Restructured Funding Mechanism of NRDWP

Why in news?

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Union Government has given its nod to restructure funding mechanism of National Rural Drinking Water Programme (NRDWP).

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What is NRDWP?

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- TheNational Rural Drinking Water Programme (NRDWP) a successor to the Accelerated Rural Water Supply Programme, was started in 2009.
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- This is a Centrally Sponsored Scheme, with funding on a 50:50 sharing basis between the Centre and the states.
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- Union government had invested about Rs 1.2 trillion on rural water between years 2009 and 2017.
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- Until now, NRDWP funds were allocated from the Centre to the states on a “formula” basis, mainly using population, water scarcity and water quality as criteria.
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What are the challenges with the programme?

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- The efficacy of government spending and real outcomes and results on the ground are yet to be achieved through public funding.
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- Centrally sponsored also face challenges with strengthening implementation, monitoring and, more fundamentally, linking funding to performance.
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- The provision of rural drinking water under the NRDWP was no exception to

the usual “formula” based approach to releasing the Central share of funds, leading to a sense of entitlement among states and little incentive to improve performance.
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What is the new approach introduced in funding mechanism?

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- In the spirit of cooperative, competitive federalism, the Union Cabinet recently decided that a significant proportion of Central resources for rural water supply should be used to incentivise performance by the states on a competitive basis.
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- Three key reforms have now been introduced:
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1. **Reimbursement mode -** Funds released by the Centre are being done on a reimbursement basis, with the states having to pre-finance implementation.
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2. **Challenge mode -**if a state does not pre-finance, its notional funding envelope under the second instalment goes into a common pot to be shared among other “performing” states (that is, those who successfully pre-finance and implement).
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3. **Sustainability mode -** Funds will be distributed among states based on their performance with respect to the functionality of their completed rural drinking water schemes as assessed through an independent, third party survey.
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- This reform agenda is expected to lead to speedier implementation and better and more sustainable rural drinking water services across the country
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What is the need for this move?

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- The key rationale underpinning these sector reforms was to incentivise states to take more direct responsibility under their Constitutional mandate (water being a state subject) for the service delivery of drinking water.
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- Some states, like Telangana, are already doing this by providing piped water supply with household connections to all rural households with most of the funding being arranged by the state itself.
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- Bihar is also planning to provide piped water supply through tap connections to rural households with its own resources.
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- It would be a moral hazard of sorts if the Centre continues to apply the earlier funding formula to all states, without acknowledging the self-financing initiatives taken by some states.
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What more measures needs to be taken?

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- Institutional and financing reforms should go hand in hand with the new approach.
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- The Public Health Engineering Departments in states responsible for implementation of rural water supply services need to shift from a construction-centric approach to a consumer-centric approach.
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- Management of drinking water services in rural areas also need to be increasingly devolved to the lowest appropriate level of gram panchayats.
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- User fees for drinking water, ideally at least covering the operation and maintenance cost, should be encouraged.
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Source: Business Standard

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