PROGRAM EXPENDITURE AND FINANCING ASSESSMENT

1. The Supporting National Urban Health Program will support the implementation of the National Urban Health Mission (NUHM) using results-based lending. The loan proceeds will form part of NUHM expenditures. The program expenditure and financing assessment reviews the extent to which the NUHM has a clearly defined expenditure framework that adequately supports the planned results. It confirms that the overall program expenditures justify the total program financing.

A. Expenditure Framework

2. In a results-based lending program, loan proceeds support the government's program expenditure, rather than specific inputs or contracts. Therefore, a clearly defined expenditure framework is required to support achievement of intended results. This should be based on realistic costs and assumptions, preferably over multiple years for budget predictability. The program expenditures and financing must form part of the government budget and should be well-defined, i.e., (i) comprehensive and realistic in terms of revenues and proposed spending coverage; (ii) clearly defined in the budget classification system; and (iii) including information on key expenditure composition (e.g., reflected as shares of salaries, operating and capital spending, and by activity types).

3. The Government of India has recently introduced a Medium-Term Expenditure Framework Statement and the concept of 3−year rolling targets for expenditure indicators to provide greater certainty for multi-year budgeting and predictability of resources for prioritized schemes. The Ministry of Health and Family Welfare (MOHFW) does not have a medium-term expenditure framework for the health sector as a whole. However, for programs such as the NUHM, the MOHFW prepares periodic activity- and output-based multi-year expenditure projections, which are reviewed and approved by the government's Expenditure Finance Committee (EFC). These forecasts provide a conceptual framework and overall direction for planning. In addition to these forecasts, actual budget allocation through the annual budgeting process is also informed by the program's annual work plan and fund utilization, adjusted based on the mid-year spending rate.

4. The Government of India originally intended to initiate the NUHM during the Eleventh Five−Year Plan period (2007−2012), and a tentative allocation of Rs45 billion was approved for that purpose.[1] This did not materialize, and the NUHM was subsequently planned for the Twelfth Five−Year Plan (2012−2017) period as a sub-mission within an overarching National Health Mission that also includes the National Rural Health Mission (NRHM). After rigorous reviews of the underlying assumptions and expected activity numbers by the Planning Commission and MOHFW's own internal assessment and adjustment, a 5−year projection for NUHM for 2012−2017 was established as Rs225 billion (equivalent to $3.75 billion) in the NUHM Implementation Framework, 2012, as shown in Table 1.[2]

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[1] Government of India, Planning Commission. 2008. *Eleventh Five−Year Plan, 2007–2012, Volume II – Social Sectors* New Delhi; Government of India, Ministry of Health and Family Welfare. 2012. *National Urban Health Mission – Expenditure Finance Committee Note with Annexures,* New Delhi.

[2] The Planning Commission approved Rs151.43 billion as the Government of India's share, compared with MOHFW's proposed Rs169.55 billion, but as a revised 5-year budget is not available, the original total figure has been applied for this program expenditure and financing assessment. Government of India, Ministry of Health and Family Welfare. 2013. *National Urban Health Mission, Press Information Bureau, 22 April.* New Delhi. *http://pib.nic.in/newsite/PrintRelease.aspx?relid=94813*

Table 1: National Urban Health Mission Expenditure Framework

(Rs million)

Year	Government of India	States and UTs	Total	Share
2012−2013	23,256	7,621	**30,877**	13.7%
2013−2014	37,827	12,394	**50,222**	22.3%
2014−2015	39,577	12,964	**52,541**	23.3%
2015−2016	39,492	12,932	**52,424**	23.3%
2016−2017	29,398	9,610	**39,008**	17.3%
Total	**169,551**	**55,521**	**225,072**	100.0%
$ (million)	**2,825.9**	**925.3**	**3,751.2**	
Share	75.3%	24.7%	100.0%	

Rs = Indian rupees, UT = union territory.

Sources: Government of India, Ministry of Health and Family Welfare. 2012. *National Urban Health Mission – Expenditure Finance Committee (EFC) Note with Annexures*. New Delhi; Government of India, Ministry of Health and Family Welfare. 2013. *National Urban Health Mission, Framework for Implementation.* New Delhi.

5. The expenditure share distribution between the Government of India and states and union territories (UTs) is based on a ratio of 75%:25% for all states except special category states, where the distribution is 90%:10%. The annual allocation to individual states is based on their submitted program implementation plans (PIPs), assessed absorption capacity, and fiscal space. The funding requested by the states in their PIPs will vary depending on their urban and slum population, number of metro-cities, and other demographic factors. Semi-annual releases are based on utilization certificates for the previous 6 months.

