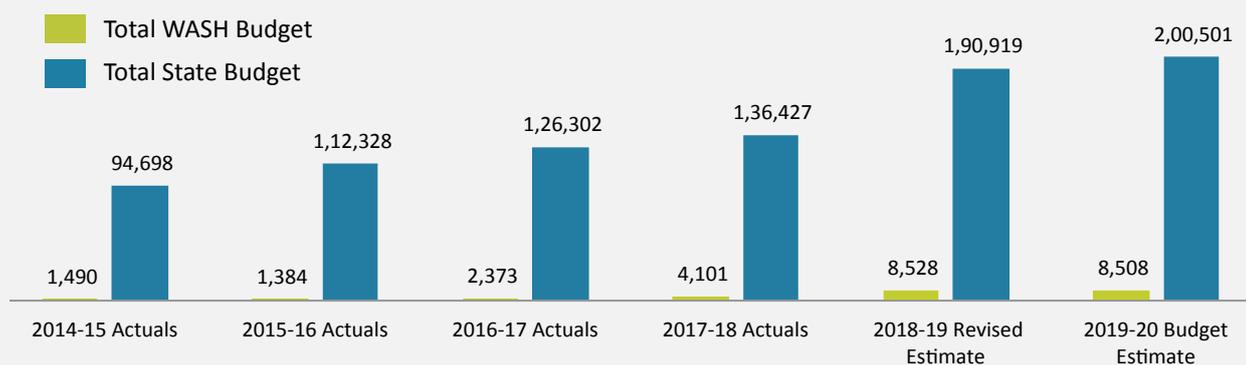
*Source: 'Infrastructure and Investments in Water and Sanitation in India', Background Note, MoF, RIS, FICCI for the Conference on 'Water & Sanitation', 31st May-1st June'18, Pune*

### 3. Financing at the State level: The case of Bihar

The share of budgetary allocation for WATSAN as a percentage of the total State budget in Bihar (Figure 3.2) clearly shows the dramatic increase since 2014-15 to 2019-20<sup>17</sup>. Especially, the rise has been significant

in 2018-19 BE where it rose to 4.4 percent from 1.5 percent in 2014-15. This clearly depicts that the State was prioritising WATSAN as a sector.

Figure 3.2: Total WASH Budget vs. Total State Budget in Bihar (in Rs. crore)



Source: Compiled by CBGA from Bihar State Budget, various years, GoB

## IV. BUDGETARY PRIORITIES FOR RURAL DRINKING WATER

Other than the Centrally Sponsored Schemes (CSSs), the State also invests its own funds in the rural water sector. Figure 4.1 below, shows the total budgetary allocation for rural drinking water<sup>18</sup> in Bihar from 2014-15 to 2019-20. As evident, the increase in allocation has been gradual since 2014-15 but doubles in 2016-17. This further gets enhanced significantly to almost three times in 2019-20 to Rs. 3,549 crores from Rs. 1,350 crores. This is surely a positive trend and indicates to the State's increasing priority in rural water.

The budgetary allocations for CSS - NRDWP<sup>19</sup> and the State scheme - CM Drinking Water Nischay Scheme<sup>20</sup>, on rural water supply can be seen in Figure 4.2 below. It is interesting to observe that the CM Drinking Water Nischay scheme budget vis-à-vis the NRDWP scheme is significantly higher. In fact, the allocations for NRDWP, although increased by more than 50 percent in 2018-19 from 2017-18, however, the greater share of the budget came from the CM Drinking Water Nischay scheme. On the other hand, the growing priority and commitment given to the CM Drinking Water Nischay scheme is evident with allocations almost doubling from 2017-18 to 2019-20. The gap left by the low share of NRDWP allocation is met by the CM Drinking Water Nischay scheme, thereby indicating the increased fiscal autonomy of the States since the 14<sup>th</sup> FC period. This change could be attributed to the increased share from 32 percent to 42 percent to the States from the 14<sup>th</sup> FC funds.

Coming to the share of NRDWP in the total rural water supply budget of Bihar, (Figure 4.3) it is observed that the share which was already less than one percent in 2014-15 further reduces to only 0.23 percent indicating that State allocation for rural water has increased while the allocations for NRDWP have decreased over the years.

Figure 4.1: Budgetary Allocations for Total Rural Drinking Water Supply by GoB, 2014-15 to 2019-20 (in Rs. crore)

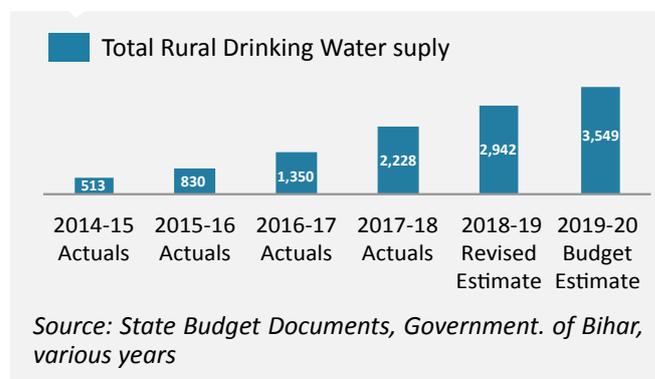


Figure 4.2: Budgetary Allocations for NRDWP & State Scheme for Water Supply/Saat Nischay Scheme in Bihar, 2017-18 to 2019-20 (in Rs. crore)

