

Sinking Flagships and Health Budgets in India

RAVI DUGGAL

The centre's attempt to increase spending on public health by hiking allocations to its National Rural Health Mission programme has failed because the states have responded by reducing their expenditure. Instead of decentralising expenditure on health, the centre has taken control of a larger share of resources for the sector, which have not been adequately utilised even for the priority programmes. The irony is that those who deliver care, understand the situation and can plan and budget have no role in decision-making while the decision-makers have no idea of the ground realities.

Public health budgets constitute a critical source for health equity in any society. If health indicators show gross inequities then it is evident that public investment in health is also grossly inadequate. The prime cause of underdevelopment of health and healthcare is inadequate allocations to health in government budgets. Data from across the world provides clear evidence that across the low and middle income countries over 5.6 billion people have to finance healthcare using the most inequitable method of out-of-pocket expenditure, often through borrowings and sale of assets, for over half their health expenditure (World Health Report 2008). This is so because in these countries public health budgets do not commit adequate resources. Where countries do take responsibility for at least over half of national health spending, even when they are low or middle income countries, then health outcomes and access to healthcare are generally favourable and equitable. For instance in Sri Lanka, Malaysia, Thailand, Cuba, Chile, and Costa Rica governments account for between 46% and 88% of total health spending and this leads to reasonably good health outcomes and relatively good access to at least basic healthcare (*World Health Statistics 2007*).

In India, with public health spending accounting for less than 20% of total health spending and out of pocket expenditure amounting to 98% of all private health expenditure, health and healthcare access is not only poor but also highly inequitable. The National Family Health Survey (NFHS)-3 data brings this out very clearly. The extent of inequity between the top and bottom quintile for some key indicators is huge – U5 (under five years) mortality 2.97 times; access to doctor for ANC (antenatal care) 3.83 times; delivery in a health facility 6.59 times; full immunisation 2.9 times; no immunisation 10.11 times (NFHS-3). This is because the public

health expenditure accounts for less than 1% of the gross domestic product (GDP) in contrast to private health expenditure of over 5% of GDP. The latest budget is no different from the last five budgets or for that matter any earlier budget.

In the 2009-10 budget announced on 6 July 2009 public health considerations as usual got only a passing mention in the budget speech of the finance minister.¹ He said that the government was committed to strengthening the delivery mechanism for primary healthcare, that the National Rural Health Mission (NRHM) allocation gets an extra Rs 20.57 billion over the interim budget's (February 2009) Rs 120.70 billion allocation and that in the previous year the Rashtriya Swasthya Bima Yojana covered 4.5 million below poverty line (BPL) families by issuing biometric cards (no mention of how many actually are availing this insurance cover) and that the government plans to cover all BPL families under this health insurance programme for which Rs 3.50 billion has been allocated in the current budget. With over 56 million BPL families (as officially estimated)² this works out to a mere Rs 62.5 per family or Rs 12.5 per capita!

Unkept Promise

Some of these statements may sound encouraging but the budget figures belie this. The overall increase in government expenditure over the previous fiscal is estimated at 36% but the increase for the health sector is much lower at a mere 22%³ (Rs 226.41 billion in the current budget as against Rs 184.76 billion in 2008-09) so this in itself shows the low level of concern for the health sector in the budget of 2009-10. If we look at the flagship programme in the health sector, the NRHM, then the situation is even more pathetic with the increase being only 15.6%, i.e., Rs 144.42 billion in the current budget as compared to Rs 124.84 billion in the 2008-09 budget. The United Progressive Alliance government's promise during its previous stint of taking public health spending to 3% of GDP is becoming even further distant as overall public health spending continues to stagnate below 1% of GDP.

The NRHM started four years ago with a commitment of making architectural corrections in the public health system and

Ravi Duggal (rduggal57@gmail.com) is an independent health researcher and is associated with the International Budget Partnership and the People's Health Movement.

raising public health spending up to 3% of GDP. This article will attempt to analyse the public health budgets in the context of the NRHM to see where we have reached in terms of this commitment. It must be noted here that health and healthcare in India are primarily state subjects and hence the union government constitutionally has a limited role. In practice, however, the union government has been a prime mover of health policy and planning, as well as designing key public health programmes. However, it has not matched this interest in policy and planning with commensurate funding or budget support. Under the NRHM strategy it has made some efforts at raising its financial stake in the public health sector but they have so far failed. First, because they encountered the problem of fungibility with the states (i.e., the union government increased its allocations but the state governments used the larger resources for replacing their own resources), and, second, the union government took larger control of health resources by raising the proportion of the budget within its discretionary control, like creating flexi pools, thereby subverting the decentralisation processes. Thus, the increased resources from the central pool did not translate into an overall increase in support to public health. Let us now look at the budget data compiled in Table 1 through 3 to explain the malaise afflicting health budgets in India.