6. The annual figures in Table 1 are based on detailed calculations of activities with standard unit rates within a specified set of components for capital spending and recurrent spending for metro and non-metro cities. The total 5−year costs per component and for capital and recurrent spending are shown in Table 2.

Table 2: Breakdown of Expenditure Framework for 2012−2017

(Rs million)

	Capital Cost		Recurrent Cost		Total Cost	
Components	**Amount**	**Share**	**Amount**	**Share**	**Amount**	**Share**
1. Planning and mapping	0	0.0%	1,384	0.8%	1,384	0.6%
2. Program management	407	0.8%	12,737	7.3%	13,144	5.8%
3. Training and capacity building	0	0.0%	11,349	6.5%	11,349	5.0%
4. Strengthening health services	50,233	99.2%	119,399	68.5%	169,632	75.4%
a) Outreach	711	1.4%	36,840	21.1%	37,551	16.7%
b) UPHC	25,087	49.5%	77,441	44.4%	102,528	45.6%
c) Referral	24,360	48.1%	344	0.2%	24,704	11.0%
d) Med College Support	75	0.1%	0	0.0	75	0.0%
e) IEC/BCC	0	0.0%	4,774	2.7%	4,774	2.1%
5. Regulation and QA	0	0.0%	2,367	1.4%	2,367	1.1%
6. Community processes	0	0.0%	14,035	8.0%	14,035	6.2%
7. Innovative actions and PPP	0	0.0%	9,548	5.5%	9,548	4.2%
8. Monitoring and evaluation	0	0.0%	3,553	2.0%	3,553	1.6%
9. National PMU	5	0.0%	56	0.0%	61	0.0%
Total	**50,645**	**100.0%**	**174,427**	**100.0%**	**225,072**	**100.0%**

BCC = Behavioral Change Communication; IEC = information, education & communication; PPP = public–private partnership; PMU = program management unit; QA = quality assurance; Rs = Indian rupees; UPHC = urban primary health center.

Source: Government of India, Ministry of Health and Family Welfare. 2012. *National Urban Health Mission – EFC Note with Annexures.* New Delhi.

7. Strengthening of health services is the largest cost component overall, representing 99% of overall capital costs. This includes the cost of (i) new construction and upgrading of existing urban primary health centers (UPHCs), and (ii) establishment of referral facilities. Recurrent costs consist mainly of operational funding for UPHC (including salary for medical staff and consumables) and community-level outreach services.

8. MOHFW developed the cost estimates for the original NUHM expenditure framework based on norms and unit rates for different program components and subcomponents. For example, in metro cities, program management was based on a cost of $8,151 per city program management unit; upgrading of an existing UPHC was $16,301; an urban community health center for referrals was $1,467,112; and medicines $20,377 per UPHC. MOHFW also established broad indicative norms for inputs such as (i) one female health worker for each urban area with a population of 10,000–12,000; (ii) one accredited social health activist or community health worker for every 200–500 slum or vulnerable households, with pay partially linked to performance; (iii) basic training modules for accredited social health activists; and (iv) one UPHC for every 50,000 population. A similar approach is applied by the states and UTs in preparing their annual state PIPs, which takes into account broad norms for NUHM interventions outlined by the MOHFW in the NUHM implementation framework, and guidelines issued by MOHFW's Urban Health Division.[3]

9. The proposed NUHM expenditure framework is assessed against the criteria of effectiveness, efficiency and economy, and adequacy, as summarized below:

(i) **Effectiveness.** The NUHM expenditure framework is consistent with the results and issues at hand, and is likely to achieve the program results when implemented. The expenditure framework as expressed with the 5−year projection and, in particular, in the state PIPs, has a solid and detailed calculation basis that applies recommended activities and outputs relevant for the urban health requirements combined with indicative service standards with specific costing norms.[4]

(ii) **Efficiency and economy.** The NUHM aims to fill the large gap in primary health care in urban areas, and improve the overall efficiency of the urban health system by (i) reducing the burden on secondary- and tertiary-level service providers, and more importantly (ii) expanding preventive care and promoting health-seeking behaviors. The latter will also increase the demand and utilization of urban sanitation facilities and clean water. Investment in primary health care is the most cost-effective approach to improving overall health outcomes given limited resources.[5] It will strengthen the enabling environment for private sector engagement in urban health system. The execution efficiency (timeliness and cost effectiveness) of the expenditure program cannot be evaluated on the basis

[3] Government of India, Ministry of Health and Family Welfare. 2013. *National Urban Health Mission, Framework for Implementation, Chapter 8*. New Delhi.

