



# **Governance and Financing Challenges in managing water service delivery in the era of climate change**

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**Cross-Learning Workshop for Climate Resilient Urban Water Infrastructure, SPA Bhopal**

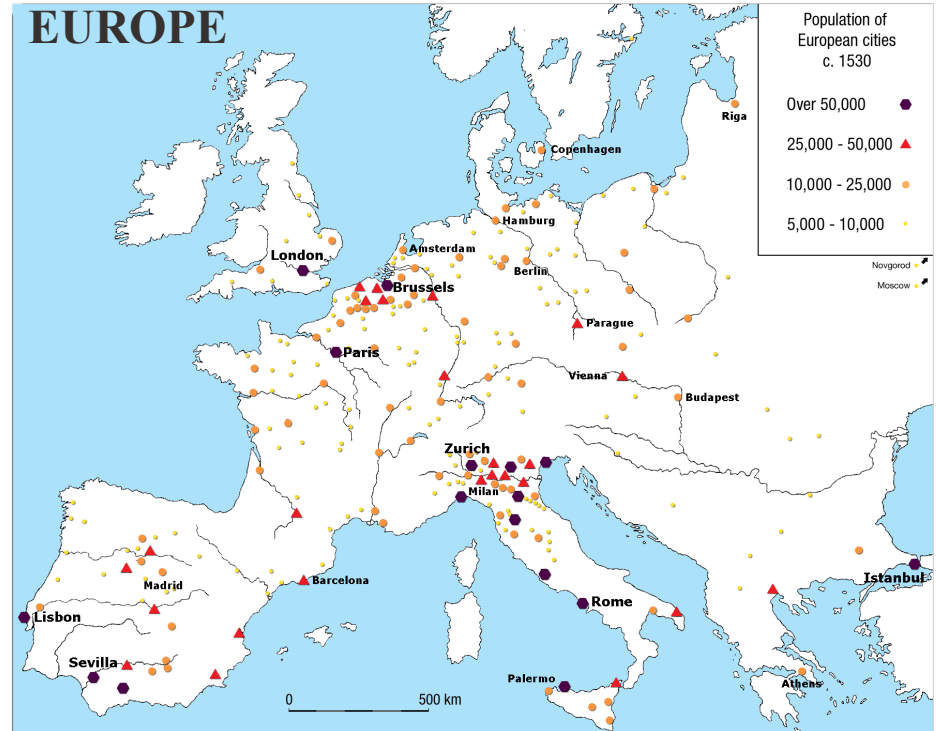
**March 24, 2026**

**CWAS** CENTER FOR WATER AND SANITATION

**CRDF** CEPT RESEARCH AND DEVELOPMENT FOUNDATION

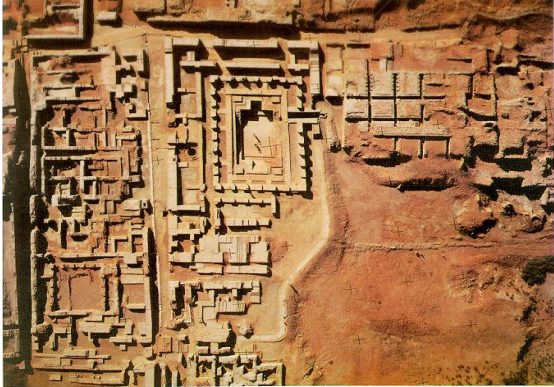
**CEPT UNIVERSITY**

# Through history most cities emerged next to sources of water...



# Ancient wisdom of city planning

Mohenjo-daro : aerial view



Step Wells In India



Mandu – Water Conservation



- City planning was known 2500 years ago
- These ancient cities had network of water sources and drainage systems with a well-developed system of urban sanitation



Sharad Chandra, "Steps to Water: Stepwells in India" Chitrolekha International Magazine on Art and Design, (ISSN 2231-4822), Vol. 5, No. 2, 2015. URL of the Issue: [www.chitrolekha.com/v5n2.php](http://www.chitrolekha.com/v5n2.php)

# What does History tell us? Civilization/Cities have collapsed due to lack of water

Mayan civilization: Drought led famine?



Indus Valley Civilization: From sewers and trade ports to abandoned cities



Fatehpur Sikri: Grand capital but dying water source



## Modern disasters?

Mexico City Day Zero scare



Cape Town Day Zero



Chennai – Floods followed by drought



# Climate change – A critical threat to India's urban ambitions



Water Scarcity and Droughts



Floods



Temperature rise and Heatwaves



Rise in Sea Level and threat to coastal cities



**WATER** is at a central place in the climate talks at COP talks

Increased access to water as climate adaptation and resilience - Countries to integrate water and climate agendas at national level



## INDIA's - Nationally Determined Contributions

1. **RENEWABLE ENERGY** – fulfilling 50% of energy needs by 2030
2. **EMISSION REDUCTION** - down to 45% by 2030
3. **CARBON SINK** - 2.5-3 billion tons through forest cover by 2030
4. **'LIFE' movement** - Lifestyle for Environment
5. **CLIMATE FINANCE** - Mobilize domestic & additional funds from developed nations



Infrastructure provision



Ensuring Services



Climate resilience for WASH systems

**Conventional urban development discourse has focused on urban development plans, large government led programs on infrastructure, housing, public spaces and slum development...**

**Planners need to focus on a few other emerging critical areas...**



**Achieving  
SDGs**



**Climate  
resilience**



**Gender  
transformation  
and inclusion**



**New forms  
of financing**



**Use of digital  
technologies**

# A paradigm shift needed in urban planning – especially in the context of climate vulnerability and financing needs

## Access for the low-income groups



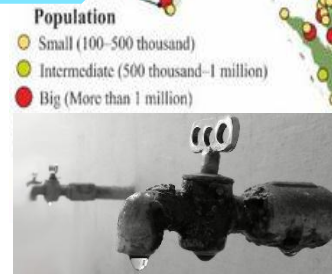
Droughts and heatwaves affect **low-income groups** disproportionately

Those **without access** to services are more vulnerable to climate change



## Need for climate resilience

Need “**climate-proof**” **WASH infrastructure** and services - self reliant infrastructure in terms of resilience to extreme weather events, sustainability of sources and energy dependency



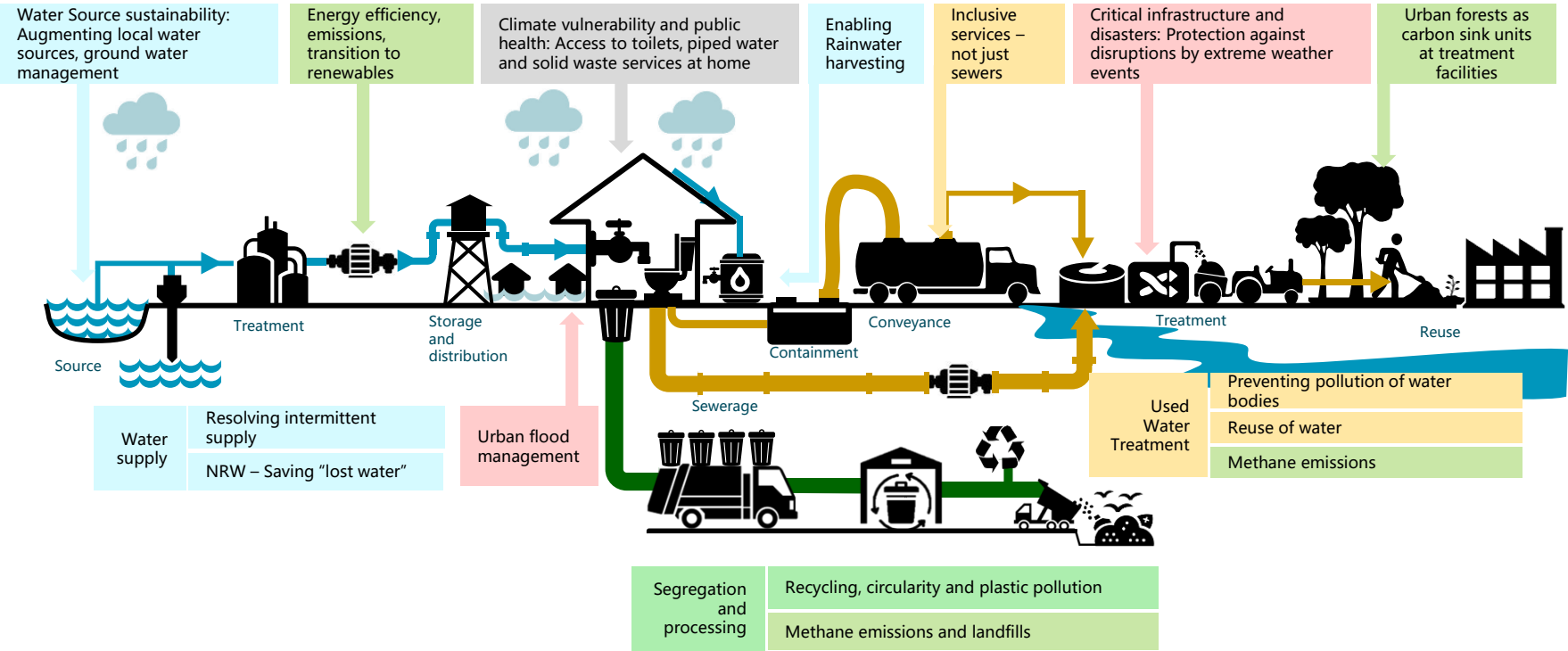
## Need for more and sustainable funding

Achieving the goals for development **requires significant investments**

While central missions have budgeted significant funds, there is a need for **sustainable funding** at local level



# What does climate resilient WASH look like in India?



# Policy ecosystem and financial outlay is in place at National Level

- ✓ "Catch the Rain"
- ✓ Storm water Drainage
- ✓ Lake and aquifer rejuvenation

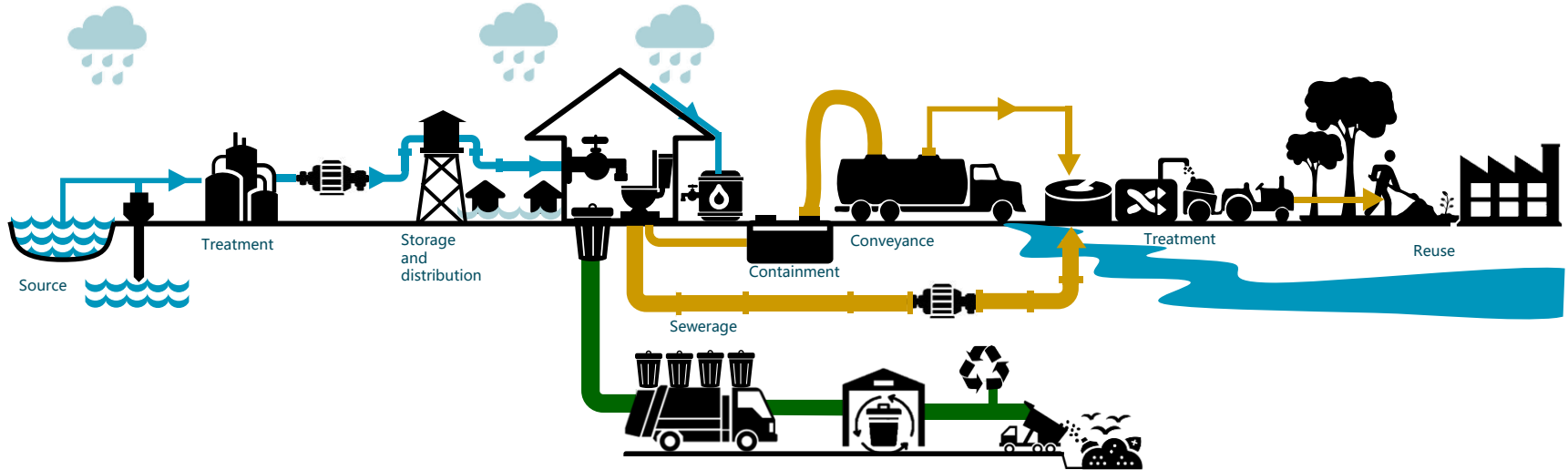


- ✓ Tap connections - Piped water
- ✓ Metering, NRW, intermittent supply
- ✓ Storage, WTPs