The Malaise

Table 1 provides clear evidence that post NRHM, the proportion of grants received from the centre by state and union territory

(UT) governments as a percentage of their total health budget has declined. While in the six-year period, the overall central health allocation increased grants to states and UTs by 2.68 times, including the north-east, special grants increased by only 1.38 times. This is a clear indication that the centre is retaining a larger proportion of funds in the health ministry for its direct use as is evidenced by the fact that for the same period its net health allocations grew by a whopping 4.17 times. As we will see in the NRHM-related expenditure this is largely due to the flexi pool funds which the centre spends at its

However, to the central government's credit it is clear that their share in the total public health budget has improved from 15.84% in 2004-05 to 27.91% in 2009-10. But since grants to state and UT governments have declined substantially from 21.4% of the state governments' health budget share to a mere 14.5%, the increase in the centre's share only reflects its greater control over health resources.

In Table 2, we see the trajectory of key central government health spending. Clinical services have increased 3.5 times from 2004-05 to 2009-10, whereas investment in medical education and research has

Table 2: Allocations for Selected Key Programmes in the Union Health Budget (Rs crore #)

Programme	BE 2004-05	BE 2005-06	BE 2006-07	BE 2007-08	RE 2008-09	BE 2009-10 Feb	BE 2009-10 July
Hospitals and disps	240.75	309.79	263.25	261.40	495.67	482.50	844.83
Medical education and research	912.82	1,360.78	1436.64	1,520.41	2,731.67	2,720.07	3,861.94
AYUSH	225.73	405.98	447.89	563.88	649.50	775.40	922.00
NACO – HIV/AIDS	232.00	476.50	636.67	719.50	1016.36	993	993
RCH + flexipool	710.51	1,380.68	1765.83	1,672.20	9.25+2,728.3	99.5+2,322.5	99.5+3,048.49
Pulse polio			1,004.00	1,289.38	1,129.74	1,102.89	1,102.89
Routine immunisation	1,186.40	1,304.60	326.50	300.50	232.60	388.21	388.21
FW services and contraception	1,948.71	2,412.41	1,942.61	2,295	2,768.36	2,863.58	2,862.83
NRH mission flexible funds			1,530.88	2,682.72	2,263.25	2,051.92	3,033.67

1 crore = 10 million.

Source: Demand for Grants, respective Budget years, Ministry of Finance, GOI, New Delhi.

discretion, and is clearly indicative of the growing centralisation of the health budget. Further, the state/UT government budgets for health during this period just about doubled, but they were lower as a proportion of the total state/UT government budgets, perhaps due to the fungibility issue we discussed above. Also as a proportion of GDP public health budget allocations more or less stagnated below 1%, though the target was to triple it to 3% of the GDP.

quadrupled due to allocations for the upgradation of some state institutions to the All India Institute of Medical Services (AIIMS) level status. AYUSH (ayurveda, yoga, unani, siddhi and homeopathy) has received more attention with a fourfold increase in support. While HIV/AIDS through National Aids Control Organisation (NACO) has also seen a 4.3 times growth in allocations, immunisation has lagged at just 1.25 times perhaps not even keeping pace with inflation. Within immunisation,

Table 1: Demand for Grants of Ministry of Health and Family Welfare (Rs crore#)

Category	BE 2004-05	Actuals 2004-05	BE 2005-06	RE 2005-06	BE 2006-07	BE 2007-08	RE 2008-09	BE 2009-10 (February)	BE 2009-10 (July)
1 Central health, FW and Ayush	8,438.12	8,086.46	10,733.54	10,086.26	13,081.82	15,856	18,476	18,808	22,641
2 Of which grants to states and UTs including NE component	4,487.77 (748.10)	3,775.09 (968.20)	4,969.12 (968.20)	3,780.15 (880.00)	5,078.98 (11,68.80)	5,196 (1,373.50)	5,497.70 (1,560)	5,937.76 (1,560)	6,182.71 (1,953.40)
	[0.94]	[0.75]	[0.97]	[0.74]	[0.90]	[0.75]	[0.61]	[0.62]	[0.60]
3 Net health central government (1-2)	3,950.35	4,311.37	5,764.42	6,306.11	8,002.84	10,660	12,978.30	12,870.24	16,458.29
	[0.83]	[0.86]	[1.12]	[1.24]	[1.41]	[1.53]	[1.44]	[1.35]	[1.61]
4 State/UT govt health and FW (including 2)	20,982.24	21,465.19	24,336.63	25,479	29,137	31,383	38,582.97	42,500*	42,500*
	[4.36]	[4.32]	[4.57]	[4.19]	[4.36]	[4.10]	[4.21]		
5 Grant as % of state HFW total	21.39	17.59	20.42	14.84	17.43	16.56	14.25	13.97*	14.55*
6 Total health (3+4) as % GDP@	24,932.59	25,776.56	30,101.05	31,785.11	37,139.84	42,043	51,561.27	55,370.24	58,958.29
	0.80	0.82	0.84	0.89	0.90	0.90	0.96*	0.94*	1.01*

Figures in parentheses is NE (north-east region) component and in square brackets % to respective Total Budget or Expenditure. BE = Budget Estimate, RE = Revised Estimate; @ GDP at market prices from RBI – *Handbook of Statistics*, RBI, Mumbai, 2008.