[4] The general framework in this regard is the *National Urban Health Mission, Framework for Implementation* (footnote 3), especially Chapter 8 (Broad Norms for NUHM Interventions), Chapter 7 (Institutional Arrangements for Implementation) and Chapter 9 (Financial Resource Needs for NUHM). Furthermore, the MOHFW's Urban Health Division has prepared detailed and instructive NUHM guidelines for states and UTs to facilitate their preparation of FY2014 and FY2015 state PIPs, which included broad principles and illustrative norms for budgeting and a number of specific budgeting formats.

[5] National Health Systems Resource Center. Undated. *Understanding Urban Health – An Analysis of Secondary Literature and Data*, *p. 13.* New Delhi.

of actual results, because NUHM implementation did not begin until 2014. However, higher expenditures of NRHM funds than those of overall MOHFW funds may indicate that such missions manage funds more efficiently.[6] By adapting existing NRHM implementation arrangements and making necessary adjustments, the NUHM will be able to make additional efficiency gains.

(iii) **Adequacy**. Allocations across NUHM components reflect the resources required to generate results. As discussed below (paras. 16–18), the resources made available by the government to date have been below the 5−year projection, considering the initial time lag in (a) adapting NRHM guidelines to the urban context; (b) preparing state-level planning; and (c) building implementation capacity at central, state, and sub-state levels. The challenge will most likely be fund utilization rather than a lack of needed funding. Funding is prioritized in the state PIPs for enabling activities in order to properly initiate NUHM implementation (e.g., planning and mapping as well as program management and community processes). However, the majority of funding is reserved for strengthening of health services (75% of total state PIPs budgets for FY2013), especially infrastructure (required to create the physical structures for NUHM service delivery), human resources (mainly health sector professionals), and procurement (of drugs and consumable).

B. Financing Plan

10. NUHM implementation has been delayed due to the initial time taken for (i) adapting NRHM mechanisms and guidelines to meet urban-specific needs; and (ii) preparing and approving state-level plans, in the absence of adequate program management units dedicated for NUHM implementation. Almost no funds were released to states or actual expenditures incurred in FY2012. Although Rs6,630 million was released during FY2013, only Rs53 million was spent due to the time taken for state PIP preparation and approval.

Table 3: Funding Figures for the National Urban Health Mission (FY2012–2014)

(Rs million)

Item	FY2012	FY2013	FY2014
Original expenditure framework estimates[a]	23,263	37,827	39,577
Revised budget estimate for MOHFW (in-year amendment)[b]	0	10,000	19,394
Funds released to the states and UTs[b]	0	6,622	13,458
Actual expenditures by the states and UTs[b]	0	53	NA

FY = fiscal year, MOHFW = Ministry of Health and Family Welfare, NA = not available, Rs = Indian rupees, UT = union territory.

Sources: [a] MOHFW. 2013. *National Urban Health Mission, Framework for Implementation.* New Delhi; [b] Information provided by the MOHFW's National Health Mission Financial Management Group.

11. MOHFW expects the NUHM implementation pace to accelerate in 2015 as most of the 779 cities targeted by NUHM have their PIPs approved for FY2013, and the number of cities for which PIP would be approved for FY2014 has increased to 906. Accordingly, budget allocations (revised mid-year) have increased from Rs10,000 million in FY2013 to Rs19,394 million in FY2014, and funds released have increased from Rs6,622 million to Rs13,458 million.

[6] During FY2010–2013, actual NRHM spending was 87%–102% of budgeted amounts, well above other MOHFW spending, which was 72%–98% of the budgeted amount.

12. If implementation proceeds at full pace in FY2015 and FY2016, funding requirements for FY2014 to FY2016 are estimated to be $1.95 billion (Table 4).

Table 4: Estimated Funding Requirements for the National Urban Health Mission (FY2014–2016)

(Rs million)

Year	Government of India	States and UTs	Total
FY2014	19,394[a]	6,465[b]	25,859
FY2015	39,492	12,932	52,424
FY2016	29,398	9,610	39,008
Total	**88,284**	**29,007**	**117,291**
$ equivalent (million)	1,471	484	1,955
Share	*75%*	*25%*	100%

FY = fiscal year, Rs = Indian rupees, UT = union territory.

[a] From the revised budget (mid-year amendment) for FY2015.

[b] 25% of FY2014 estimates as per the expenditure share distribution between the Government of India and states and union territories, which is 75%:25%.