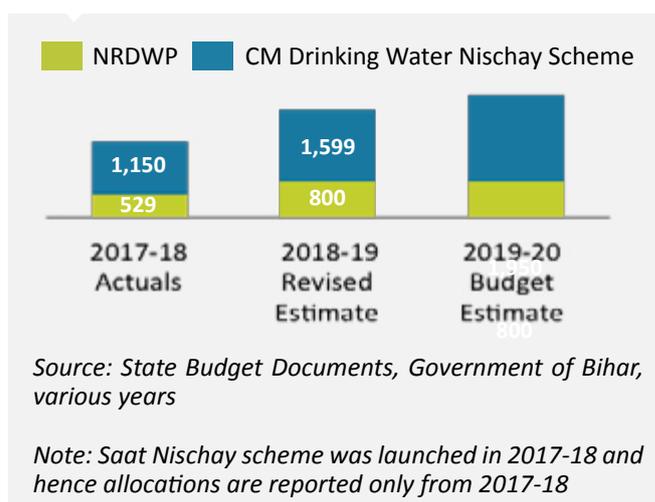
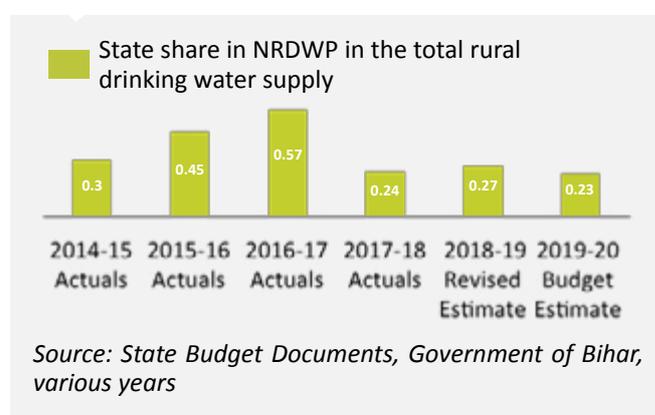


Figure 4.3: Share of NRDWP in WATSAN Budget of Bihar, 2014-15 to 2018-19 (in percent)



## V. BUDGETARY PRIORITIES FOR RURAL SANITATION

Since the launch of the SBM-R in 2014, over 10 crore toilets have been built in rural areas, and over 5.9 lakh villages, 699 districts, and 35 States/UTs have declared themselves ODF<sup>22</sup>. The next step, as highlighted in the Union Budget 2020-21, is the transition into “ODF Plus”. In order to sustain ODF behaviour, ODF Plus focuses on liquid and grey water management, solid waste

collection, source segregation, processing of solid waste and awareness on personal hygiene. This signals the Ministry of Jal Shakti’s intent towards making sanitation sustainable. The government’s priority to sustain behavioural change is also reflected in the 10 years Rural Sanitation Strategy (2019-2029)<sup>23</sup> of the Department of Drinking Water and Sanitation.

### 1. Private financing and the Swachh Bharat Kosh

At the time of the launch of the SBM, the Government of India (GoI) had set up an arrangement of pooled funds called the Swachh Bharat Kosh<sup>24</sup> (SBK) in order to enable companies to contribute towards the programme. Public sector units (PSUs), private organisations, other organisations as well as individuals have contributed approximately Rs. 10,006 crore towards the Swachh Bharat Kosh since October 2014<sup>25</sup>. The funds from the Kosh have been used for promotion of sanitation infrastructure in the country. Of the total funds contributed towards SBK, the Government has released Rs. 420 crore towards conversion of dysfunctional toilets to enable a large number of families gain access to improved sanitation facilities. A significant share of this release has been

concentrated in the north eastern States of Tripura, Mizoram and Assam, given the difficult terrain and topographical challenges of the States.

The Government also advocated private and public sector enterprises to contribute towards the SBM in terms of construction of toilets and other sanitary complexes in public spaces and schools. Corporate entities have been contributing to the sanitation campaign by giving donations to the SBK. In addition to this they have also been spending their Corporate Social Responsibility (CSR) funds directly making an impact on the ground through, awareness generation programmes and construction of toilets in schools and households.

### 2. Financing of rural sanitation by the local government

The 14<sup>th</sup> FC also included Open Defecation Free (ODF) status for Gram Panchayats as 30 per cent weightage in the evaluation criteria for disbursement of the 10 per cent performance grant. The 15<sup>th</sup> Finance Commission, which submitted its final recommendations in November 2019, has been requested to further prioritise the rural drinking water, sanitation and hygiene sector in the new grant matrix.

Some of the areas for which these local funds are being used include operation & maintenance, repair and

retrofitting of community toilet complexes, schools and anganwadi centers, retrofitting dysfunctional household toilets and incentivising new households to build toilets, ODF sustainability practices like retrofitting and de-sludging services for individual household latrines (IHHLs), solid and liquid waste management infrastructure and other initiatives to promote and sustain provision of safe drinking water and sanitation.

### 3. Budgetary Priorities for Rural Sanitation: The Case of Bihar

The budgetary allocation for rural sanitation from the State government has seen a substantial increase from 2015-16 to 2019-20 (Figure 5.1) in Bihar. This could be attributed largely to the SBM scheme which provided an impetus to the sanitation sector in the country. SBM (R) has been renamed by the state and is called the Lohiya Swachh Bihar Abhiyan (LSBA). The increase in the budget for rural sanitation from 2015-16 to 2019-20 was more than 2,000 percentage points. Rural sanitation got the maximum allocation from 2018-19 onwards with an amount of Rs. 5,267 crores in 2018-19.