- ✓ Toilets and Containment



- ✓ Sewerage connections – network
- ✓ Septage management – desludging
- ✓ Treatment - STP / FSTPs
- ✓ Reuse infrastructure



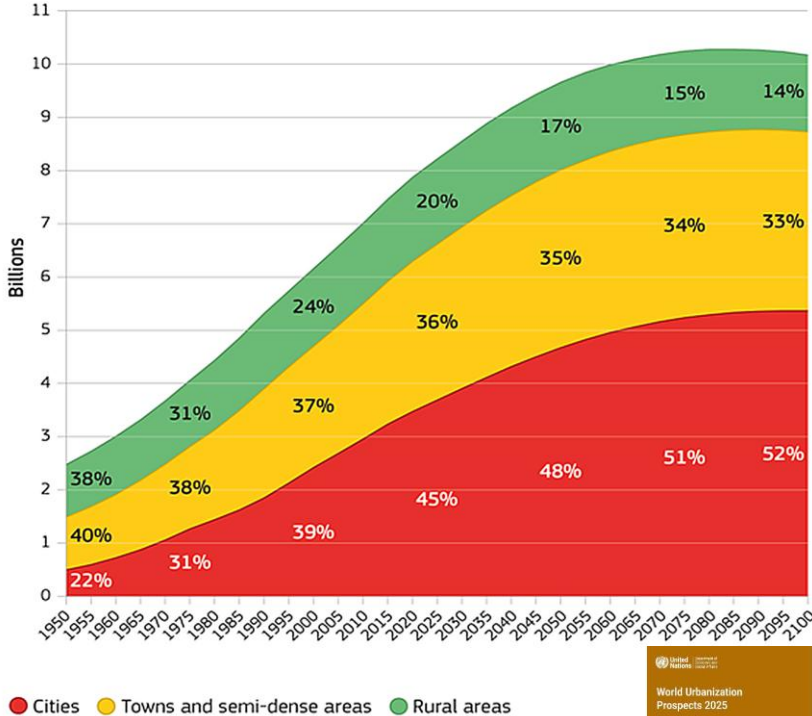
Need innovations by local bodies ...



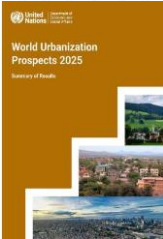
# **Urban Growth and water services**

# Like the rest of the world, India is becoming more urban

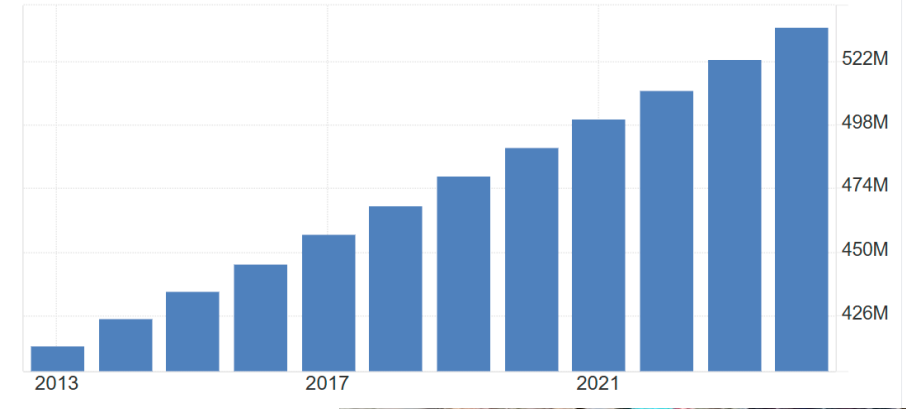
Global population by Degree of Urbanisation, 1950-2100



● Cities ● Towns and semi-dense areas ● Rural areas



India urban population



More people will live in cities by 2050 than in rural areas

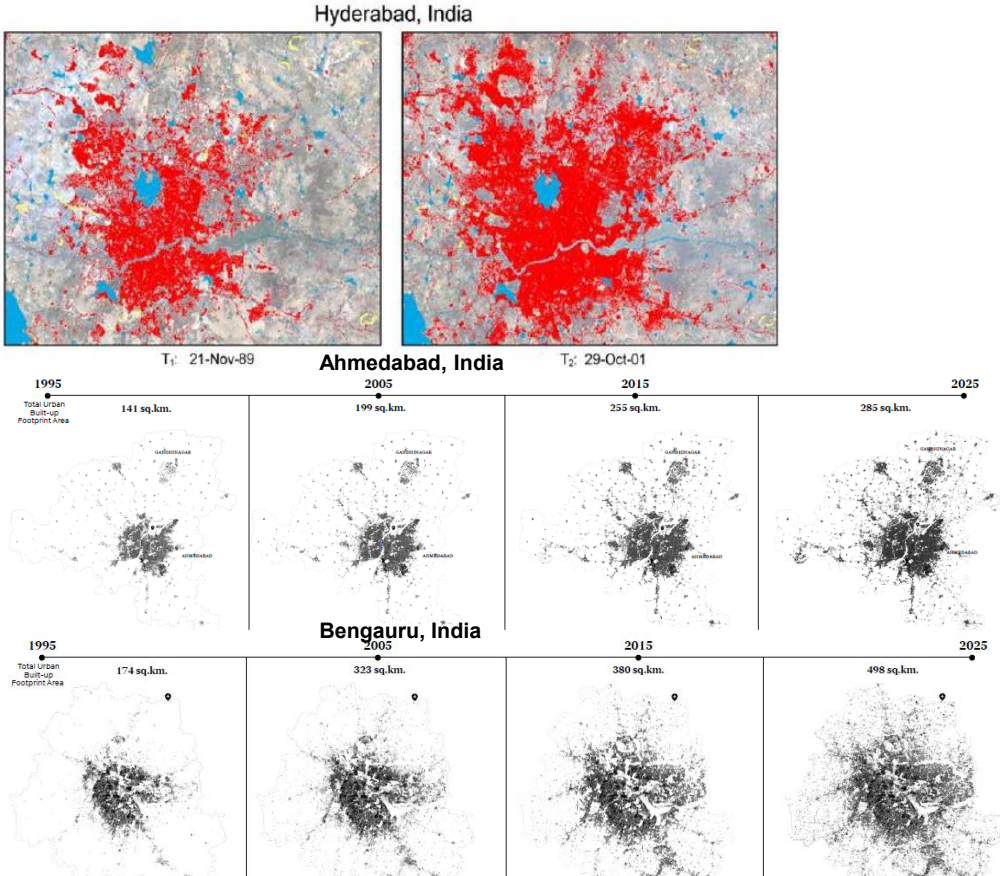


# With expanding cities, infrastructure costs rise

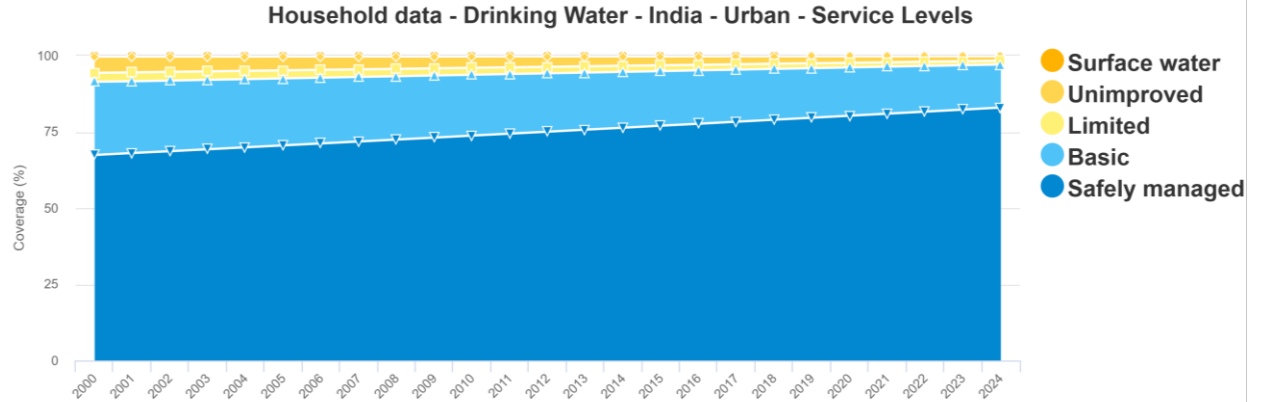
Comparative Snapshot of Growth in Urban Built-up Footprint

City	Current Built-up Footprint (sq.km.)	Total Built-up Footprint Increase between 1995–2025 (sq.km.)	Percentage Change 1995–2025
Ahmedabad	285	+144	102%
Bengaluru	498	+324	186%
Chennai	467	+270	137%
Delhi NCR	967	+400	71%
Hyderabad	519	+252	95%
Kolkata	611	+283	87%
Mumbai MMR	588	+176	43%

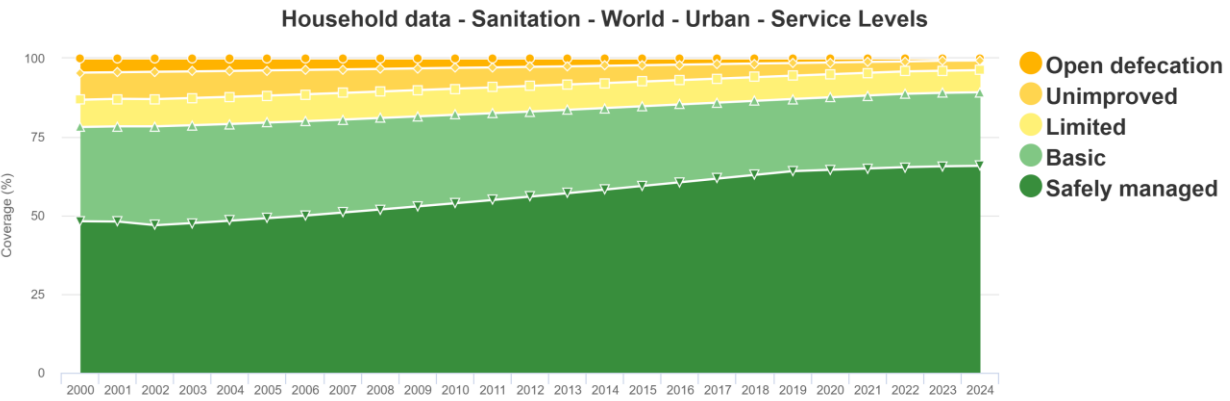
In many Indian cities, the spatial expansion is often 2 to 3 times the population growth. This puts pressure on service provision, like water supply and drainage.