Sources: Government of India, Ministry of Health and Family Welfare. 2012. *National Urban Health Mission – EFC Note with Annexures*. New Delhi; Government of India, Ministry of Health and Family Welfare. 2013. *National Urban Health Mission, Framework for Implementation*. New Delhi; Government of India, Ministry of Finance. 2014. *Union Budget – Notes on Demands for Grants, 2014–2015, No. 46/Department of Health and Family Welfare, MOHFW*; Asian Development Bank estimates.

13. Accordingly, a program expenditure framework is in Table 5, reflecting the revised budget for FY2014 and the original estimates for FY2015 and FY2016 from the NUHM implementation framework.

Table 5: Program Expenditure Framework (FY2014–2016)

(Rs million)

	Capital Cost		Recurrent Cost		Total Cost	
Components	**Amount**	**Share**	**Amount**	**Share**	**Amount**	**Share**
1. Planning and mapping	0	0.0%	729	0.8%	729	0.6%
2. Program management	0	0.0%	6,637	7.2%	6,637	5.7%
3. Training and capacity building	0	0.0%	4,486	4.9%	4,486	3.8%
4. Strengthening health services	25,167	100.0%	62,996	68.4%	88,163	75.2%
a) Outreach	46	0.2%	21,324	23.1%	21,370	18.2%
b) UPHC	13,005	51.7%	38,599	41.9%	51,604	44.0%
c) Referral	12,116	48.1%	315	0.3%	12,432	10.6%
d) Med College Support	0	0.0%	0	0.0%	0	0.0%
e) IEC/BCC	0	0.0%	2,757	3.0%	2,757	2.4%
5. Regulation and quality assurance	0	0.0%	1,199	1.3%	1,199	1.0%
6. Community processes	0	0.0%	8,106	8.8%	8,106	6.9%
7. Innovative actions and PPP	0	0.0%	5,514	6.0%	5,514	4.7%
8. Monitoring and evaluation	0	0.0%	2,422	2.6%	2,422	2.1%
9. National PMU	0	0.0%	35	0.0%	35	0.0%
Total	**25,167**	**100.0%**	**92,124**	**100.0%**	**117,291**	**100.0%**

BCC = Behavioral Change Communication, FY = fiscal year, IEC = Information, Education & Communication, PPP = public–private partnership, PMU = program management unit, Rs = Indian rupees, UPHC = urban primary health center.

Sources: Government of India, Ministry of Health and Family Welfare. 2012. *National Urban Health Mission – EFC Note with Annexures*. New Delhi; Asian Development Bank estimates.

14. The expenditure framework will be financed by the Government of India (including state contributions as per the norms of the NUHM implementation framework) and a loan of $300 million from Asian Development Bank (Table 6).

Table 6: Program Financing Plan

Source	Amount ($ million)	Share of Total (%)
Government of India	1,654.9	84.7
Asian Development Bank		
Ordinary capital resources (loan)	300.0	15.3
Total	**1,954.9**	**100.0**

Source: Asian Development Bank estimates.

15. Asian Development Bank funding accounts for 15.3% of total NUHM funding for FY2014–2016, and will have a large leveraging effect (despite the relatively low percentage of overall funding) by (i) focusing overall efforts in key results areas using disbursement-linked indicators, and (ii) supporting the NUHM in the development of institutional capacity at national and state levels.

C. Managing Risks and Improving Capacity

16. The NUHM expenditure framework has a multi-year perspective, but allocations are made annually, based on PIPs, and adjusted in mid-year revisions based on fund utilization. Therefore, the key risk identified in the expenditure framework and financing plan is the ability of states to utilize the funds to carry out NUHM activities.

17. The NUHM implementation is gathering momentum as illustrated by the large increase (of more than 200%) in both budget and fund releasing from FY2013 to FY2014. MOHFW has increased its efforts to assist states with PIP preparation (almost 100% of states submitted PIPs for FY2013). For FY2014, more than 90% of cities participating in NUHM implementation also had their state PIPs approved. MOHFW and states are also making progress in filling vacancies for program management and health workers (approximately 30% of sanctioned positions were filled by December 2014).

18. The program will accelerate pace of implementation and increase implementation capacity, including by (i) ensuring timely and effective business processes and guidelines are in place; (ii) focusing NUHM efforts on building implementation capacity (e.g., ensuring adequate staff are in place for program management units and providing training on planning, financial management, procurement, and monitoring and evaluation), especially in states with weaker capacity; (iii) supporting the NUHM to facilitate replication of good practices and provide incentives for state-level innovations; (iv) and supporting NUHM in the development of mechanisms and templates for public–private partnerships.