The funds for rural sanitation in Bihar were used almost fully for toilet construction subsidy of Rs. 12,000 (USD 170) per household. The direct costs- salaries and information, education and communication (IEC) were found to be minimal. Most of the staff working on sanitation was found to be consultants at various levels, which also throw up issues around (sustained) usage and ensuring safely managed sanitation in the longer run.

The share of SBM in the total rural sanitation budget of Bihar till 2019-20 continues to be 100 percent comprising the entire amount allocated to rural sanitation since 2015-16 (Figure 5.2). It can be assumed that prior to 2015-16; the State was also spending for rural sanitation through its State scheme.

The study team had expected the district budget data on the centrally sponsored water supply and sanitation (NRDWP & SBM) to be easily accessible. However, despite these being flagship schemes of the Union government the data on the same was not available. The pressure of meeting targets in each of the constituencies could be a possible reason for this gap.

Figure 5.1: Budgetary allocations for rural sanitation in Bihar, 2015-16 to 2019-20 (in Rs. crore)

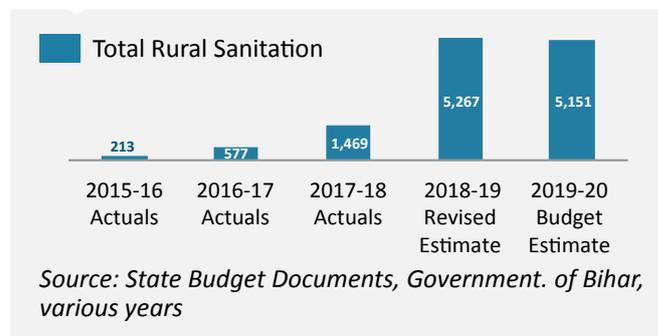
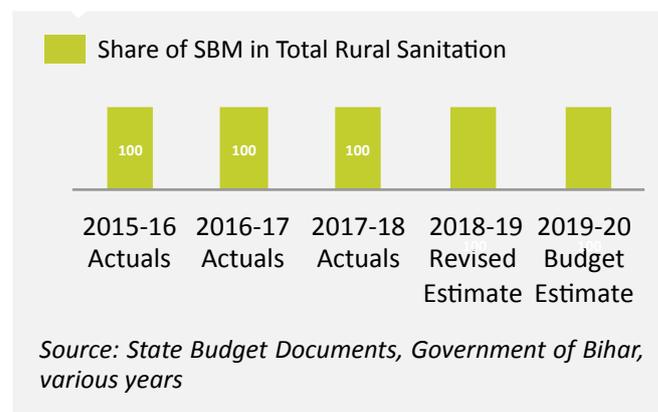


Figure 5.2: Share of SBM in Rural Sanitation Budget of Bihar, 2015-16 to 2019-20 (in percent)



## VI. BUDGETARY PRIORITIES FOR RURAL WATSAN AT THE LOCAL GOVERNMENT LEVEL

### 1. Sources of funds for WATSAN in rural local government

For empowering Panchayati Raj Institutions (PRIs) and making them as institutions of local self-government, to decide local level development priorities, the 73<sup>rd</sup> Constitutional Amendment Act (CAA) was legislated in 1992. The primary task of CAA was to provide autonomy to PRIs for preparing local plans and projects related to economic development and social justice which includes public provisioning of drinking water supply and sanitation. However, extent of devolution of power (funds, functions and functionaries) to PRIs was not made mandatory by the Constitution and thereby there has been no uniform devolution of power to the PRIs across the States.

Most of the State governments have devolved bulk of the functions to PRIs without matching funds and functionaries. The proportion of plan fund or untied grants for development work at the discretion of PRIs and non-plan funds for maintenance and up-scaling of existing local level basic services are negligible. There is limited power given to PRIs to collect own resources, the tax base is poor and no specialised staff for tax collection has been provided. Currently, in terms of fund availability, PRIs are largely dependent on grants from State Finance Commissions (SFCs), Central Finance Commissions (CFCs) and Centrally Sponsored Schemes (CSSs). However, due to lack of flexibility in terms of fund usage and scheme guidelines, the mechanism of centralised planning and budgeting in CSS often do not work for PRIs. The SFC and CFC grants give more flexibility to the PRIs in terms of planning and budgeting at the local level.

The 14<sup>th</sup> FC recommended grants in two parts, namely Basic Grant and Performance Grant for duly constituted Gram Panchayats and Municipalities during award period of 2015-20 (Box 6.1). In the case of GPs, 90

*Box 6.1: Usage of Basic Grants and Performance Grants during 14<sup>th</sup> FC period*

- The Basic Grant is intended to improve basic civic services like water supply, sanitation, sewerage facilities, solid waste management, storm water drainage, maintenance of community assets, roads, footpath, street lighting, and burial and cremation grounds.
- More focus was given on drinking water and sanitation facility at community level
- Also, priority was given for providing drinking water and sanitation facility at institution level such as schools, health centres and anganwadi centres
- Through the performance grant, the GPs have to take initiatives to prepare proper annual accounts and get them audited regularly without any backlog. GPs will also have to show an increase in their own sources of revenues over the preceding year as reflected in the audited accounts.