# SDG 6.1 India progress

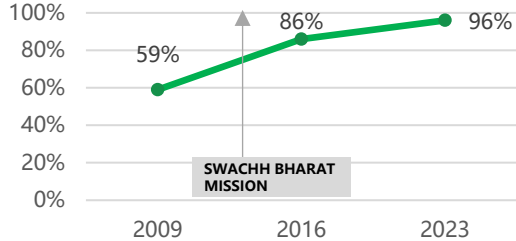


# SDG 6.2 India Progress

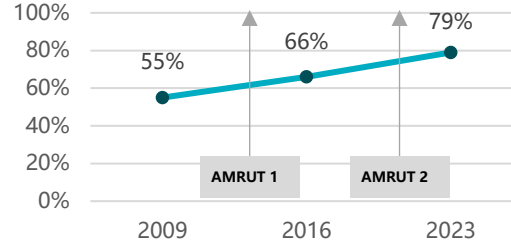


# Impact of past funding is visible!

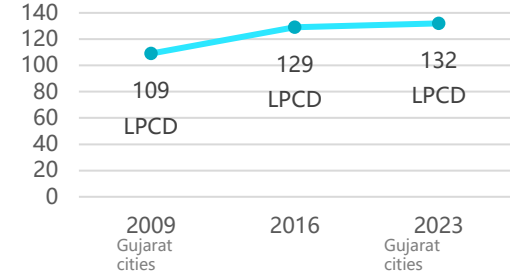
## SBM and improvement in coverage of individual household toilets



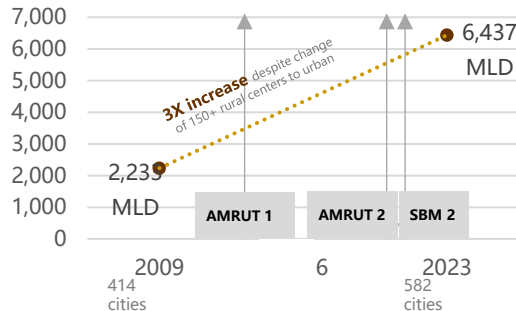
## AMRUT and impact of “Har Ghar Jal” on coverage of water supply



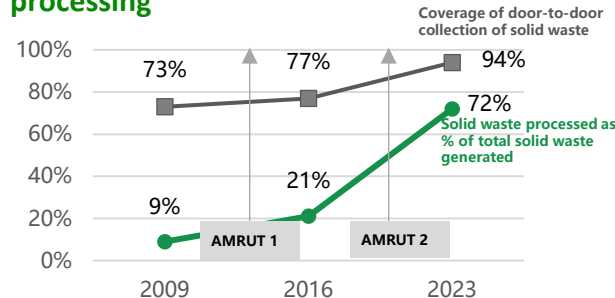
## Impact of Sardar Sarovar Dam and Narmada network on water supply quantity in Gujarat cities (litres per capita per day)



## Impact of AMRUT and SBM on treatment infrastructure - MLD wastewater treated at secondary STP in Gujarat and Maharashtra



## SBM and AMRUT – Impact of “Garbage Free Cities” on solid waste collection and processing



## The next targets for India?

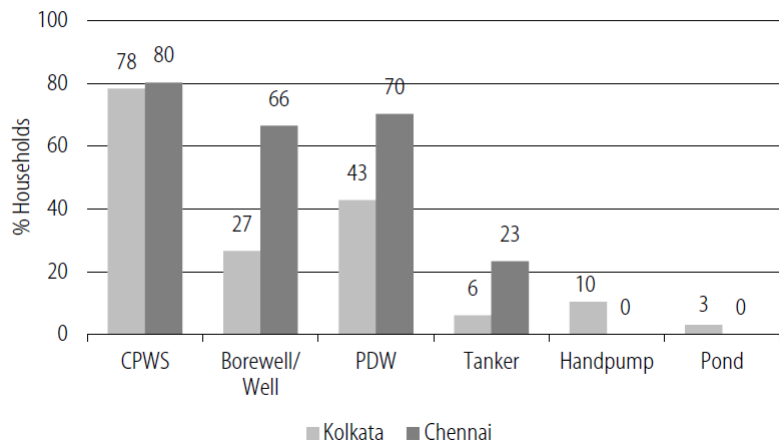
- Intermittent, inequitable and non-daily water supply
- Non-Revenue water still “guesstimated” in the range of 30-40%
- Sewerage connections (although improved at 54%) need to catch up to water supply!
- Water metering still at 3%

# Having a water connection is not enough – adequacy, equity, affordability, and quality are crucial

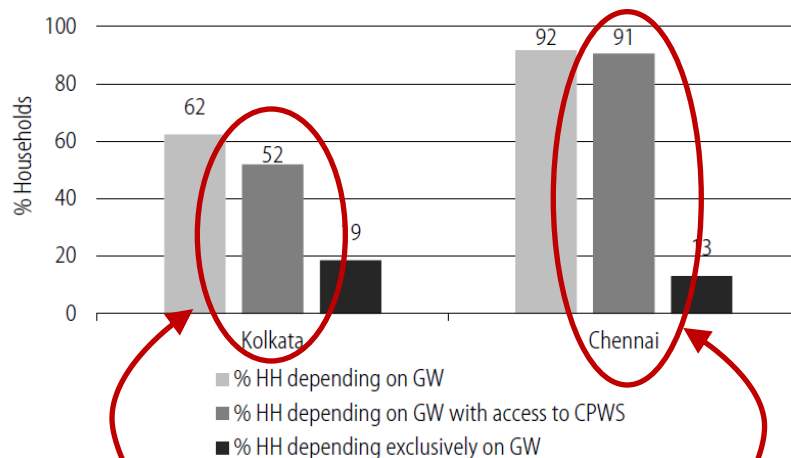
Intermittent and poor water supply leads to high dependence on groundwater

Study in two cities of India -

**Figure 2: Water Sources Used by Households in Kolkata and Chennai**



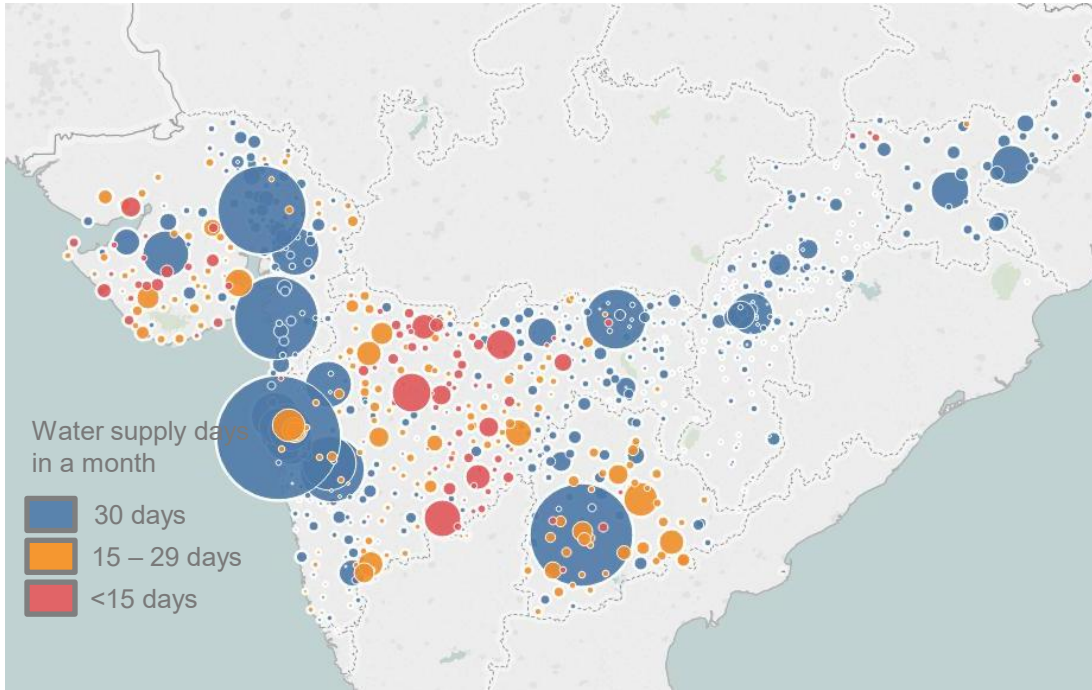
**Figure 7: Dependency on Groundwater (GW) among the Sampled Households**



**Piped municipal supply yet dependent on groundwater!**

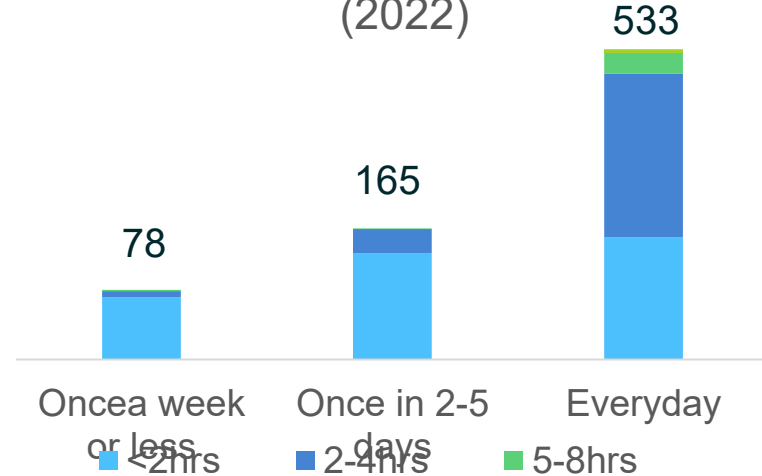
# Duration of water supplied at consumer end

One-third of the cities do not supply water every day



Average water supply duration is around 2 hours

Hours and days of water supply (2022)



# NON WATER DAYS...



# THE 'WATER DAY' – sometimes once in 7 days!





# **Climate resilience beyond access to water**

# FSTPs Powered by Solar Energy . . .

## Wai, India

- Consumption of electricity: **1396 Units/month**
- Estimated generation of electricity: **3208 Units/month**
- CO2 emissions mitigated: **16.06 Metric ton/annum**

Potentially **16 carbon credits** can be generated

Solar Power generation capacity: 30 KW



## Sinnar, India

- Consumption of electricity: **1184 Units/month**
- Estimated generation of electricity: **1258 Units/month**
- CO2 emissions mitigated: **6.3 Metric ton/annum**

Potentially **6 carbon credits** can be generated

Solar Power generation capacity: 7.5 KW



# Sinnar FSTP and Urban Forest. . . Like Oasis in a Desert. . .



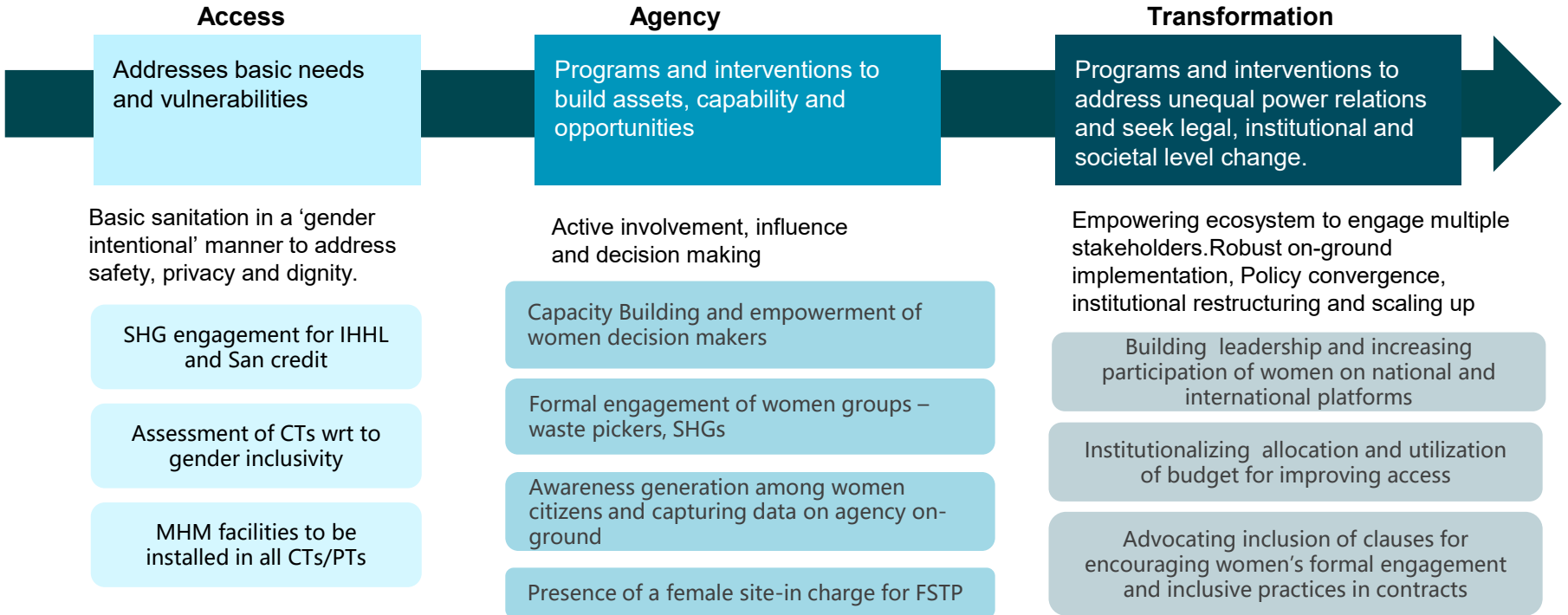
- In Sinnar, **8000 square metres of urban forest and landscaped area** is growing in the midst of an otherwise barren and rocky land. **Managed by women SHG groups**
- The forest compliments the city's Faecal Sludge treatment plant by **using treated water and dried sludge from the FSTP**.
- **More than 1400 trees were planted** and since then they have been growing at a healthy pace.
- The urban forest has already started attracting various species of birds and **is helping to sustain healthy biodiversity**.

