



EXPLAINING BUDGET DEVIATION

A BUDGET CREDIBILITY SNAPSHOT

April 2019

The study of budget credibility examines the extent, nature, causes and consequences of deviations from approved budgets. In this series, part of the International Budget Partnership's Assessing Budget Credibility Project, 24 civil society partners in 23 countries probed a specific area in which execution of the national budget repeatedly diverged from the approved plan to learn whether adequate reasons were provided for the deviation. The broader synthesis report on these findings can be found [here](#).

INDIA: HEALTHCARE IN MAHARASHTRA STATE

In 2016, India accounted for 17 percent of global maternal deaths and 61 percent of global deaths from non-communicable diseases. These issues are exacerbated by severe resource shortages in the health sector. That same year, rural health sub-centers were 20 percent short of human resources, 29 percent of them lacked a regular water supply, and 26 percent lacked electricity. The National Health Mission (NHM), originally launched in 2005 as the National Rural Health Mission, is designed to address these and other health challenges by providing accessible, affordable, and quality health care to the entire population.

BUDGET CREDIBILITY CHALLENGE

In the face of such need, in Maharashtra State, the NHM budget has been seriously underspent. For the period from 2013-14 through to the 2017-18 fiscal year, on average only 65 percent of the program's annual budget was spent by the State Health Society (i.e., the equivalent of a subnational health department) in Maharashtra. Moreover, the budget's execution rate has fallen over this period: in 2013-14, 85 percent of the budget was spent compared to just 46 percent in 2017-18.

EXECUTION RATE OF NATIONAL HEALTH MISSION IN MAHARASHTRA, INDIA

Fiscal Year	Approved (Crore Rs.)	Executed (Crore Rs.)	Difference (Crore Rs.)	Execution Rate
2013-14	1,318	1,121	-196	85%
2014-15	1,857	1,127	-730	61%
2015-16	2,789	2,353	-436	84%
2016-17	2,500	1,223	-1,277	49%
2017-18	3,119	1,431	-1,688	46%

Source: Maharashtra State Program Implementation Plans, Ministry of Health & Family Welfare, India

WERE EXPLANATIONS FOR THE DEVIATIONS FOUND IN GOVERNMENT REPORTS?

Yes. The following reports contained justifications for budget deviations:

- *Utilisation, Fund Flows and Public Financial Management under the National Health Mission: A Study of Selected States* (National Institute of Public Finance and Policy, 2017)
- Common Review Mission Reports (National Health Systems Resource Centre)
- *One Hundred Sixth Report on Demands for Grants 2018-19 of the Department of Health and Family Welfare* (Ministry of Health and Family Welfare)
- *Report of the Comptroller and Auditor General of India on Performance Audit of Reproductive and Child Health under National Rural Health Mission for the year ended March 2016*

Three reasons for budget deviation were identified in these documents. First, in 2014 the NHM was restructured, such that the central government had to transfer funds to state treasury, rather than directly to the state health department, to improve accountability. Second, in Maharashtra, release of funds from the state treasury to the state health society required sign-off from 25 different officials (in contrast to 10 in Odisha State). Finally, the structuring of the NHM budget into more than a 1000 budget lines, and limited flexibility in the use of funds, also has posed a hurdle to utilization.

DID THE GOVERNMENT AGREE TO BE INTERVIEWED TO EXPLAIN FURTHER?

Yes. Interviews were conducted with public officials of Maharashtra State, namely:

- Senior Finance Manager, State Treasury
- State Program Manager, National Health Mission
- State Account manager, Account and Audit Department
- Joint Director, NHM and Primary Health Centers, Public Health Department

These interviewees generally reinforced the reasons identified in published reports and indicated that some of these issues have already been addressed, such as through a decrease in the number of desks involved in the disbursement process.

WERE THE REASONS PROVIDED BY GOVERNMENT ADEQUATE?

No. These reasons fail to explain the variation in execution performance over the full period from 2013-14 to 2017-18, or among different programs within the NHM. For example, even though the NHM was restructured financially and administratively in 2014, execution improved in 2015-16 but then worsened again in 2016-17. The claim by state officials that some of these issues have been resolved is also contradicted by the fact that execution has worsened overall during this period.