*Source: Ministry of Panchayati Raj, Government of India*

per cent of the grant will be the basic grant and 10 per cent will be the performance grant. Entitlement of performance grant may be from the second year of the award period i.e., from 2016-17 onwards. The 14<sup>th</sup> FC recommended a grant of Rs. 2,00,292 crore to GPs for 2015-20 with basic grant being Rs. 1,80,262.98 crore and performance grant being Rs. 20,029.22 crore. Grants should be released in two installments in June and October every year which must be transferred to the GPs within 15 days of receipt from the Union government. The amount of grant is to be transferred directly into the account of GPs from the State treasury.

## 2. The 5th SFC in Bihar

As per provisions of Section 168 of the Bihar Panchayati Raj Act, 2006, GoB had constituted SFCs to assess the financial status and to determine the principles on the basis of which adequate financial resources would be ensured to the PRIs. The 5<sup>th</sup> SFC was constituted in December 2013 for the period 2015-2020. As per the recommendations of the 5<sup>th</sup> SFC, the amount has been categorised on the basis of two functions - (i) share of net tax revenue of the State (ii) amount in the form of grants are to be released to PRIs to be spent on water supply, sanitation, smart panchayat, e-governance, panchayat sarkar bhawan, etc. The amount was to be

distributed among GPs, Panchayat Samitis (PSs) and Zila Parishads (ZPs) in the ratio of 70:10:20 respectively.

The Comptroller & Auditor General (C&AG) Audit Report on Local Bodies, 2017 observed that during the 4<sup>th</sup> SFC (2010-15), against the recommendations of Rs. 4,026.5 crore grants, only Rs. 1,580.5 crore was released. In two years (2011-13) of the 4<sup>th</sup> SFC period (2010-15), grants were released in one instalment at the end of the financial year. The following table 6.1 also shows the poor utilisation of grants by PRIs across the years.

Table 6.1: Budget Provisions of State Government to PRIs (CFCs and SFCs) in Bihar for 2011-16 (in Rs. crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Budgetary Allocation</b>	3,549.79	3,526.75	4,074.14	4,809.51	5,467
<b>Expenditure</b>	2,389.53	2,591.06	3,003.35	2,374.78	2,893
<b>Percentage of Utilisation</b>	67.3	73.5	73.7	49.4	52.9

Source: Compiled by C&AG from Information provided by the Panchayati Raj Department, Government of Bihar, 2017

The GoB had made a provision that the 5<sup>th</sup> SFC grants would be released directly into the bank account of the PRIs concerned through electronic fund transfer and core banking system. The GoB had made a budget

provision of Rs.1,822.88 crore to be released to PRIs during 2015-16 but grants were not released till January 2017. (Table 6.2)

Table 6.2: Recommended Transfers to PRIs in Bihar for 2015-2016 to 2019-2020 (in Rs. crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
<b>Devolution</b>	1,780	1,940	2,390	2,960	3,665	12,735
<b>Grants</b>	555	935	1,085	1,525	1,685	5,785
<b>Total</b>	2,335	2,875	3,475	4,485	5,350	18,520

Source: Fifth SFC Report of Government of Bihar

Table 6.3 below, shows the poor record of utilisation certificates (UC) submission by PRIs in case of 13<sup>th</sup> FC, 4<sup>th</sup> SFC and 14<sup>th</sup> FC, clearly reflecting the weak financial

management of PRIs. This also leads to delays in fund flow and subsequently low utilisation of CFC and FFC grants.

Figure 6.3: Submission of Utilisation Certificates by PRIs for Funds Allotted during 2007-2016 (in Rs. crore)

Heads	Total Allotment	Period	UCs submitted	UCs not submitted	%*
13 <sup>th</sup> FC	4,810.74	2010-11 to 2014-15	2,676.41	2,134.33	56
4 <sup>th</sup> SFC	2,118.61	2011-12 to 2014-15	1,016.95	1,101.66	48
14 <sup>th</sup> FC	2,269.18	2015-16	203.94	2,065.24	8.99

\* Percentage of UCs submitted based on the total allotment

Source: Compiled by C&AG from information provided by the Panchayati Raj Department, Government of Bihar, 2017

Table 6.4 below, shows the priority of work given for different sectors through prescribed percentage of weightage to each sector under 4<sup>th</sup> SFC on 2017. Drinking water has been given a weightage of 15.75 per cent and sanitation 3.6 percent in terms of total priority

of work under 4<sup>th</sup> SFC of Bihar. However, less than 50 percent of the fund was utilised against the available grant for drinking water and no amount was spent on sanitation which is a worrying reality.

Figure 6.4: Implementation of Projects for High Priority Sectors under 4<sup>th</sup> SFC of Bihar (in Rs. crore)

Sector of work	Prescribed % weightage for sectors	Expenditure amount	% fund utilisation against grant available
Drinking Water	15.75	9.44	41.02
Street lighting	16.25	1.62	7.04
Brick soling & Drains	61.2	13.62	59.19
Library	3.2	0.02	0.09
Sanitation	3.6	0	0

Source: Compiled by C&AG from the information provided by the Panchayati Raj Department, Government of Bihar, 2017

## VII. KEY FINDINGS

### A. Challenges in budgetary data collection and budget policy - process issues

- The capacity of CSOs in budget data collection was found to be severely deficient. There was a lack of understanding on the collection of information that includes what to collect, how to collect and from where to collect. To address this challenge, the capacities of PRI functionaries at the GP level need to be built to a level where greater ownership and better management of GP accounts and finance takes place. Further, effective monitoring in the implementation of these schemes is required to be undertaken by the CSOs. There is also a need for a better understanding on state polity and its fiscal and federal structure.
- A number of issues in the WATSAN sector have resulted from deficiency in budgets or from poor utilisation of available budgets. Moreover, resolving some of the issues requires additional budgets. Some of these are budget policy issues (where there is a need for increasing budgets) such as lack of human resources for implementing the relevant schemes, budgets for major (and minor) maintenance, and budget for improving water quality.
- Additionally, there are several budget process issues also (where the requirement is for better utilisation of available budgets). These include poor maintenance of assets, low/no capacities of community level organisations (e.g. Village Water Sanitation Committees) to manage water supply, delays in payment of toilet subsidy, unrealistic pre-conditions for releasing the subsidy / beneficiary incentive for toilet construction, lack of skilled masons, misuse of IEC budgets and corruption.