# Scaling up with active city participation – Maazi Vasundhara



Government of Maharashtra is working with all the 380 urban local governments to create awareness and increase green cover with plans to create new planning templates and curricula

# Inclusion and Gender Transformation- Moving from access to agency for women and marginalized groups



# Rise of SHGs as a force in urban India – examples from Maharashtra

## Increased **access to credit** by leveraging Self Help Groups

- SHGs mobilised in Jalna district for access to credit for construction of individual household toilets
- The city of Pathri mobilised credit through cooperative because of their knowledge of local on ground situations, access and understanding of the community behavior patterns.
- Wai Urban Cooperative Bank has disbursed loans to 30 women by forming SHGs under NULM.
- Credit mobilization was implemented with the help of NULM in Sinnar.

## Formal engagement of Self Help Groups with Municipal Contracts

- SHGs in Vasai Virar - maintenance of septic tanks
- Community awareness and composting + CT/PT Maintenance by SHGs in Hingoli
- SHGs contracted for Door to Door waste collection at Bhadravati
- Waste Segregation by Women SHG in Tuljapur, Panchgani
- Urban Forest and Garden O&M + maintenance of hand washing facilities in by SHG in Sinnar
- SHG trained as entrepreneurs for production of sanitary napkins.

## Self Help Groups and programme awareness

- Workshops were conducted with SHG members on toilet construction, components of individual toilets and cost of construction
- SHG Awareness programs for subsidies available under Swachh Bharat in Wai and Sinnar
- Inviting SHGs for inauguration of FSTP in Sinnar



# Regular and effective digital monitoring



History teaches us that it is critical to evolve and adopt new approaches – but it is important to ensure that these sustain over time.

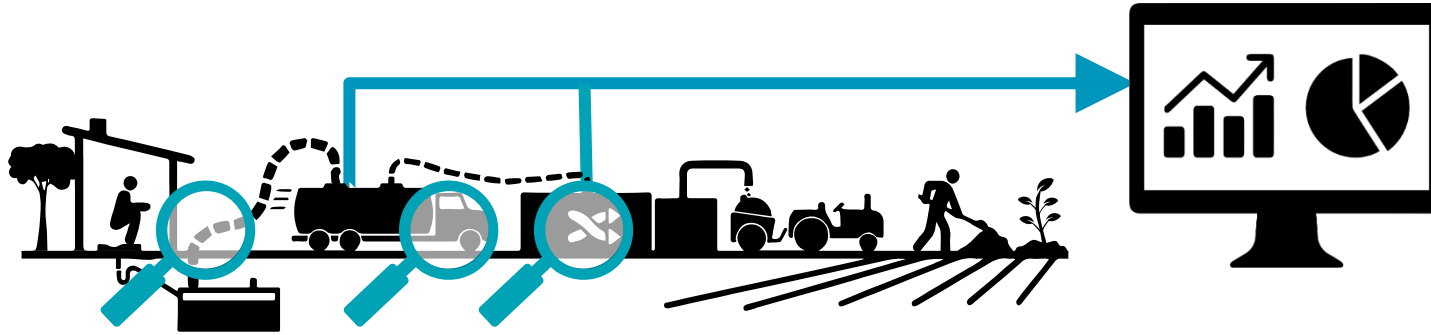
Sustained monitoring of universal access to safe sanitation is essential through country owned systems at city, state and national levels

**Strong and regular monitoring systems will make it possible to ensure that any issues related to sustainability are identified early and addressed.**

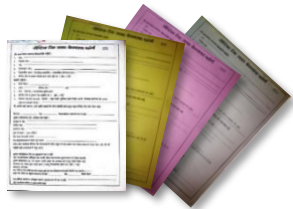
# Digital monitoring for effective service delivery

## City level monitoring systems in Maharashtra, India

Use of monitoring systems across sanitation service chain – digital systems with dashboards



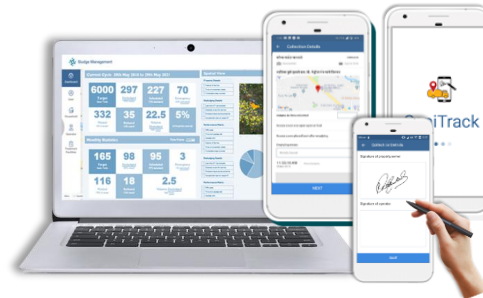
FROM Paper based –  
TO digital systems



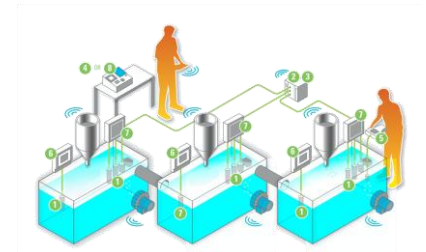
SaniTab



SaniTrack

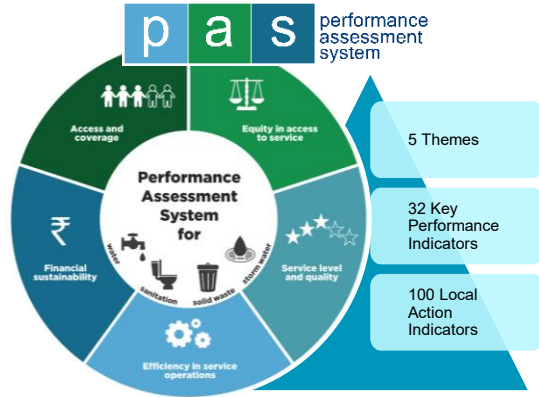


SanQ

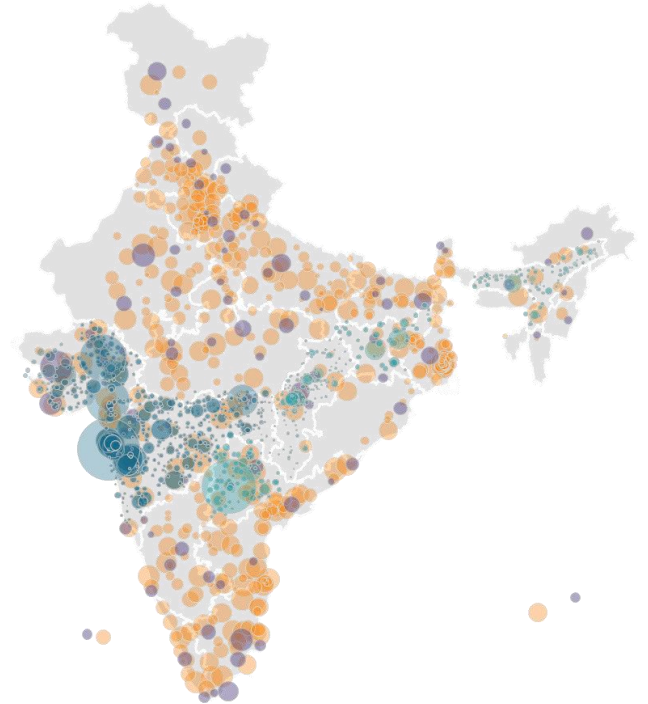


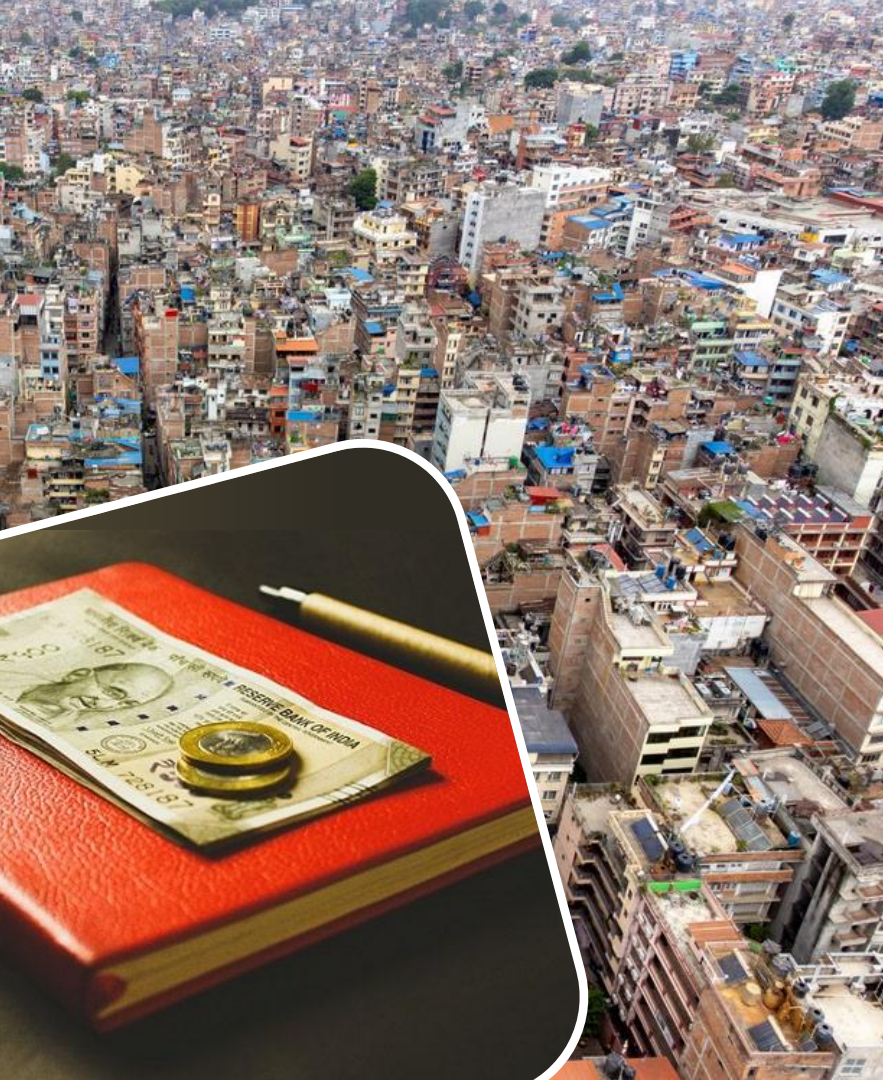
# Monitoring city level water and sanitation services at scale

<https://cwas.org.in/theme/monitoring>



- ✓ Nationally owned
- ✓ Digital platform for self reporting
- ✓ Supported by capacity building
- ✓ Sustained implementation at scale
- ✓ Currently being used | 1000+ cities across India





# Financing for Climate Resilient WASH in Indian ULBs

# Achieving SDGs and urban growth targets will require additional financing

As per a recent World Bank study, India will need to invest **\$840 billion in urban infrastructure by 2036**- an average of **\$55 billion** or **1.2 percent of GDP per annum**.

