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Health Care and Budgets

How Are Village Level Public Funds Being Utilized? A Study of Flexible Funds in Health Facilities in India, by Shweta Marathe, Support for Advocacy and Training into Health Initiatives (SATHI)

In 2005 the government of India began implementing the National Rural Health Mission (NRHM), which provides flexible funds to local health institutions to promote accessible and effective health care for the rural population. These innovative funds include the Annual Maintenance Grant (AMG), the Patient Welfare Grant (PWG), and Untied Funds (UF).

About the study

Patients' Welfare Committees (PWCs) have been established in health facilities to ensure proper utilization of the NRHM funds. Through the Community-Based Monitoring and Planning Process (CBMP), it has been repeatedly reported that there have been several problems with the spending of the funds and the functioning of the PWCs.¹ With this in mind, a study was designed to evaluate how the funds are being managed by tracking the expenditures, the decision making processes, and how records of expenditures are maintained. Out of a total of 15 primary health centers (PHCs) under community-based monitoring in Pune District, five were selected by random sampling, and data was collected for the 2010-11 and 2011-12 budget years.

Key findings

- **Infrastructure improvements take place, but without spending on innovations.**
The study found that the funds were typically spent on operational costs and capital outlay, including the purchase and maintenance of equipment, materials, and facilities. Innovative use of the funds for patient's welfare, though expected, was not observed in any of the elected PHCs.
- **Purchases were made without assessing patients' needs.**
In several instances, materials and equipment were purchased by district level officials without consulting the local PHC. Due to insufficient staff, a lack of basic infrastructure, and little to no demand for them, these purchases are currently not being used.
- **Local purchases of commonly required medicines demonstrates a lack of district-level supplies.**

Though guidelines dictate that the funds should only be used to purchase medicine in emergencies, 25 to 30 percent of the funds were spent to procure commonly required medicines.

- **The lack of involvement of PWC members in decision making.**
Only between 10 to 20 percent of the decisions were made by PWC members; and there were even instances of members who did not know that they belonged to a PWC.
- **PWG funds are utilized the least.**
During both budget years, 40 percent of the PWG were utilized in the studied PHCs, as opposed to 70 percent of the UF and 80 percent of the AMG funds. This is likely due to the fact that, as per guidelines, AMG and UF grants are disbursed after deducting the balance amount of the previous year, while PWG grants are disbursed to all health institutes regardless of the balance from last year. Thus if a significant PWG balance was carried forward little of the new funds would be used.
- **Irregularities in record keeping.**
The study found that essential details, including dates and the signature of the receiver, were not included in 70 to 80 percent of the total bills and vouchers. Overwriting was also noted on several bills, and none of the studied PHCs had received visits from any auditors.

The findings clearly indicate the need for expenditure planning and the involvement of PWC members in the planning process. To this end, the study recommends the following:

- Orientations and workshops should be organized to help build capacity of PWC members and teach them decentralized health planning.
- Committee meetings should be held regularly and members should actively participate in every meeting.
- Need-based decisions on the expenditure of funds should be made by committee members only.
- Follow up on and implementation of the decisions taken during the meetings.
- Committee members should be trained on the guidelines for the use of funds.
- Transparency in the expenditure of funds should be encouraged.
- There should be a mechanism to monitor the expenditure of the funds.

While the flexible funds provided by the NHRM have significant potential to positively affect the lives and health of people in rural communities, the program's problems should not be overlooked.

Committee members should shoulder their responsibilities actively, and the government should provide timely trainings, emphasize planning, establish mechanisms to monitor the expenditure, and consider all the above

recommendations for the better use of the funds. Only then will the purpose of the funds be truly realized.

¹ Under the NRHM, Community Based Monitoring and Planning (CBMP) process is being implemented in 13 selected districts. SATHI is a state nodal NGO for implementing this process in Maharashtra.

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For more information on SATHI's work, please visit their [website](#) or contact the author at shweta51084@gmail.com.