

Note to the Sixteenth Finance Commission of India (XVI-FC)

on

Strengthening monitoring service delivery: Continuing grants to ULBs linked to Service Level Benchmarks (SLBs)

by

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Summary of Suggestion

This note urges the Sixteenth Finance Commission (XVI-FC) to recognise the importance of a digital data portal for regular monitoring of urban services and to help strengthen monitoring systems in urban local governments (ULBs) in India. It makes a recommendation for continuing the grants linked to annual notification of the service level benchmarks (SLBs) for urban basic services including water supply, sanitation and solid waste management.

Detailed Suggestion

“You can’t manage and improve what you don’t measure” is an old management adage that is very relevant to delivery of services by Urban Local Bodies (ULBs) in India. ULBs cannot manage service improvement unless they measure what is getting better and what is not.

It is in this regard that we would like to make a recommendation to the Sixteenth Finance Commission (XVI-FC) for continuing with grants linked to the annual publication of Service Level Benchmarks (SLBs) by State Governments for all ULBs for services related to water supply, sanitation and wastewater, and solid waste management.

We make this recommendation because all State Finance Commissions (SFCs) and the Central Finance Commissions (CFCs) are largely dependent on the readily available consolidated data and information regarding municipal service levels and municipal finance to make estimates of the resource gaps.

In addition, the transformative reforms agenda under the prevailing national flagship programmes of AMRUT and Swachh Bharat Mission (SBM) have benefitted from the use of Service Level Benchmarks. Investments made through these programs have supported local governments in meeting SLB standards. The City Sanitation Action Plan and City Solid Waste Action Plan under Swachh Bharat Mission (SBM) and the City Water Balance Plan under

AMRUT programme are basically designed to address the gaps in SLBs. The Swachh Sarvekshan, an annual survey conducted under the Swachh Bharat Mission, includes various protocols that align with SLB achievements. In addition, these missions focus on providing individual tap water connections and advancing towards 24/7 water supply, reflecting the goal of universal water supply coverage in the SLBs.

The Service Level Benchmarks (SLB) framework provides a standardised approach for monitoring service levels. It was launched by the Ministry of Urban Development (MoUD) (now Ministry of Housing and Urban Affairs (MoHUA), Government of India in 2009. Thus, SLBs can help to assess current status of service delivery. It can also help both state and urban local governments to assess service improvements in relation to the investments made. It can also support future investment decisions on infrastructure investments.

Many states have now institutionalized the process of reporting of information for SLBs that help to provide time series information on service delivery. This has become possible because of the mandates provided by the XIII-FC, XIV-FC and XV-FC.

Mandates for Service Level Benchmarks by Finance Commissions

Report of 13th Finance Commission stated that, *“Lack of resources often results in local bodies diluting the quality of services provided by them. State Governments must gradually put in place standards for delivery of all essential services provided by local bodies. For a start, State Governments must notify or cause all the municipal corporations and municipalities to notify by the end of a fiscal year (31 March) the service standards for four service sectors-water supply, sewerage, storm water drainage, and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.”* (Chapter 10, Para 10.160, Condition viii, Page no 179)

Report of 14th Finance Commission stated that, *“We are providing performance grants to address the following issues: (i) making available reliable data on local bodies' receipt and expenditure through audited accounts; and (ii) improvement in own revenues. In addition, the urban local bodies will have to measure and publish service level benchmarks for basic services.”* (Chapter 9, Para 9.75, Page no 113)

Report of 15th Finance Commission stated that, *“...publication and monitoring of SLBs will facilitate transparency and accountability in service delivery and sustainability of the entire service level, which is now of almost fifteen years' vintage. Hence, we recommend that all the service-level benchmarks should be published...”* (15th Finance Commission 2020, p.209).

Recommendations of the previous finance commissions (FCs) have provided a good basis for regular reporting on service performance through the SLBs. (Meera et.al. 2024) This has helped create a data culture at the state and local levels for regular reporting of municipal service levels and municipal financial status. It has also helped to address concerns raised by the previous finance commissions about the inaccurate and even lack of information at local levels. This has helped save the time and efforts required by the SFCs and CFCs in collecting municipal service level information. It also helps to make informed recommendations for resource allocations. There is a need to focus on improving data systems and monitoring of services by local governments.

The Chairperson of XVI-FC, Mr. Panagariya in his speech on Statistics Day had also highlighted that “someone needs to take the lead to create a data portal for the Finance Commission on a permanent basis, so that its work can be smoothened out in the future” (BS 2024). Data driven governance has been emphasised at various fora. The PAS portal developed by CWAS at CEPT University has enabled ULBs to make investment decisions in water and sanitation infrastructure.

To support such regular monitoring, the Center for Water and Sanitation (CWAS) of CEPT University, has developed an online web-based platform to measure and monitor SLBs and improve delivery of water and sanitation services. The online monitoring system (www.pas.org.in | <https://cwas.org.in/theme/monitoring>) for urban water and sanitation is one of the largest repositories of information on service delivery of water and sanitation in India. It has time series information for over 800+ cities of Gujarat, Maharashtra, Jharkhand and Chhattisgarh. The online module helps to collect, analyse, monitor and compare service level benchmarks. In addition to SLB indicators, the module developed by CEPT also captures additional key focus areas for service level improvement: inclusion of indicators for partially sewered or non-sewered cities and service provision to urban poor/slum settlements. The PAS platform is being used by state and local governments, and a wide range of actors, ranging from regulators, finance institutions, researchers, academicians and civil society organizations. The Ministry of Urban Development (now MoHUA), in 2013, had designated CEPT University as a National Technical Support Partner for Service Level Benchmarks (SLB) and encouraged state governments to use the PAS portal for SLB monitoring. MoHUA has also set up the City Finance Portal that tracks the annual financial information from local governments along with the Service Level Benchmark information.

The suggested development and use digital portals are also in alignment of the recent ideas mentioned by the XVI-FC Chairperson: "the need of the hour is to ensure the availability of accurate data so that these can be appropriately fed the decision-making processes through the aid of modern technology" (ToI, 2024).

Suggestions for the consideration of the Sixteenth Finance Commission

We suggest XVI-FC to make a recommendation for continuing grants linked to ULB's mandatory reporting of annual service outcomes for basic services. The XVI-FC can consider the use of online portal-based systems for regular reporting on service level performance and municipal finance information by urban local governments. This suggestion is in alignment with the need felt by XVI-FC chairperson that highlights as “each finance commission has to start the work on data afresh and a data portal will resolve that issue and bring continuity”. (BS 2024) In addition, implementation of such state-wide systems across all ULBs by state governments will help provide a sound basis for the work of SFCs in the future. It will also make it possible to link outlays to outcomes as per the SFC ToRs. This will require an active role to be played by XVI-FC to bring continuity on the regular use of prevailing data portals.

We suggest establishing a SLB Cell at national and state level to track the performance of local government and to facilitate use of this information for improving service delivery. The SFCs and state governments can use this information for allocation of funds and make more ‘informed investments. It would also help state and national government to track the outcome of significant investments being made in cities through the national flagship programme such as AMRUT, SBM, SMART Cities and various state level programmes.

The XVI-FC has an opportunity to play as a catalytic role to strengthen the third tier of government through recommendation of strengthening monitoring of urban services. It will also help sustain existing data portals and sustain momentum and opportunity already gained. This mandate and support from the XVI-FC, will help sustain and take forward the national and state-wide monitoring systems set up for SLBs and municipal finance in India.

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