Indian cities contribute **2/3<sup>rd</sup> of national GDP**. Despite the high economic contributions from cities, they receive **inadequate Public Funding for urban infrastructure**, especially through Intergovernmental transfers

Therefore, cities will need to also focus an increase in public funds and mobilise extra budgetary resources

Municipal borrowing

Blended Finance

Impact investments

# Innovative financing mechanisms for Urban Infrastructure are emerging

Urban infrastructure has been generally financed through public funds however, innovative financing mechanisms need to be explored for additional and more effective funding

**Own sources,  
Transfers and programs**

Taxes, fees,  
user charges

Public sector  
programs

State and  
Central  
Transfers

Grants from  
Finance  
Commissions



Philanthropic  
Funding, social  
impact investors

Private sector  
investment

Capital Market  
Borrowing

**Results Based  
Finance**

**Blended Finance**

**Green / Municipal  
Bonds**



# Options to leverage private resources and impact investments

## Results based funding



Funders makes payments only if and when pre-agreed outcomes/ results are achieved



## Blended finance

Leveraging private or commercial funding to achieve development outcomes – through PPPs, borrowing etc.

## Municipal bonds / Green bonds



Borrowing from local banks and financial institutions, community finance institutions or capital markets using municipal or green bonds mechanisms



# Benefits of using innovative financing mechanisms



## Efficiency of private sector

Used to leverage additional private sector or commercial funds. Help in bringing efficiencies of private sector operations.



## Improved performance

Innovative models provide incentives for improved performance and effectiveness by using performance linked approaches, particularly for public-private partnership (PPP) models



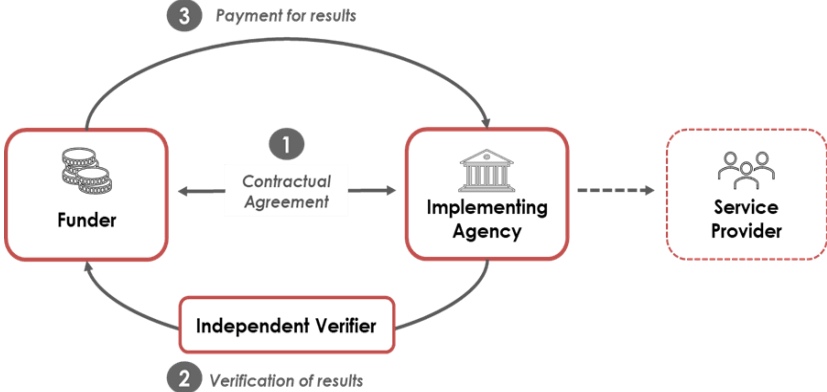
## Social & environmental impacts

Emerging interest globally on impact investing for funding activities.

# Results based approaches have started to become the norm

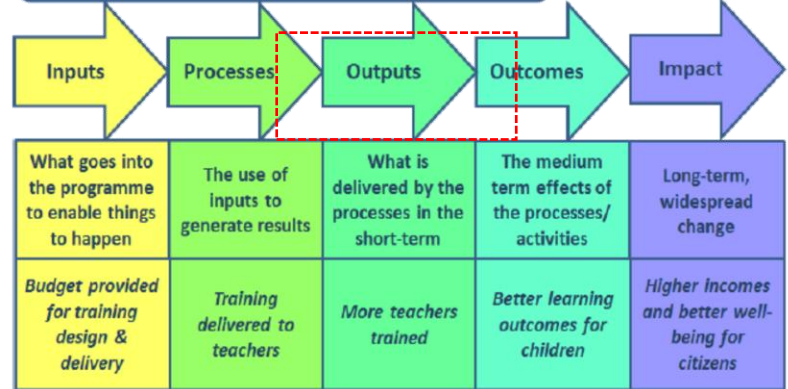
## What is Results based financing ?

Public funds or those from donors or social impact investors are made available not as “inputs” but only on delivery of “outputs or agreed performance”, generally for innovative approaches



1. In Pbr, payment should be linked to outcomes or outputs such as improved learning or increased enrolment.

2. But it may also be for an intermediate output or process if it can be shown that this is a measurable improvement in performance for the recipient.



3. Payments made on the basis of outcomes are a particularly important and innovative form of Pbr, one that DFID is keen to do more of.

- Different methods such as (RBA, RBF, COD, OBA, P4R etc.) reflect a combination of financier, recipient and results for payment. Some are linked to outputs (OBA) or some to outcomes (COD, SIB, DIB, P4R, etc.)
- Extent of financing /funding linked to results can also vary

# Mobilising commercial finance with Results-based partial subsidies

- The World Bank launched the **pilot loan program in 2007 with K-Rep Bank**, a Kenyan commercial bank specializing in microfinance lending.
- The objective was to **incentivize rural and peri-urban communities to access loan financing** so as to rehabilitate and expand small-piped water systems.
- By 2012, **35 communities** had borrowed **US\$3.4 million** from K-Rep Bank, raised **US \$1.2 million of equity**, and accessed **OBA grants of US \$2.8 million**. This enabled provision of access to 190,000 people.



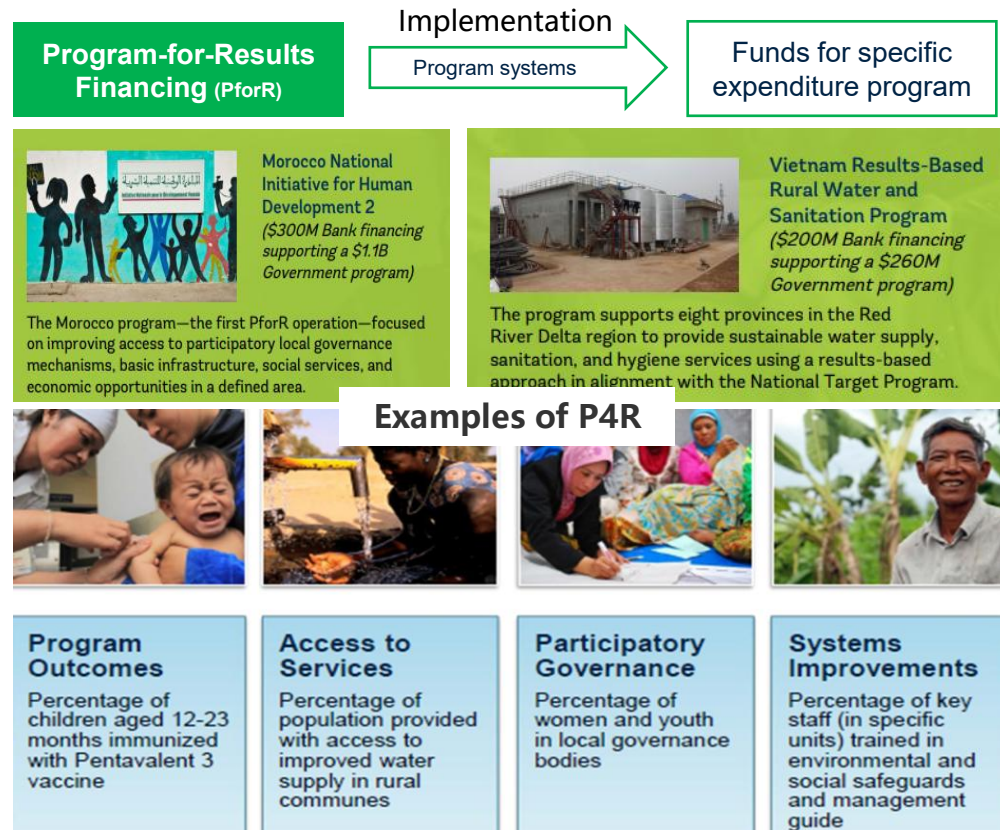
Scaling Up Blended Financing for Water and Sanitation in Kenya: Maji ni Maisha Financial Structure



# Program for Results – P4R by the World Bank

Unique features of World Bank's PforR approach include using a country's own institutions and processes, and linking disbursement of funds directly to the achievement of specific program results - Disbursement Linked Indicators (DLIs)

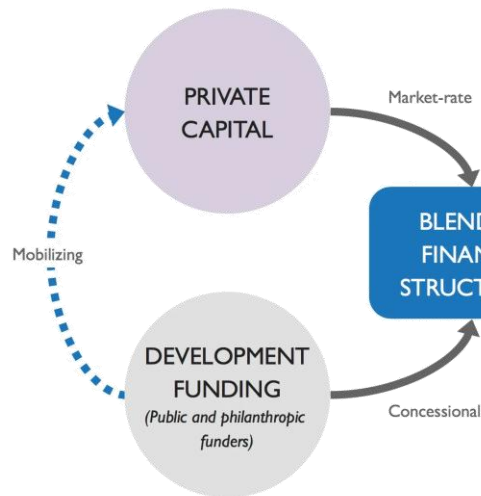
- Finances and supports borrowers' programs
- Disburses upon achievement and verification of agreed results
- Strengthens institutional capacity, processes, procedures needed to achieve desired results
- Provides assurance that Bank financing is used appropriately and that environmental and social aspects are addressed



# Blended finance

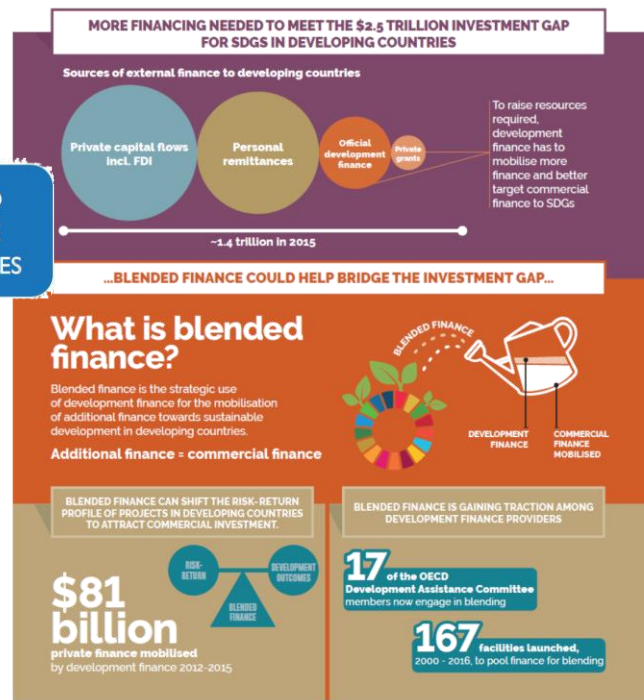
## What is blended finance?