### B. Issues in Fund Flow and Fund Utilisation:

- There were several reasons found behind the low fund utilisation at the GP level. Firstly, in Bihar there were many instances found in delay of fund transfer to GPs from the State in case of the 14<sup>th</sup> FC and 5<sup>th</sup> SFC. Funds could not be utilised due to the State and Panchayat

elections which were held in 2015-16. Further, one of the critical reasons behind low fund utilisation was due to litigation of 2017 in the High Court by GP Mukhiyas against devolving power regarding implementation of 14<sup>th</sup> FC funds to Ward and Implementation Monitoring Committee (WIMC).

- During the implementation of Har Ghar Nal Ka Jal Yojna, the topography of some blocks in Gaya and Samastipur<sup>26</sup> became a major reason for low utilisation of funds and delay in completion of project. There was a delay in preparing activity plan/ estimation of the projects by WIMC members due to poor capacity. Water supply projects were found to have gotten delayed in Gaya and Samastipur due to lack of material availability in the local market related to the water projects. This proved to be serious cause of concern since the State government had made it mandatory to procure materials from the local market only. Further, shortage of staff in the line departments had affected the planning, implementation, monitoring and accounts preparation work of GPs. Delay in preparation of plans, monitoring and poor financial management are also some of the reasons for delay in fund utilisation.

1. **Shortage of staff:** From the field assessment undertaken by the study team in February 2019, it was found that, in terms of transfer of the 14 CFC and SFC funds, there are delays - both, from the Union government to the State government as well as from the State government to the local government. There was lack of decentralisation of power to GPs in terms of finance, staff and control over functions. As per the C&AG Report No.4 on Local Bodies, 2017, Government of Bihar, at the GP level, 3,160 posts for Panchayat Secretaries (38 per cent of the total 8,397 posts) were vacant as of 31st March 2016<sup>27</sup>. Further, the functions, functionaries and fund (3Fs) should have been transferred to the PRIs long back. However, in reality only subjects related to rural development and Panchayati Raj were transferred to PRIs. It was found that the staff was answerable to their respective departments

and the PRIs did not have adequate staff to discharge the devolved functions and manage the grants from the CFC and the SFC. The fund available to the PRIs from various sources were grossly inadequate for their assigned functions, they were not able to utilise even that due to capacity constraints.

**2. Mechanism of audit and accounts practiced at the GP level and weak status of audit in Bihar:**

The audit of accounts of PRIs is conducted by the Examiner of Local Fund Accounts (ELFA) under the supervision of the Accountant General (Audit), Bihar Local Fund Audit Act, 1925. The ELFA audit was discontinued in 2016 and the audit under Technical Guidance and Support arrangement commenced from December 2016. During the year 2015-16, the ELFA conducted the audit of 1,102 PRIs. Sample audit is done by ELFA under AG audit and Directorate of Local Fund Audit. Social audit is not being carried out at the GP level. Currently, audit of account is done by empanelled private chartered accountants under the supervision of ZP. GP and WIMC accounts are prepared separately. Moreover, the accounts for SFC, FFC and CM Nishchay Yojana are maintained separately by the State departments.

There are challenges in terms of financial capacities at GP level due to inadequate human resources and less focus on conducting capacity building of the GP for planning, implementation, monitoring and on maintaining accounts. However, since past one year, the State government has provided a staff called the Executive Assistant or Karyapalak Sahayak who is supposed to ensure reporting of data related to schemes and maintenance of records. Additionally, the State government has also provided (or in the process to provide) an Accountant cum IT Assistant to GPs, whose main task is reporting of accounts over a period of time. These staff is additional to the Panchayat Secretary for each GP. The Panchayat Secretary looks into the day to day affairs of the GP and reports to the Block Panchayat Raj Officer (BPRO). In terms of fund utilisation in the GPs, it was further revealed that 10 percent of the administrative costs from 14thFC were not being

used by GPs. This 10 percent could be availed for hiring staff, yet again showing the vicious cycle between low capacities leading to low spending.

There was low utilisation of IEC funds and administration funds in CSS at the GP level. Further, due to lack of regular training programmes, both elected and non-elected members of PRIs at the local government were found to have low capacities to plan, budget and implement schemes under the 14th FC and SFC.

**3. Mechanism for financial monitoring:**

In Bihar, the financial progress of GPs was monitored in a weekly meeting at the block level by Block Development Officer (BDO) and Block Panchayati Raj Officer (BPRO). Monthly or quarterly review meetings are also convened by the Department of Panchayati Raj in the district by District Panchayati Raj Officer (DPRO) to assess the financial progress. However, officials shared that physical monitoring of assets created from the 14thFC and SFC grants were found to be weak due to inadequate human resources, unavailability of vehicles and the cost of fuel which in most cases was incurred by the officials.