Source: *Expenditure Budget* Volume 1 2006-07 and 2007-08 (Demand Nos 46 and 47), Ministry of Finance, GOI, New Delhi, 2006/2007. For 2004-05 BE from *Expenditure Budget* Volume 1 2005-06 and actuals 2004-05 from Annual Financial Statement 2006-07. For 2008-09 and 2009-10 (Feb) and 2009-10 (July) *Expenditure Budget* Volume 1 2009-10 (February and July) (Demand Nos 46, 47 and 48), Ministry of Finance, GOI, New Delhi, 2009. For State/UT governments from RBI – *State Finances* 2005-06, 2006-07, 2007-08, 2008-09, RBI, Mumbai, 2007/2008/2009. * estimated by author; # 1 crore = 10 million.

pulse polio accounts for 74% of the budget clearly reflecting a neglect of routine immunisation. The NFHS-3 results have clearly shown poor progress on this front. For all basic vaccines the coverage is only 44%, including polio, and in urban areas it showed a decline of three points from 60% to 57% between NFHS-2 and NFHS-3. The other big grosser in the centre's health budget is Reproductive and Child Health (RCH) which has grown by 4.4 times. But family

welfare services and contraception has seen a slower growth at only 1.5 times during this six-year period.

When we look at the NRHM component of the central budget (Table 3), including grants to the state and UT governments we find that over a five-year period, NRHM allocations have barely doubled (and NRHM grants to state and UT governments

Table 3: NRHM Component of the Union Health Budget (Rs crore #)

NRHM component of major heads	RE 2005-06	BE 2006-07	BE 2007-08	RE 2008-09	BE 2009-10 Feb	BE 2009-10 July
Disease programmes	648.59	755.64	884.06	915.62	1,048.02	1,063.02
AYUSH	45.00	65.00	108.00	124.50	126.00	176.00
Family welfare, including RCH	5,426.58	7,386.26	8,954.94	9,883.90	9,758.98	11,249.97
NE region special scheme	668.04	891.53	1,387.50	1,560	1,560	1,953.40
NRHM total	6,788.21	9,098.43	11,333.56	12,484.02	12,493	14,442.39
of which Grants to states, UTs and NE	3,410.75	4,496.20		5,243.16	5,708.13	5,696.16

1 crore = 10 million.

Source: Demand for Grants Budget 2006-07 and 2009-10 (February and July), Ministry of Finance, GOI, New Delhi, 2006/2009.

have grown even less at 1.6 times), so the great hype about NRHM is misleading. Within NRHM the larger increases have been for AUYSH and RCH/FW (family welfare), whereas the disease programmes (excluding HIV/AIDS), which include key diseases of poverty like TB, malaria, and the diarrhoeal diseases have suffered with a marginal growth of only 1.6 times. In fact, the non-NRHM budget of the central government has seen a much greater increase due to NACO and medical education investments. Thus in budgetary terms the NRHM flagship is indeed sinking.

Further, we also need to look beyond budget figures at actual utilisation of resources in order to get a deeper insight into the use of public health budgets. When we look at actual expenditures and the appropriation accounts it becomes clear that there is a lack of concern for public health matters, especially those programmes which can benefit the large majority of poor and underserved. We looked at the finance (Government of India 2009) and appropriation accounts (ibid) of 2007-08 to assess actual expenditures.

Underutilised Funds

The assessment reveals that overall the under-spending on the revenue account of the ministry of health and family welfare was Rs 20.35 billion,⁴ and of this Rs 15.20 billion was from the plan grants which the union government gives to the sub-national governments. Of the latter, 90% was from the north-east (NE) states special grants. In fact, the union government's own direct

expenditures in health were over-spent by 2.6%. The appropriation accounts give an itemised list of minor heads/programmes under which there was under-expenditure or over-spending. Some of the key highlights from the 2007-08 appropriation accounts are given below:

- Under the special grants for NE states Rs 13.73 billion was allocated in the budget

and Rs 3.84 billion was released to the state governments and only a fraction of this, that is a mere Rs 76 million was spent.