- “Strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets” (OECD)
- Blended finance can help risk-return profile of projects to attract private and commercial finance to project and activities that help achieve SDGs in different sectors



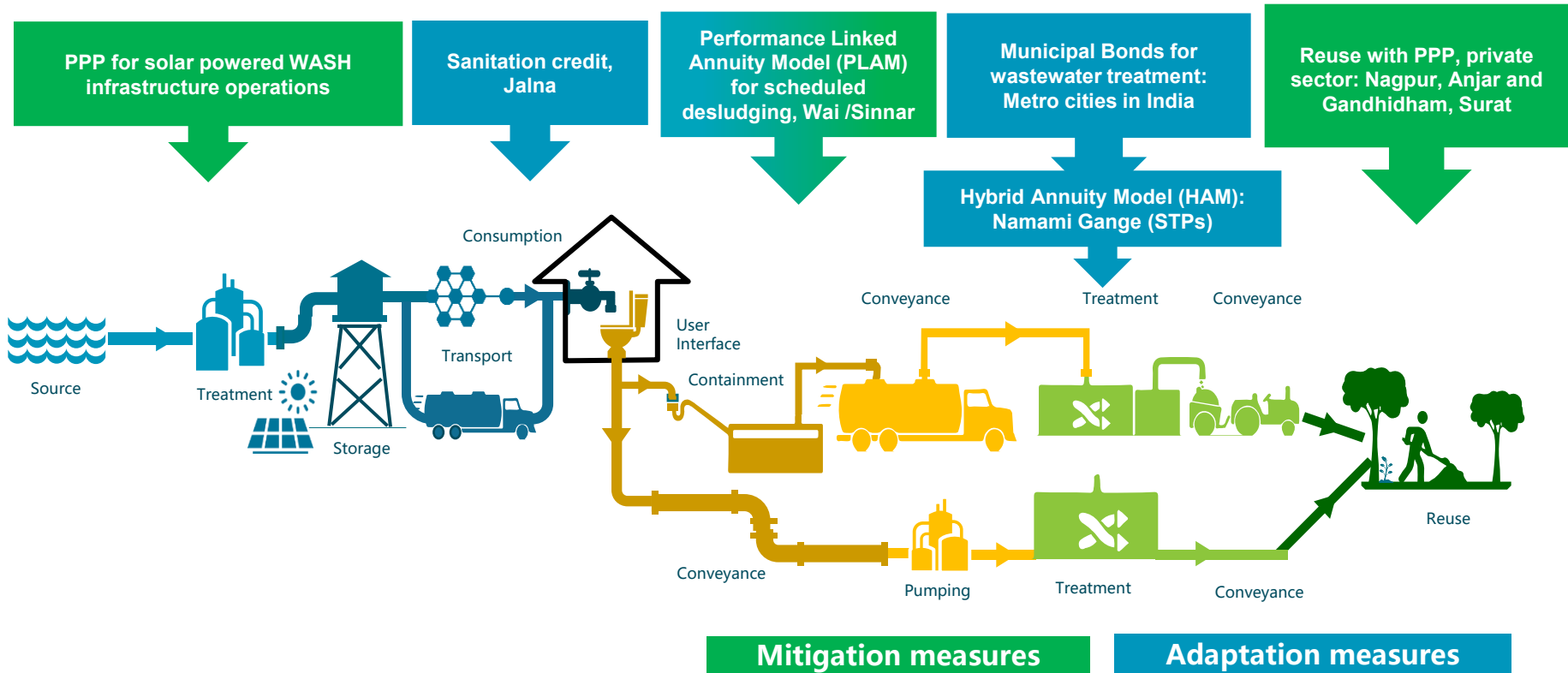
## BLENDED FINANCE FOR THE SUSTAINABLE DEVELOPMENT GOALS BRINGING DEVELOPMENT AND COMMERCIAL FINANCE TOGETHER

Blended finance could help bridge the investment gap for the Sustainable Development Goals in developing countries. Donor governments need to ensure blending approaches attract commercial sources of finance and directs these to development outcomes.



Source: OECD (2018), Making Blended Finance Work for the Sustainable Development Goals, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264288768-en>.

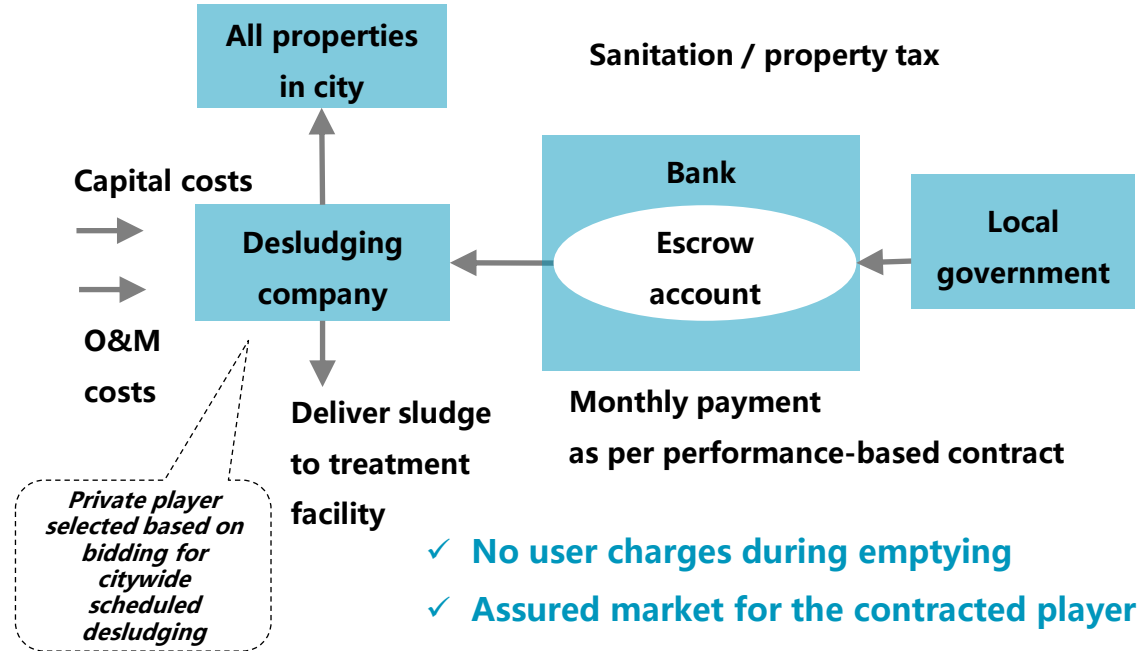
# Blended Finance in our work on water and sanitation in Maharashtra



# Performance linked annuity model (PLAM) for engaging private operators in scheduled desludging services in Maharashtra

- **Lack of ULB capacity** to implement scheduled desludging
- **Hired private operator** through **transparent bidding process** wherein Private operator need to bring in trucks and manpower
- **Finance through Sanitation Tax** - Households paying small sanitation tax to finance operations instead of high emptying charges.
- **Risk coverage through Escrow Mechanism** - Local government is supposed to keep 3 month payment in the account to mitigate private operator's payment risk.

Desludging service once in 3 years



# Access to sanitation credit for individual household toilets

Over **300 women of self-help groups (SHGs)** in the city of **Jalna, India**

Access to Sanitation Credit



**Banks/micro-finance institutions (MFIs) for construction of individual household toilets.**



- ✓ Demand generation
- ✓ Mobilizing toilet loans from banks
- ✓ Overseeing toilet construction, and
- ✓ Ensuring loan repayment.



## Impact

- Over **3500 loans** mobilized with loan amount of **USD 0.5 million (INR 5cr)**
- Based on this success, it is now being scaled up by MAVIM, a State agency with support from water.org.



**Commercial Banks: ICICI**

Monitoring and recovery activities are undertaken by the SHG, who ensure proper usage and payment to maintain bank. Repayment rates of mature SHGs are high. Scope for most banks having



**Loan Borrowers: SHGs**

The SHG members have opportunity to avail group loan and also availed benefit of interest subvention under the government of India's flagship program of Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM)



**SHG Facilitators: MAVIM**

The SHG facilitators have scope in addressing the collective demand for toilets through SHGs. They could earn through charging a fee on the sanctioned loan amount as well as on the repayment. Scope for local NGOs who work with SHGs

Source: CWAS (2018), Mobilizing Sanitation Credit through Urban SHGs - A Case of MAVIM, Maharashtra, <https://cwas.org.in/cwas-resources/mobilizing-sanitation-credit-through-urban-shgs-a-case-of-mavim-maharashtra>

# In India, USD 490 million mobilized through municipal and green bonds for water and sanitation projects

35 municipal bonds  
by  
14 Urban Local Governments  
+  
2 state development authorities raised  
pooled bonds to implement  
23 WASH projects

## Type of projects



Augmentation  
of water  
supply  
projects



Development of  
sewage  
treatment  
systems

FY 1997- 2017



Total **USD 288 million** mobilized for WASH projects

FY 2017-2023



**USD 202 million** mobilized for WASH projects +  
**USD 21 million** leveraged in the form incentive-  
based grants offered by GoI to raise bonds

**128 USD million**  
for Wastewater  
treatment

## Type of investors



Retail investors



Institutional investors

Source: SEBI (2023), Retrieved from SEBI database, available on <https://www.sebi.gov.in/>

Note: INR to USD calculated as base index of that particular year

# Green bonds for WASH investments in India

Enabling environment and incentives by GOI and Regulatory framework by SEBI for issuance of green bonds

## Vadodara Municipal Corporation

### Municipal Bond of INR 100 crore (FY 2023)

- Deployment of funds for **Sindhrot water supply project** to cater drinking water needs of the city and liquid waste management project.
- Bid subscribed for **36 times**
- Bond has **AA rating**.
- VMC's '**successful listing**' of municipal bond now case study for US Treasury.



### Green Bond of INR 100 crore (FY 2024)

- Enhancing **liquid wastewater management** infrastructure across Vadodara for developing 2 STPS of 121 MLD and 1 APS with drainage network.
- Bid subscribed for **44 times**
- Bond has **AA+ Stable rating**.
- Recorded as the **first certified green municipal bond** for sustainable WASH infrastructure.



## Indore Municipal Corporation

### Green Bond of INR 100 crore (FY 2024)

- Set up a **60-megawatt solar power plant** that would generate electricity to bring water from Narmada river which is some 80 km from Indore
- Bid subscribed for **5.9 times**
- Bond has **AA+ Stable rating**.
- **Selling of carbon credits** worth INR 52 lakhs which is encashed for O&M of WASH solar project



Sources: The Indian Express (2022). VMC's 'successful listing' of municipal bond now case study for US Treasury. Retrieved from <https://indianexpress.com/article/cities/baroda/us-treasury-department-book-vadodara-municipal-bond-listing-bse-8247788/>; The Climate Bonds Initiative (2024). Retrieved from <https://www.climatebonds.net/resources/press-releases/2024/02/vadodara-municipal-corporation-initiates-india-and-asias-first>, Retrieved from [https://www.business-standard.com/article/economy-policy/indore-s-first-municipal-green-bond-a-beacon-for-india-s-urban-local-bodies-123030500436\\_1.html](https://www.business-standard.com/article/economy-policy/indore-s-first-municipal-green-bond-a-beacon-for-india-s-urban-local-bodies-123030500436_1.html)



# ESG assessments for cities




**ESG Assessments, disclosures and investing**


Measuring sustainability and societal impact to better determine future performance

**Popular amongst corporates but city governments are also adopting**


Access new markets for development funds  
Build credibility for investors



US Municipal Bond marketplace - ISS ESG Muni QualityScore maintains ratings and data for all cities



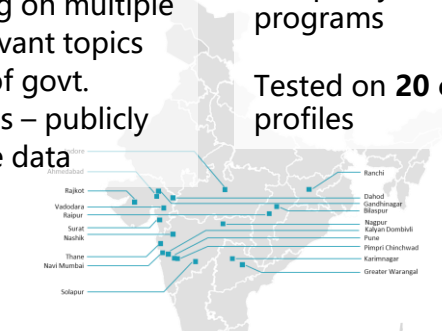
Toronto's Debt Issuance Program linked to strategic ESG outcomes and reporting