**4. Budget Data: Issues of unavailability and transparency.**

There is a lack of budget data availability and transparency on 14th FC and SFC funds at the district level. Overall, there is reluctance to share financial information/data at the district, block and especially at the GP level. Under the present study, GP level data had been collected by partner organisations of the WaterAid India and IRC (Watershed).

**5. Gram Panchayat Development Plan (GPDP) and Role of Gram Sabha:**

Role of Gram Sabha is minimal in terms of deciding the development priority for the GP. Priorities are decided by the State government as per the fund availability and sources of funding. GPs in Bihar were not able to prepare GPDPs due lack of interest shown by the State government.

## VIII. KEY RECOMMENDATIONS

### For State Government:

- **Transfer 3Fs to PRIs for better implementation of water and sanitation projects in GPs:** The State government needs to ensure that funds and functions are transferred to all levels of the local government viz. district, block and GP in a timely manner. 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 institutionalise the devolution process to PRIs and ULBs so that the recommended fund-flow to them happens in a timebound manner.
- **Increased focus on improving accounts at PRI level:** Since maintaining accounts at the GP level proves to be a challenge, there should be clear orders from the State government to GPs to be instructed to use 10 percent of administrative costs towards support staff for maintaining accounts.
- **Capacitate the line department:** Findings from the field revealed that the line department is understaffed, with few engineers being responsible for multiple GPs. Further, it lacks resources leading to engineers having to rely on their personal vehicle to move around. These factors affect timely completion of works. Henceforth, investing more funds towards hiring of regular monitoring, engineering, and financial staff is required by the State government.

### For District Government:

- **Capacitate PRI functionaries:** There is a need to invest more financial resources in capacities of elected and non-elected members of GP including ward members to prepare need-based plans, budgets, regular accounts/ audit and to implement the 14<sup>th</sup> FC and SFC grants. Additionally, there needs to be regular/ongoing

capacity building of Mukhiyas and WIMC members. The trainings need to include -

- a. Planning processes
  - b. Budgets/funds available, how to plan based on budgets, possibility of leveraging other funds – from where, how
  - c. Tendering processes
  - d. Contracting processes
  - e. Monitoring of works
  - f. Support available (technical and administrative)
  - g. Maintaining and transparency of accounts
  - h. For water supply – preparing for tariffs
    - i. Communication to the communities – why, how much, where will it used, how can they track this
    - ii. Mechanism of collection of tariffs – who, when, what if not paid
    - iii. Maintenance and transparency of accounts of tariffs collected
  - i. Asset Management
  - j. Water security
- **Strengthening District Planning Committees (DPCs)<sup>28</sup>:** In Bihar, DPCs<sup>29</sup> have been constituted in 38 districts. The Chairperson of DPC is the Zila Parishad Adhyaksha/Director and the Deputy Development Commissioner (DDC) is the Member secretary. No meetings have been effectively held since constitution of DPCs, except the formal first meeting for oath taking in the State. Due to delayed preparation of rules and not constituting of the committee, the DPCs remained non- functional up to December 2007, as the consolidated plan for the district was not prepared. All the PRIs were executing schemes after approval of their respective Boards and it could not be ensured whether these schemes took into account overall development requirements of the district<sup>30</sup>. Therefore, the DPCs need to be given adequate financial support, a permanent office and secretariat in order for them to perform their tasks effectively. There is also a need for

capacity building of members on the role and functions of DPC and on the tenets of integrated planning for social and economic development.

- **Improve communication between line department and PRIs:** Due to lack of information sharing from the line departments to PRIs on the timeline required for a WASH work, GPs are unable to complete the works. As delays are usual in completing the works, it leads to loss of interest (on the amount transferred to the line department) for the GPs. Further, on completion of the work, it was reported that the line department does not share a breakdown of the cost with the GP. Consequently, the Mukhiya (the elected leader of the GP) is reluctant to utilise the budgets for works on which they have no financial clarity. For this reason, there needs to be improved communication between the line departments and GPs to ensure that there is no loss of money in the GPs account<sup>31</sup>.
- **Greater transparency in budget related information and data:** The District government needs to ensure greater transparency in sharing budgetary information and data such as sharing the line department's break up of costs as well as budget data. Further, there is a need for transparency in budget and physical outcomes data for projects under the 14<sup>th</sup> FC and SFC at the district level.

#### For Block Government

- **Increased role and more functional powers for block governments:** The block government should not merely function as a post office for the district and the GP, but rather play a more prominent role in the matters of the GPs. Greater financial powers should be delegated to the block authorities as well as a larger financial corpus for training and capacity building activities. The block can play an important role in transparency by having a public information space/system, whereby the community can view budget related information of the GPs.

- **Coordination between key stakeholders:** There is a role of the Block, Mukhiya (president of the village council), WIMC and also the line department in the implementation of the mentioned schemes. It is essential to have meetings of those necessary on a regular basis to ensure continuity, quality and timely completion of work. In cases of conflict, mechanisms should be put in place to access senior authorities. This is required in order to get stalled or nearly complete works finished to quality standards in order to provide services to all.

