

Getting health spending right

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The author is associate professor, NIPFP, New Delhi

Spending 'health & wellbeing' allocation dependent on third tier of govt; capacity of local bodies must be stepped up

THE PRESENTATION OF the Budget every year is followed by a series of critical reviews on changes in inter-sectoral allocations. Subsequently, not much attention is paid to how these allocations are utilised and translated into actual expenditures during the course of the year. If expenditures deviate substantially from allocations, the budgetary exercise and discussions around it are not very meaningful.

The FM minister announced 1.37% increase in allocation towards 'health and wellbeing' in Budget FY22. Over two-thirds of this enhanced allocation is planned to be released to state governments for expenditure under the Jal Jeevan Mission (JJM), and as earmarked grants for water supply, sanitation and health recommended by the 15th Finance Commission (FC). These are conditional transfers and dependent on implementation parameters at the state-level.

The conditional nature of the FC grants poses hurdles to utilisation. The FC grants for water supply and sanitation have to be spent through local bodies, and can be released only if at least 25% of the local bodies place their provisional accounts (for the previous year) and audited accounts (for the year before) online in the public domain in this fiscal year. The conditions are even more stringent in the last three years of the FC award period. All local bodies have to meet this condition to be eligible for grants. In addition, in the last three years, urban local bodies have to enhance their revenues to specified levels to be eligible for the grant.

Experience suggests that a substantial part of such conditional grants to local bodies recommended by earlier FCs have remained unused. The 14th FC had placed similar conditions for release of performance grants to local bodies, but a substantial part could not be released. In 2016-17 and 2017-18, only about 55% of the allocation of performance grants for local bodies awarded by the 14th FC could be released to states. Part of the reason was the imposition of additional frameworks and implementation parameters by the Union government for release of these grants.

The FC grants for health are also required to be spent through local bodies and may face similar challenges. Although unconditional, the release of these grants also calls for significant coordination between the Union, state and local governments. Three committees comprising of representatives of Union, state and local bodies have to be constituted at different levels, and decisions on deliverables, outcomes, structure for fund flows and utilisation have to be made before the first instalment of these grants can be released to states. If one goes by the recommendation of the FC, the most optimistic timeline for release of the first instalment is July 2021. The capacity of local bodies in executing the expenditure responsibilities entrusted to them as per the agreed deliverables of the committees may be limited.

The record of utilisation of funds under the JJM has been poor in the last two financial years. The scheme has attracted a near five-fold increase in budget allocation this year to meet the mission of providing a functional tap connection to every household by 2024. However, as of February 6, 2021, only about 54% of central funds available for FY2020-21 were spent. This level was not particularly low due to Covid-19; even in 2019-20 this was less than 50%.

The need for coordinating resources for flagship schemes like the JJM and the Swachh Bharat Mission with FC grants for water supply and sanitation may add further complexities and implementation hurdles. In this context, it is notable the Ministry of Jal Shakti requested the 15th FC to place 50% of the water supply and sanitation grants for local bodies at its disposal, so as to ensure better alignment of FC grants with the goals of the JJM. The need for such alignment is likely to pose challenges. On the whole, the translation of the allocation for 'health and wellbeing' into expenditures is heavily dependent on the third tier of government. Unless public financial management issues are addressed, and the capacity of local bodies stepped up, the enhanced budgetary allocation may not result into expenditures.