Vancouver, Montreal adopting TCFD recommendations in financial reporting

**ESG for Indian cities**

Indian cities already reporting on multiple ESG relevant topics as part of govt. initiatives – publicly available data



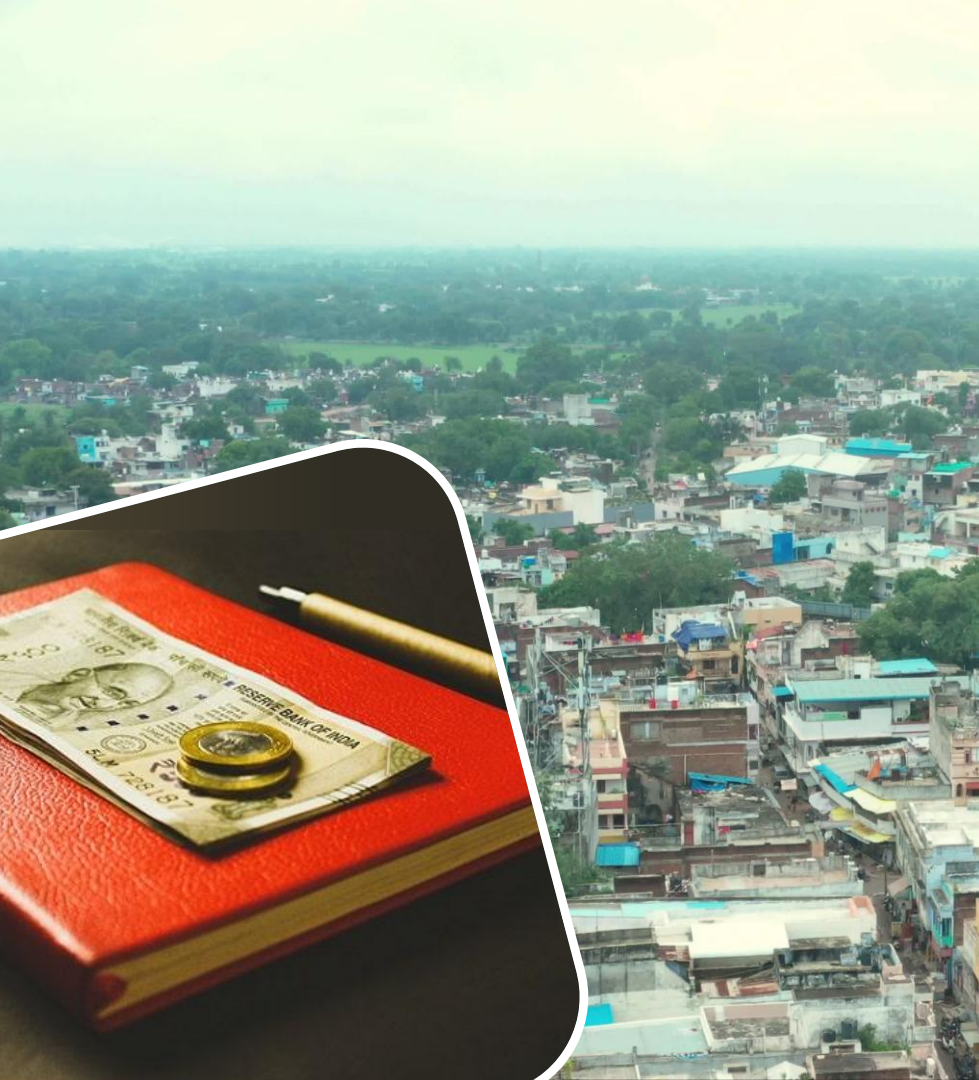
**Framework by CWAS and PwC India**

**19 themes, 62 indicators** - City mandates, service performance, Laws and policy, National commitments/ programs

Tested on **20 cities** - ESG ratings, profiles



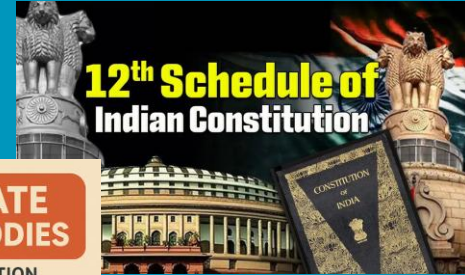
Leader
Achiever
Performer
Aspirant
Initiator



**Also need to  
address some  
fundamental  
questions for urban  
local governments...**

# 74th Amendment and structural imbalances

- “While states are responsible for many public services, the most productive revenue sources (customs, excise, income tax) are vested in the Centre, leading to this inherent financial imbalance.” - “Unitary Elements in a Federal Constitution,” Prof. V.M. Dandekar
- National and state policies have eroded the fiscal powers of ULBs
  - Octroi, a major source of revenue for many ULBs, was abolished. The ‘promised’ compensatory grant has been inadequate and irregular
  - GST, introduced in July 2017, further took away local revenue sources, such as Local Body Tax, Entry tax, Entertainment tax, Advertisement tax, etc.
  - Local governments, especially the smaller ULBs, have become more dependent on intergovernmental transfers.



Jha (2019) and Udas-Mankikar (2018) estimate that “*In compliance with the new GST regime, the Municipal Corporation of Greater Mumbai (MCGM) has had to abolish octroi, which on average had contributed almost 35 per cent of its annual total revenue*”

# Rich cities, poor city governments!!!

India's cities contribute almost 60% of the GDP, yet cities do not get any benefit from their economic vibrancy

- Municipal tax is < 0.9% of the total GDP
- Property tax = 0.25% of the GDP
- Municipal expenditure = 1.09% GDP

Figure 16: Property Tax as a Percentage of GDP in Select Countries



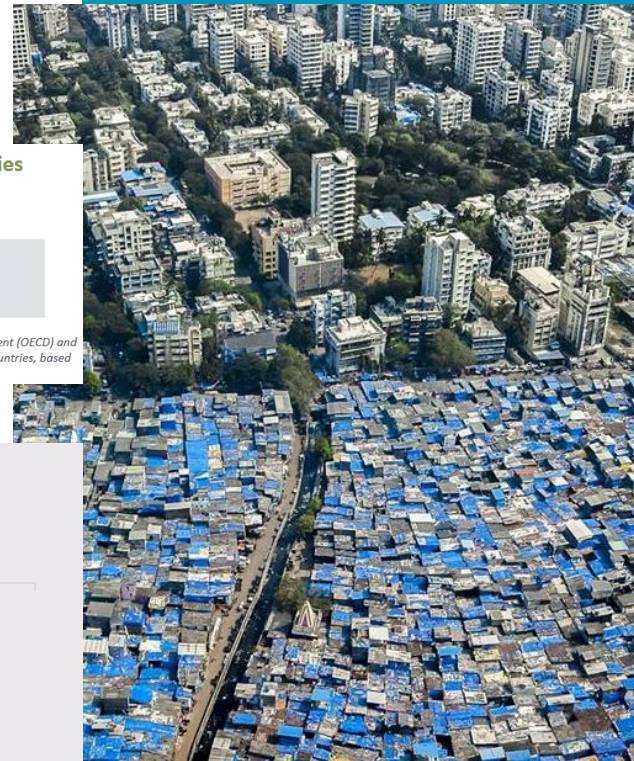
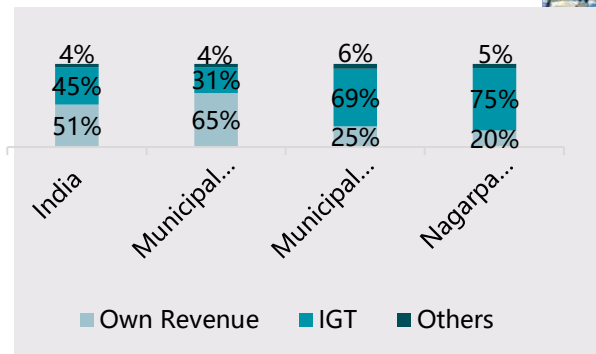
Sources: For India 2017-18: Ahluwalia et al. (2019), p. 9; for Organisation for Economic Co-operation and Development (OECD) and developing countries in the 2000s: Bahl and Martínez (2007), Table 1, p. 16; and for 18 OECD and 29 developing countries, based on International Monetary Fund Government Finance Statistics, various years.

- Only the big cities can make the big bucks, small cities have to depend on grants

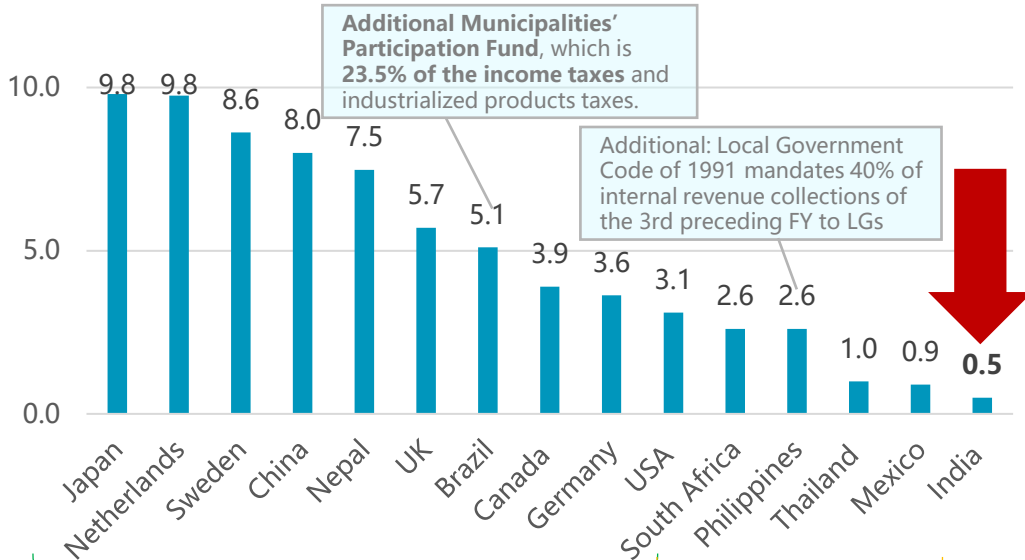
Figure 19: Per Capita Property Tax by Size of ULB (INR)



Source: Ahluwalia et al. (2019)



# Intergovernmental Transfers to local bodies is very low in India



Additional Municipalities' Participation Fund, which is 23.5% of the income taxes and industrialized products taxes.

Additional: Local Government Code of 1991 mandates 40% of internal revenue collections of the 3rd preceding FY to LGs



**Developed Countries:**  
IGT is 3% to 10% of GDP

**Developing Countries:**  
IGT is 1% to 2.6% of GDP

The experience of other countries with higher levels of IGTs suggests the need to increase grants significantly to ULGs in India

The level of IGTs to ULBs in India has remained largely unchanged between 2017 and 2024 at a rate near to 0.5% of GDP.

FY 2024-25 estimates indicate that ULBs in India received an estimated IGTs about **INR 1.3 lakh crore**. Of this, around **INR 0.3 lakh crore** of funds transfers to ULBs through major urban development scheme grants such as AMRUT, SBM, Smart Cities.

Sources: For Netherlands, Sweden, Italy, UK, Canada, Germany and Mexico: OECD (2022); for Japan: OECD (2021); for Brazil: OECD (2016a); for South Africa: OECD (2016b); for US: Tax Policy Center (2020); for China: Yongzheng Liu (2019); for Philippines: Diokno-Sicat, J (2019: 8); for Thailand: Statista Research Dept (2020); for India: Ahluwalia et al (2019);; Mehta and Mehta 2015; Diokno-Sicat 2019.