#### For GPs

- **Improve awareness on budgetary information and data:** GP functionaries should be able to understand the relevance and necessity of budgetary information and data in their work. This will enable them to lose their hesitancy in asking and demanding information from higher level government functionaries. For this purpose, capacity building and awareness generation activities can be organised by Mukhiya and village leaders at the GPs.
- **Dedicated cadre of staff for GPs:** GPs should have a dedicated cadre of engineers, accountants and support staff for its efficient functioning.
- **Focus on water security and water conservation:** - Apart from implementation of water supply projects, focus should also be given to water security and water conservation by GPs while implementing the 14<sup>th</sup> FC and SFC projects on drinking water supply.
- **Transparency on GP budgetary information:** The GP should be transparent about its fund usage with the community. Existing good practices such as displaying fund allocation and usage, source of funds with budget lines through wall painting and hoardings should be reinforced and scaled up.

### For NGOs

- **Support to grassroots level CSOs and NGOs for training on budgetary issues and WASH:** Regular training and support is required for grassroots CSOs on budgetary issues and WASH. This would enable them to engage with PRIs and district and State government officials on budgeting and monitoring.
- **Improve awareness on budgetary information and data:** NGO functionaries need to be able to understand the relevance and necessity of

budgetary information and data in their work. This is so that the NGOs can engage with the government functionaries in a more productive way to facilitate the leveraging of existing programmes and funds for the GPs. Training and capacity building programmes could be facilitated by technical organisations with the support of the Mukhya and village leaders at the GPs which would build capacities of the GP representatives to do this over time.

## IX. ENDNOTES

1. <https://www.cbd.int/financial/2017docs/GLAAS-2017-report.pdf>
2. NRDWP has been subsumed under the Jal Jeevan Mission (JJM) which was launched in August 2019 with the aim to provide functional household tap connection to all rural households by 2024. The NRDWP was earlier a part of the Ministry of Drinking Water and Sanitation which is now the Ministry of Jal Shakti, created in July 2019, with the mission to develop and manage water resources in an integrated manner
3. IRC's Watershed India Project (2016 - 2020) aims to facilitate improvements in governance and management of WASH (Water, Sanitation and Hygiene) services and water sources on which such services depend by strengthening the role of CSOs as agents of change in the sector.
4. <http://www.cbgaindia.org/working-paper/mapping-water-sanitation-programs-institutions-fund-flow-architecture-samastipur-bihar/>
5. <https://www.livemint.com/news/india/why-the-centre-state-battle-has-a-new-front-11580919944379.html>. The 15<sup>th</sup> Finance Commission (FY 2020-21 to FY 2024-25) will submit its Final Report for an extended period of 2021-22 to 2025-26 by October 30, 2020 and hence beyond the scope of this paper.
6. [https://cag.gov.in/sites/default/files/audit\\_report\\_files/Report\\_No.4\\_of\\_2017\\_-\\_Local\\_Bodies\\_Government\\_of\\_Bihar.pdf](https://cag.gov.in/sites/default/files/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf)
7. The budgetary data for Gaya district has been collected by WaterAid India's partners, PGVS and the data for Samastipur has been collected by IRC's project partners, Nidan.
8. The detailed budgetary analysis at the Gram Panchayat level has been brought out as a separate output 'Rural WATSAN Expenditure Trends: Insights from 4 GPs in Ganjam district, Odisha'
9. <http://www.cbgaindia.org/working-paper/mapping-water-sanitation-programs-institutions-fund-flow-architecture-samastipur-bihar/>
10. The Principle of Subsidiarity recognizes that services should be delivered by the lowest appropriate level. The decisions and processes which can be best performed at local levels should be executed there. Hence, the responsibility for the delivery of water and sanitation services vests with the local Governments.
11. The 11th Schedule of the Constitution lists the different subjects with regard to Panchayat's powers, rural development, poverty alleviation, market, roads and drinking water.
12. Tied funds are funds which have conditions attached to their use. Those funds which have no conditions attached and there is full discretion in their use are untied funds.

13. What is Life Cycle Costs Approach - <https://www.ircwash.org/news/costs>
14. At the time of revising the paper, the dissemination workshop was organized at Samastipur, Bihar on 25th February 2020
15. The Finance Commission (FC) is a body set up under Article 280 of the Constitution of India. Every five years, a FC is set up and recommends distribution of revenues between the Centre and States
16. Minor maintenance is routine repairs and adjustments needed to keep systems running. For more details refer to Annexure I.
17. The budgetary allocations for the year 2012-13 & 2013-14 have not been captured since the Central government funds for NRDWP & SBM did not flow through the State Treasury. However, since 2014-15, the fund flow is through the State Treasury and hence reported.
18. The total rural water supply budget includes all the budget allocation for rural water through various departments such as PHED & Disaster Management in the State budget.
19. The 'Detailed Heads' for NRDWP is Main Construction Work.
20. The 'Detailed Heads' for CM Drinking Water Nischay Scheme are Grant-in-aid & Main Construction Work. The 'Object Head' is Construction of Assets
21. Economic Survey 2019-20, GoI
22. <https://sbm.gov.in/sbmdashboard/Default.aspx>
23. [https://jalshakti-ddws.gov.in/sites/default/files/Rural\\_Sanitation\\_Strategy\\_Report.pdf](https://jalshakti-ddws.gov.in/sites/default/files/Rural_Sanitation_Strategy_Report.pdf)
24. The Kosh is a repository of pooled funds towards the SBM from corporations and private donations
25. 'Infrastructure and Investments in Water and Sanitation in India', Background Note, MoF, RIS, FICCI for the Conference on 'Water & Sanitation', 31st May-1st June'18, Pune
26. There was presence of hard rock in the these areas
27. [https://cag.gov.in/sites/default/files/audit\\_report\\_files/Report\\_No.4\\_of\\_2017\\_-\\_Local\\_Bodies\\_Government\\_of\\_Bihar.pdf](https://cag.gov.in/sites/default/files/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf)
28. A Committee created as per article 243ZD of the Constitution of India at the district level for planning at the district and below.
29. Section 134 of the Bihar Panchayat Raj Act, 1993 provides that the State Government shall constitute in every district a DPC to consolidate the plans prepared by the Zila Parishad, Panchayat Samiti, Gram Panchayats, Nagar Panchayats, Municipal Councils & Municipal Corporations & to prepare a draft development plan for the district as a whole.
30. Rai, Manoj (2009). Status and Functioning of District Planning Committees in India: PRIA.
31. <https://www.ircwash.org/news/accountability-and-transparency-gram-panchayats-need-improving>
32. 'A Guide to using Budget Analysis', 2016, CBGA

