

# TRACKING RURAL WASH FUNDING IN INDIA: FROM NATIONAL PROGRAMMES TO DISTRICT BUDGETS

India's commitment to improving access to water and sanitation (WASH) is notable, but the national government's ambitious aims may face challenges at the sub-national level. A mapping exercise examining WASH financing demonstrates that central government spending on rural water has dropped while spending on household sanitation has increased, and there is a lack of clarity at the district level about who will fund operations and maintenance for WASH services. This Brief (based on an IRC Working Paper) examines the potential bottlenecks in financial flows from national to district level in the state of Odisha.

## NATIONAL: INDIA

India has set ambitious goals for rural drinking water and sanitation under the Swachh Bharat Mission (SBM)-Gramin and the National Rural Drinking Water Programme (NRDWP). The NRDWP aims to bring piped water to at least 90% of rural households by 2022, 80% of which should be through household connections, while SBM-Gramin focuses on the eradication of rural open defecation by 2019.

India has a low tax-to-GDP ratio: only 11% of Gross Domestic Product. Most of this revenue goes into a 'divisible pool' of central taxes, which are then distributed between the centre and the 29 states and seven union territories. The remaining revenue is channelled through line ministries (in the case of rural water and sanitation, the Ministry of Drinking Water and Sanitation) to be spent on specific programmes. However, national programme funding is changing: while the Ministry has increased funding for household sanitation, allocations for rural drinking water have decreased by a third, from 1.3 billion USD in 2014-15 to 880 million USD in 2017-18.

## STATE: ODISHA

Odisha (previously Orissa) is predominantly rural and one of India's poorest states. At only 38%, its sanitation coverage is the third lowest in India (although this has increased from 12% in 2014), and 18% of its rural citizens still lack access to safe water. Odisha currently spends 0.8% of state GDP on drinking water and sanitation (see Table 1), but allocates more for sanitation than water: under SBM-Gramin, 2.4 million toilets have been built and Odisha receives earmarked funds from the Ministry of Drinking Water and Sanitation, to be matched at 40% by state funds.

The direct support<sup>1</sup> per capita for WASH services in Odisha is around 0.27 USD, but this figure is incomplete, as expenditure on offices, vehicles and travel are not included. The international benchmark requires that 1-3 USD per person per year be spent on direct support for WASH services to be truly sustainable in the long term, according to IRC's life-cycle costs approach.

Table 1. Odisha's budget for rural water and sanitation

Total state budget	94,052 crore INR (13.7 billion USD, or 326 USD per capita)
Gross state domestic product (2015-16)	310,810 crore INR (45 billion USD, or 1,024 USD per capita)
State water and sanitation budget (2016-17)	2,728 crore INR (397 million USD, or 9.5 USD per capita)
Water and sanitation budget as % of total state budget (2016-17)	2.9%
Water and sanitation budget as % of gross state domestic product (2016-17)	0.8%
Total budget, rural drinking water (2015-16)	727 crore INR (105.8 million USD, or per capita 3 USD)
Total budget, rural sanitation (2015-16)	948-952 crore INR (138-140 million, or per capita 3.9 USD)

<sup>1</sup> Direct support covers both pre- and post-construction support activities directed to local-level stakeholders, users or user groups. It includes staff time, transport costs, office costs, costs of meetings and workshops, etc.

## DISTRICT: GANJAM

Ganjam is the most populous district in Odisha and has 38% rural sanitation and 70% rural drinking water coverage. The district's WASH infrastructure is built by its Rural Water Supply and Sanitation (RWSS) department, and Gram Panchayats (a division of local government) are responsible for the operation and maintenance of water supply schemes, in accordance with the government's decentralised approach and focus on community empowerment. Some villages have water and sanitation committees that support O&M activities. There are some NGOs also involved in WASH services in Ganjam, but details about the size and scope of their support are lacking.

The GPs are responsible for operation and maintenance of drinking water systems in their territory, but planning, budgeting and implementation is unclear. For the fiscal year 2016-17, both RWSS and GPs have earmarked funds for O&M. RWSS receives O&M funds from the NRDWP (i.e. the Ministry and the State), and the GPs receive O&M funding from the Finance Commission. These twin funding streams create confusion not only about who pays for O&M and who does major versus minor repairs, but also accountability for defunct systems.

SBM-Gramin is the main funding mechanism for sanitation, and Ganjam's RWSS is responsible for the programme's implementation and monitoring. District-level funding has increased hugely, with the 2016-17 budget doubling in size from the previous year. One potential issue is that of absorption capacity: the district's annual plan indicates around 5.3 million USD was left unspent at the end of the 2015-16 financial year. Almost all of this amount is dedicated to building household latrines, and little funding is left for O&M, waste management and encouraging use of sanitation facilities.

## RECOMMENDATIONS

Although the Ministry hosts an online information system including WASH budget data, it is difficult to access reliable detailed expenditure data, especially at the district level. It is unclear what investment (and from where) is required to meet the country's water and sanitation targets.

Publishing timely district-level financial information would strengthen public monitoring on spending and focus attention on whether vulnerable populations such as scheduled castes and tribes are being appropriately served.

Gram Panchayats and village water and sanitation committees play important roles in O&M, yet there is little information about their performance, budget allocations and spending. Revenue from tariffs is insufficient to cover recurrent O&M costs. Setting up an appropriate tariff structure and identifying tariff collection bottlenecks are essential to improve O&M and prevent premature breakdown of water infrastructure.

Progress on increasing investments to sanitation has been impressive, but this seems to have come at the expense of rural drinking water investment. Although eradicating open defecation must remain a high policy priority, 114 million rural Indian citizens still lack safe drinking water.



A water connection in a Ganjam village.  
Credit: Andrea van der Kirk

## PUBLIC FINANCE for WASH

The Public Finance for WASH initiative is grounded on two principles: i) that sustainable universal provision of high-quality water and sanitation services is fundamentally dependent on progressive domestic taxation systems, and that consequently ii) WASH-sector donors, donor-funded NGOs and in-country actors need to pay greater attention to ensuring that ODA is delivered in ways which support the development of effective and equitable domestic public finance systems.

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