# Our recommendation to Sixteenth Finance Commission

Cities in India occupy just 3.0% of the nation's land, but their contribution to gross domestic product (GDP) is a massive 60.0%. (Niti Aayog and ADB (2022))



## Performance Assessment System ([www.pas.org](http://www.pas.org))

### Sixteenth Finance Commission and Urban Local Governments

MEERA MEHTA, DENISH MEHTA, BHAVSAR BHAVSAR

The Sixteenth Finance Commission need to recognise the important contribution of urban local governments in economic development, increase allocations to them, reduce conditional and tied grants, provide funds for climate mitigation and adaptation measures, and provide monitoring services and strengthen monitoring systems in ULGs.

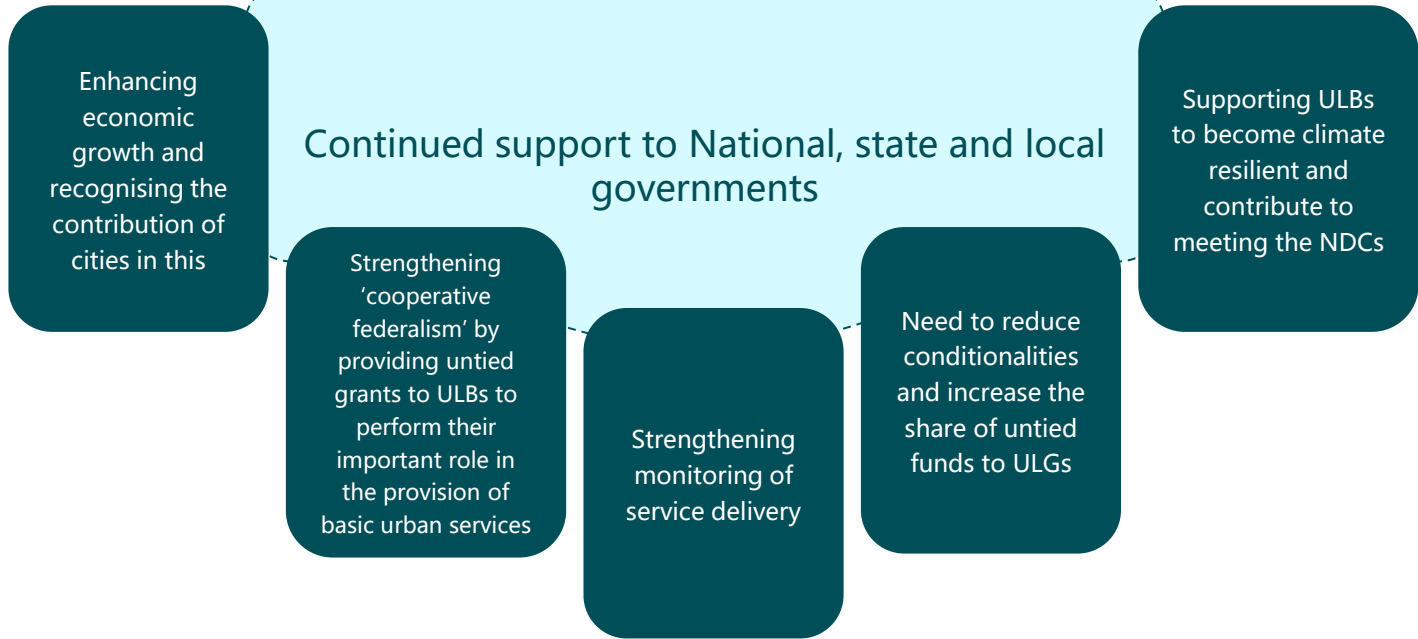
The Sixteenth Finance Commission held its first meeting under the chairmanship of Arvind Panagariya in February 2024. In terms of reference are as laid in Article 280(c) of the Constitution of India. The Press Information Bureau (pre 2024) release states that the vice acknowledge the need for wide-ranging consultations with various stakeholders including State Governments, Local Bodies, Ministries of Government of India, and experts.

In this context that we provide a few points for the Sixteenth Finance Commission's consideration. This article pertains to the specific terms of reference, listed in Article 280 (c) as the measures needed to augment the consolidated fund of a state to supplement the resources of the municipalities in the state based on the recommendations made by the finance commission of the state. India strives to make itself a developed nation in the coming years. Urban centres play an important role in contributing to gross domestic product (GDP) growth. For example, a NITI Aayog and Ase (2022) report states that

domestic product (GDP) is a massive 60.0%. Similarly, analysis of estimated direct cost reveals that each percentage point increase in a district's urban population share is associated with a 1.7% increase in direct cost. The experience of other developed nations of "inter governmental transfers" serves to what extent provides important guidance to the Sixteenth Finance Commission to enable urban local governments to play an important role in the nation's economic development.

In this context, there is a case to be made for the Sixteenth Finance Commission to enhance the share for urban local governments (ULG) as we discuss in this article. We argue that, of late, conditional tied funds and linked to various government programmes. There is a need to reduce conditionalities and increase the share of untied funds to ULGs. In the past, the Sixteenth Finance Commission will need to continue support for monitoring service delivery by ULG and strengthen the monitoring system. One area that can be considered for tied funds by the Sixteenth Finance Commission would be for making municipalities more climate-resilient. This will contribute to meeting the nationally determined contributions (NDC), as well as help reduce flooding in the rainy season and water crisis in summer, both of which have a serious impact on economic output.

**Intergovernmental Transfers for Urban Local Governments**  
As befits a developed nation, ULGs will



# Some improvements with the 16<sup>th</sup> FC report


- ULB grants to increase significantly, with per capita funding nearly doubling
- 80% basic grants and 20% performance-linked grants. 50% of basic grants earmarked for water supply, sanitation, and solid waste management; remaining 50% untied
- One-time urbanisation incentive grant for integrating peri-urban areas into statutory ULBs (population >1 lakh)
- Continuation of Service Level Benchmarks (SLBs) for measuring outcomes

News / Cities / Ahmedabad / Finance Commission recommendations aligned with our suggestions: CEPT University arm on water & sanitation

**Finance Commission recommendations aligned with our suggestions: CEPT University arm on water & sanitation**

CEPT University, Ahmedabad, has found the report of the 16th Finance Commission (XVI-FC) for 2026-31 reflecting many of the suggestions the institute made to it.

Written by [Ritu Sharma](#) 5 min read Ahmedabad Updated: Feb 17, 2026 07:54 PM IST



CEPT University. (File Photo)

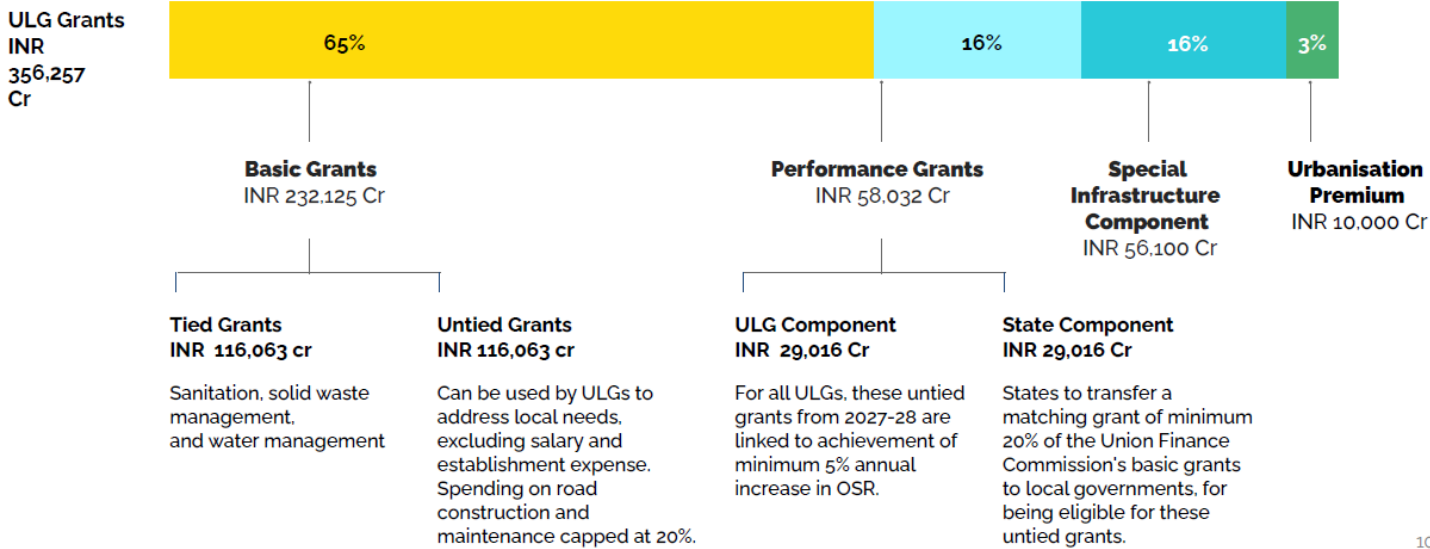
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The Centre for Water and Sanitation (CWAS), a wing of the CEPT Research and Development Foundation (CRDF) at CEPT University, Ahmedabad, has found the report of the 16th Finance Commission (XVI-FC) for 2026-31 reflecting many of the suggestions the institute made to it.

The report that was tabled in Parliament on February 1, is considered significant for

# Basic and Performance Grant

XVI FC grants to ULGs balance discretionary funding with performance incentives — 80% basic, 20% performance-based



# Cities are the economic base and need a share of GST

- Vijay Kelkar highlighted the **vertical imbalance in India's federalist structure** and advocated for a greater share of GST resources for the Third Tier by allocating **"1/6th of this with the 3rd Tier"**.
- He also highlighted **equitable sharing of the GST with the third tier** will go a long way in strengthening the fiscal base of our urban governments" (Dhoot 2024).
- The **net GST** collected in FY 2024-25 was **INR 19.5 lakh crore**. Sharing ratio of PRIs: ULB as 50:50) would amount of **Rs. 1.6 lakh crore per annum** for ULBs. This would help to nearly **double the current level of IGT allocations**.
- Local governments currently have no formal representation in GST decision-making to raise these issues. It is recommended to institutionalised mechanisms for representation of voices of local government at the GST council.



# Strong fiscal governance leads to strong leaders!!

## Mumbai and New York – a comparative of financial capitals

	Mumbai	New York
<b>Land Area Share</b>	~0.01% of India's land	~1% of USA's land
<b>GDP Contribution</b>	~6.6% of national GDP	~8% of national GDP
<b>Population</b>	~12 million	~14 million
<b>Budget/capita (FY25-26)</b>	~INR 23,500	~INR 2,20,000
<b>Executive Authority</b>	Municipal Commissioner Elected Mayor role is limited	Mayor led Powers to change organization structure, levy and amend taxes High Global Visibility!
<b>Budgetary spending</b>	900 municipal employees per 100,000 citizens Spending on core civic services: water and sewerage, road maintenance, public health clinics, garbage collection, schools, and transport services like BEST buses.	5300 municipal employees per 100,000 citizens Able to spend on people-centred services, such as education, social safety nets, childcare, and quality-of-life programs, not only civic infrastructure.

## Enabling India's next :-



**Dadabhai Naoroji**  
President, Bombay Municipal Corporation (BMC)



**Sarojini Naidu**  
Governor of the United Provinces (now Uttar Pradesh)



**Vallabhbhai Patel**  
President, Ahmedabad Municipality

# Thank you

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AND SANITATION

**CRDF** CEPT RESEARCH  
AND DEVELOPMENT  
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## About us

The Center for Water and Sanitation (CWAS) is a part of CEPT Research and Development Foundation (CRDF) at CEPT University. CWAS undertakes action-research, implementation support, capacity building and advocacy in the field of urban water and sanitation. Acting as a thought catalyst and facilitator, CWAS works closely with all levels of governments - national, state and local to support them in delivering water and sanitation services in an efficient, effective and equitable manner.



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