## X. ANNEXURE

### How to read technical documents in the Union Budget<sup>32</sup> ?

The expenditure proposals in the Union Budget are classified either on the basis of Ministries/Departments that will undertake the specific expenditures- for which there are Demand numbers, or on the basis of specific services which are delivered through a particular expenditure-for which there are Major Heads of account.

#### Demand Numbers

The estimates of expenditure for various Ministries/ Departments are in the form of Demand for Grants. When a Ministry/Department is handling a number of different functions, a separate Demand for each of its major functions is submitted. Each Demand for Grant shows the total amount required for a function during the year showing revenue and capital expenditure separately.

#### Demand No.

Ministry/Department

24 Ministry of Drinking Water and Sanitation

57 Dept. of School Education & Literacy

58 Dept. of Higher Education

96 Ministry of Tribal Affairs

#### Major Heads

Major heads are four digit codes, which have been allotted to specific services delivered by the government- following distinct patterns for revenue receipts, revenue expenditures, capital receipts and capital expenditures. If the first digit of the major head is "0" or "1" the Head of Account will represent Revenue Receipt, "2" or "3" will represent revenue expenditure, "4" or "5" Capital Account, "6" or "7" Loans and Advances, and "8" or "9" Public account.

#### Examples of Major Heads:

2215 Water Supply and Sanitation (Revenue Expenditure)

3601 Grants-in-aid to State Governments (Revenue Expenditure)

0401 Crop Husbandry (Revenue Receipt)

4401 Capital Outlay on Crop Husbandry (Capital Account)

6401 Loans for Crop Husbandry (Loan and advances account)

2210 Revenue account disbursement for Medical and Public Health

4210 Capital account disbursement for Medical and Public Health

6210 Loans for Medical and Public Health

## ACKNOWLEDGEMENT

This Working Paper has benefited a lot from project interventions by IRC (as part of the Watershed India programme) and WaterAid India in Samastipur and Gaya districts in Bihar, respectively. The authors are grateful to Mr. Tirath Nishad and Mr. Jitendra Kumar Ravi (from Nidan), Mr. Amir Hussain (PGVS) and Mr. Pankaj Kumar (WaterAid India) for providing valuable inputs towards this paper. They are also thankful to Mr. V. R. Raman and Ms. Nirma Bora (from WaterAid India) for pertinent comments and suggestions on earlier versions of the paper.

*Authors:*

**Trisha Agarwala (CBGA), Ruchika Shiva (IRC)**

*Research Inputs:*

**Jawed Alam Khan (CBGA), Khwaja Mobeen Ur Rehman (CBGA), Shiny Saha (IRC)**

*Editorial Inputs:*

**V. R. Raman (WaterAid India), Shuchita Rawal (CBGA)**

*Design and Artwork:*

**Shubho Broto Das (IRC)**

**For more information, please write to the authors at: [trisha14@gmail.com](mailto:trisha14@gmail.com); [ruchika@ircwash.org](mailto:ruchika@ircwash.org)**

*The views expressed in this paper are those of the authors and do not necessarily represent those of the affiliated organisations. This document is not a priced publication. Reproduction of this publication for educational and other non-commercial purposes is authorised, without prior written permission, provided the source is fully acknowledged.*

Copyright@2020 Centre for Budget and Governance Accountability, IRC and WaterAid India

# TRACKING BUDGETS FOR RURAL WATSAN: An Assessment of districts Gaya and Samastipur in Bihar, India

April 2020

## PUBLICATION SERIES

The two papers on Tracking Budgets for Rural WATSAN are the third in the list of publications produced under the series - Decentralised Public Finance for WASH: Policy and Practice Learnings. This series has been jointly developed by CBGA, IRC and WaterAid India. As on date, the series comprises of the following titles:

- 1a. Mapping of Water & Sanitation Programs, Institutions and Fund Flow Architecture for Samastipur, Bihar. (December 2018)*
- 1b. Mapping of Water & Sanitation Programs, Institutions and Fund Flow Architecture for Ganjam, Odisha. (December 2018)*
- 2. Strengthening the Role of Rural Local Bodies in WASH Financing and Services: Policy Learnings from a Multi-Stakeholder Workshop. (March 2019)*
- 3a. Tracking Budgets for Rural WATSAN: An Assessment of districts Gaya and Samastipur in Bihar, India. (April 2020)*
- 3b. Tracking Budgets for Rural WATSAN: An Assessment of districts Ganjam and Nuapada in Odisha, India. (April 2020)*

