

CONCEPT NOTE

Parallel Session: **New Paradigms for Service Delivery**

National Urban Conclave
24-25 October 2026

1. Background

Over the last decade, India has made significant investments in the urban sector through Missions such as Swachh Bharat Mission-Urban (SBM-U), Atala Mission for Rejuvenation and Urban Transformation (AMRUT), Pradhan Mantri Awaas Yojana-Urban (PMAY-U), Smart Cities Mission and others. These programmes have helped cities expand water supply networks, sanitation infrastructure, waste processing facilities, housing, transportation and urban infrastructure. As a result, urban development is shifting from creating basic infrastructure to delivering high-quality services for citizens.

Urban local bodies (ULBs) are the primary institutions responsible for delivering civic services. However, multiple agencies often share responsibility for planning, financing, implementation, regulation, and operations. ULBs, utilities, development authorities, special purpose vehicles (SPVs), parastatal agencies, and state departments frequently operate within sectoral silos, creating duplication, coordination challenges, and diffused accountability.

At the same time, municipal laws, urban norms, procurement frameworks, staffing structures, and financial systems designed for an earlier generation of urban development challenges need to be updated with emerging priorities such as circular economy approaches, climate resilience, digital governance, transit-oriented development, outcome-based service delivery, lifecycle asset management, and startup-led innovation.

Addressing these challenges requires rethinking existing delivery models, institutional arrangements, and financing mechanisms. A key question therefore emerges: Are existing urban institutions, regulations, procurement systems and financing arrangements designed to meet the needs of the next wave of urbanisation? Or do cities require new paradigms of service delivery to be more integrated, accountable, technology-enabled, and outcome-oriented?

In this context, the Ministry of Housing and Urban Affairs seeks to examine these questions and identify reforms that can inform discussions at the upcoming National Urban Conclave 2026.

2. Objective

A pre-conclave consultation is being planned with states, ULBs and sector experts to premeditate on new models of urban service delivery and examine institutional arrangements, municipal systems, utility-based approaches, procurement frameworks, innovative financing mechanisms and greater participation from the private sector and startups. Specifically, the workshop is intended to:

- Identify key policy, institutional, procurement, financial and implementation gaps for improved service delivery

- Examine the effectiveness of existing institutional frameworks, including SPVs, across various Missions and states and identify good practices thereof;
- Review procurement and financial rules and necessary reforms to make tendering processes faster, more transparent and allow for innovative practices & models;
- Explore selection pathways for greater participation of startups and micro, small, and medium enterprises (MSMEs) in urban governance;
- Establish a network and community of practitioners to enable continuous, peer-to-peer knowledge exchange on innovative municipal service delivery frameworks between states, ULBs, and domain experts;
- Develop actionable recommendations and discussion areas for incorporation into the National Urban Conclave agenda; and
- Inform the preparation of the NUC outcome document.

3. Challenges

A. Institutional Reforms and SPV Governance

The 74th Constitutional Amendment sought to establish elected urban local governments as the primary institutions responsible for urban planning and service delivery. However, the urban landscape is marked by institutional fragmentation, overlapping mandates, and blurred accountability. Overlapping jurisdictions among ULBs, development authorities, and parastatals create friction in daily operations and limit integrated decision-making.

NITI Aayog, in its 2026 report *Moving Towards Effective City Government: A Framework for Million-Plus Cities*, notes that urban services such as water supply, sanitation, transport, and planning are often delivered by multiple parastatals, utilities, development authorities, and state agencies, resulting in unclear accountability due to weak coordination. NITI's earlier report on *Reforms in Urban Planning Capacity in India, 2021*, observed that many states have not fully devolved planning functions to ULBs. It also highlighted overlapping mandates, weak metropolitan governance, and inadequate use of Metropolitan Planning Committees (MPCs).

To address some of these issues, states have created specialised institutions, including development authorities, utility boards, metro corporations, state sanitation corporations, waste management companies, and Smart City SPVs. These entities were intended to provide focused technical expertise, financial flexibility, economies of scale, and faster project execution than traditional municipal systems. In many cases, they have successfully delivered complex infrastructure projects, mobilised investments, and introduced professional management practices. However, they may have also evolved into parallel governance structures operating alongside ULBs, often with greater technical and financial capacity but without a clear plan for augmenting local capacity. They often lack a permanent governance framework to transition into professional service delivery vehicles, leading to reactive deployment instead of predictive,

coordinated planning and implementation structures.

Institutional fragmentation is also seen in the data and digital domains. For cities to function effectively, urban information should be represented, interpreted, and exchanged consistently and uniformly across governance systems. Rather than each ULB independently developing incompatible digital systems, cities need common standards that allow digital solutions and components to be reused and scaled across cities. This is recognised by the Ministry's National Urban Innovation Stack (NUIS) as well.