- Under NRHM for NE states Rs 4.72 billion from Mission Flexi pool, Rs 2.48 billion from RCH Flexi pool, Rs 0.67 billion from various disease control programmes, Rs 0.52 billion from pulse polio and Rs 0.16 billion from routine immunisation were underspent.

- From the non-NRHM component in the NE states Rs 1.2 billion from the AIDS programme and Rs 4.99 billion from the medical education and research programme were unutilised.

- Under the RCH programme from grants to state governments Rs 1.78 billion was underspent and under disease surveillance Rs 320 million unutilised.

- For vector-borne diseases the budget of Rs 1.67 billion was augmented to Rs 4.47 billion through a supplementary grant but an amount of Rs 430 million remained unutilised.

- Under the National Mental Health Programme out of a budget of Rs 580 million 74% or Rs 430 million was unutilised.

- Under the tobacco-free initiative, a favourite of the previous health minister, out of Rs 320 million budgeted, Rs 180 million remained unused.

- Under capacity building programmes for states Rs 300 million out of Rs 680 million remained unutilised, and for capacity building for the food and drug administration department as much as Rs 440 million out of Rs 520 million budgeted was unutilised.

- For drug procurement out of the Rs 2,000 million budgeted a whopping Rs 1,780 million was not utilised under a World Bank-funded initiative.

- Under routine immunisation Rs 960 million out of Rs 2,770 million was unutilised, whereas for pulse polio Rs 3.23 billion out of Rs 12.58 billion remained unused.

This unutilised money was used as shown below:

- Rs 1,020 million excess use by Central Government Health Scheme, Rs 230 million by Safdarjung Hospital and Rs 300 million by Post Graduate Institute of Medical Research.

- NACO used an excess of Rs 2,260 million, Indian Council of Medical Research Rs 320 million, sub-centres Rs 1,900 million and blindness control Rs 360 million.

From the above it is amply evident that from some of the government's own key priority programmes under NRHM like immunisation, RCH and flexi pool funding a large volume of resources remained unutilised and this, in turn, affected performance and outcomes. Some bureaucrats at the top often blame this on poor absorption capacity of states and therefore oppose increased budgets for health. This is not true because at the level of delivery of care there is a crying demand for resources. The community monitoring of NRHM being done in partnership with civil society has clearly brought out the inadequate performance of NRHM activities. The same problems continue, like inadequate drug supplies, non-availability of medical and paramedical staff, poor utilisation of untied funds, poor quality of primary health centre (PHC) services and non-cooperative behaviour of the staff. The positive points are: a few improvements in ANC, immunisation and the Janani Suraksha Yojana.⁵

The problem therefore is not the absorption capacity but the bureaucracy itself which does not have the capacity to plan and budget in a way that can meet the demands of the people. Further, the central and state bureaucracies are unwilling to let loose their control over the healthcare delivery system, despite a lot of talk about decentralisation. They may allow decentralised planning through the panchayats and even provide some untied funds for the direct use by the latter, but they will never transfer fiscal, governance and management

autonomy and control to units who directly provide care. This is where the problem lies in resource allocation and use. Those who deliver care, who understand and know the situation and hence can plan and budget the resources, have no role in decision-making and those who govern from the state and national capitals take all decisions without having a clue to what the ground realities are. This is the reason why the NRHM has failed to make the architectural corrections that it wanted to make. It is clear that unless radical changes in budgetary and financing mechanisms are put

in place by granting full autonomy to those who directly run the public health system, the NRHM flagship will continue to sink.

NOTES

- 1 Budget Speech of Finance Minister 2009-10, www.indiabudget.nic.in, accessed 6 July 2009.
- 2 If we use \$1 per capita per day as the benchmark then it should be over 80 million families.
- 3 Contrast this with the 34% increase over previous fiscal for the defence budget.
- 4 We must note that this is the overall underspending, which is the balancing figure, but across programmes there are various kinds of adjustments made and this is reflected in the highlights extracted from the Appropriation Accounts.
- 5 SATHI 2008: Report of First Phase of Community Based Monitoring of Health Services under NRHM

in Maharashtra, SATHI, Pune. Such monitoring is happening across 10 states and all are reporting more or less similar results that show that NRHM on the ground is not sailing smoothly.

REFERENCES

- World Health Report (2008): *Primary Health Care Now More Than Ever* (Geneva: WHO).
- (2007): *World Health Statistics 2007* (Geneva: WHO).
- Government of India (2008): *National Family Health Survey-3 India Report* (New Delhi: Ministry of Health and Family Welfare).
- (2009a): *Finance Accounts of the Union Government 2007-08* (New Delhi: Controller General of Accounts).
 - (2009b): *Appropriation Accounts of the Union Government 2007-08* (New Delhi: Controller General of Accounts).