The policy challenge, therefore, is how urban governance systems can balance the efficiency and expertise SPVs and sectoral agencies offer with the need for empowered, accountable, and institutionally robust city governments.

B. Procurement Reforms - Tenders and Financial Rules

Municipal procurement remains severely constrained by rigid financial codes that mandate selecting the lowest bidder (the L1 system) for capital projects. This approach may inherently penalise high-quality, resource-efficient solutions, as it often ignores long-term operations and maintenance (O&M) and overall lifecycle value. In addition, ULB staff often lack the specialised technical capacity required to effectively manage complex, performance-linked private contracts. Any deviation from the standard procedure requires high-level approvals and multiple procedural steps, and Quality and Cost-Based Selection (QCBS) is mandated only in specific, limited situations rather than being the norm. There is also no focused approach to pegging user charges to the actual cost of service delivery, which significantly affects municipal revenue generation and constrains long-term planning. The provision of public services and amenities then becomes reduced to pilot projects, with little focus on densification and saturation as a continuous principle of municipal service delivery.

Mechanisms for procuring innovative solutions, such as the Swiss Challenge model, remain neither institutionalised nor widespread. Even their limited use invites audit queries, complaints, and objections, which in turn attach a negative risk perception to innovative procurement and further discourage its adoption. Compounding this, large tenders remain concentrated at the parastatal level even as responsibilities are devolved to ULBs, leaving less room for smaller, innovative, cluster-based procurement approaches at the local level.

C. Ecosystem Integration and Startups

Strict pre-qualification criteria such as high financial turnover thresholds and mandatory requirement of prior government engagement systematically exclude innovative startups and MSMEs from municipal procurement. Furthermore, the absence of formal regulatory sandboxes within ULBs prevents the real-time, legal testing of emerging civic-tech innovations. Consequently, even when isolated pilot projects succeed, no standardised,

scalable pathway exists to move these innovations into mainstream public procurement, leaving cities confined to low-impact deployments of innovators.

4. Guiding Questions

A. Institutional Reforms and SPV Governance

- When is an SPV appropriate, and when should the service remain within the ULB or existing utility?
- What capabilities and governance arrangements does an SPV need to function as an effective professional service-delivery entity?
- Should parastatals and SPVs delivering essential urban services be brought under the direct oversight of city governments? What benefits, risks, and implementation challenges would such a transition entail?
- What are the staffing requirements at ULBs to implement various urban Missions and emerging requirements, including Solid Waste Management Rules 2026? How should states ensure vacancies are filled in a timely? In view of emerging requirements, what new job roles should be institutionalised?
- What are some successful examples of cities using digital systems for approvals, compliance monitoring or service management? What are some good examples of models of service delivery that ensure time-bound provision of services? Can deemed approvals for certificates/ documentation in the urban sector ensure faster service delivery?
- How have some states and cities overcome overlapping mandates between ULBs, utilities, development authorities and state agencies to deliver better service delivery? What worked and why?
- How can cities plan and secure land in advance for mobility infrastructure, solid waste and used water management facilities? Can there be pooling of land resources across a group of cities or across the state urban landscape? Can rural-urban convergence help create greenfield projects for urban amenities?
- What are examples of how cities solved accountability issues and disputes, and strengthened coordination across agencies and service providers?

B. Procurement Reforms - Tenders and Financial Rules

- How can tender conditions be more inclusive for new firms, specialised firms and innovative solutions?
- How can bid evaluation include life-cycle cost, O&M cost, resource efficiency and performance, as well as capital cost?
- How can procurement move from input-based specifications towards outcome-based procurement?
- How should risks be appropriately allocated between government and service providers to improve accountability while enabling performance?
- How can contract management and performance monitoring be strengthened to ensure

sustained service outcomes?

- What should be a credible O&M plan for various sectors?
- What are some good examples of dealing with legal disputes as part of contracts?
- How can predictive, timely payments to contractors and service providers be ensured, with adequate safeguards, to support faster implementation/services?
- How can pricing of user charges be attuned to the cost of delivery of services?
- Can devolving financial powers for certain recurrent, basic functions, as deliberated by the Local Bodies, become an instrument for faster service delivery?

C. Ecosystem Integration and Startups

- How do we ensure that young firms that succeed in pilots are not excluded from the subsequent procurement?
- Which urban services are appropriate for public-private partnership and which should remain predominantly municipally delivered?
- What partnership models can effectively bring together start-ups, academia, technology providers and government?
- How can we leverage the whole-of-government approach to provide opportunities to new firms?
- What service-level KPIs should survive beyond the project-completion certificate?