

Chapter II

Financial Resources

Chapter-II: Financial Resources

2.1 Fund Management

The Health & Family Welfare Department (HFWD), Government of Sikkim received funds from two main sources: (i) State budget, which also included funds from North Eastern Council (NEC) and (ii) Grants-in-Aid from GoI, under National Health Mission (NHM) with corresponding share of the State Government.

2.1.1 Funds under State Budget

National Health Policy (NHP), 2002 envisaged the State Governments to increase commitment to Health Sector up to eight *per cent* of their budget by 2010, while NHP 2017 envisaged raising Public Health Expenditure to more than eight *per cent* of the budget by 2020. The overall budget allotment and expenditure of the State Government and of the Health and Family Welfare Department during 2014-19 was as shown in the table below:

Table 2.1: Utilisation of State Government funds during 2014-15 to 2018-19

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Overall Budget Allocation	6666.71	5669.97	5884.43	6364.03	7132.59	31717.73
Overall Expenditure	4363.92	4305.59	4525.37	5675.58	7083.41	25953.87
Outlay on Health	361.17	348.83	314.76	489.95	465.33	1980.04
Expenditure on Health	261.34	262.08	283.57	463.58	423.19	1693.76
Excess (+)/Shortfall (-) w.r.t Budget Allocation	99.83	86.75	31.19	26.37	42.14	286.28
Percentage of Excess (+)/Shortfall (-) w.r.t Budget Allocation	27.64	24.87	9.91	5.38	9.06	14.46
Percentage of Health Sector budget against State Budget	5.42	6.15	5.35	7.70	5.52	6.24
Percentage of Expenditure on Health to Total Expenditure	5.99	6.09	6.27	8.17	5.97	6.53
Expenditure of all four DHs	59.98	51.38	84.63	54.03	56.99	307.01
Expenditure of two sampled DHs	32.76	33.02	47.23	32.04	38.62	183.67
Percentage of Expenditure on sampled DHs to all DHs	54.62	64.27	55.81	59.30	67.77	59.83

Source: Detailed Appropriation Accounts

As can be seen from the above table, budgetary outlay on health services in the State during the period 2014-19 ranged between 5.35 *per cent* and 7.70 *per cent* of the State budget. State Government did not achieve eight *per cent* budgetary allocation to the Health Sector, whereas in 2018-19 the budgetary allocation on health services decreased to 5.52 *per cent* from 7.70 *per cent* of 2017-18.

During the period 2014-19, the expenditure on Health Sector was 6.53 *per cent* of the State's total expenditure. The proportion of expenditure on health care in overall

expenditure of the State rose from 5.99 per cent in 2014-15 to 8.17 per cent in 2017-18 but declined to 5.97 per cent in 2018-19.

It was further seen that actual expenditure on health remained lesser than the budgeted provisions, with the savings ranging between ₹ 26.37 crore in 2017-18 and ₹ 99.83 crore in 2014-15. Though the savings reduced from 27.64 per cent during 2014-15 to 5.38 per cent in 2017-18, it again increased to 9.06 per cent in 2018-19. The shortfall in expenditure as compared to the budgeted provision was due to non-receipt of anticipated funds from Government of India (GoI) for central schemes (NHM, NEC schemes, etc.) and State's inability to provide funds against allocated provisions.

During the period 2014-15 to 2018-19, the State utilised ₹ 307.01 crore on four DHs, out of which ₹ 183.67 crore (60 per cent) was utilised for the two sampled DHs.

Similarly, NHP 2017 envisages increase in health expenditure as a percentage of the State GSDP, from current 1.15 per cent to 2.5 per cent of GSDP by 2025. Comparison of the State's GSDP with the budget and expenditure on Health Sector during 2014-19 is indicated below:

Table 2.2: Budget Allocation and Expenditure on Health Sector vis-à-vis GSDP in Sikkim

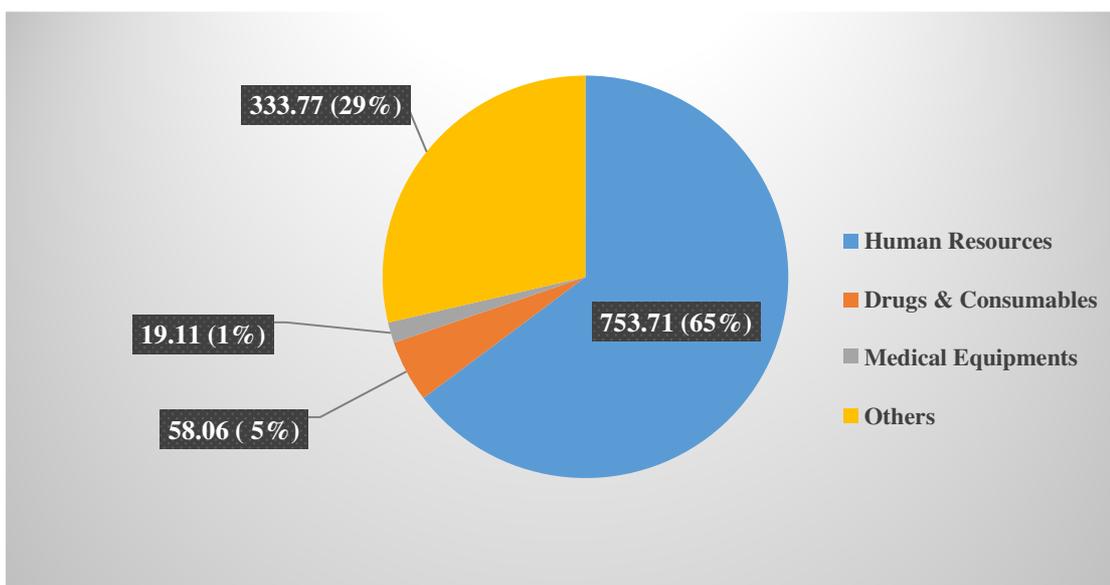
(₹ in crore)

Year	GSDP	Budget	Expenditure	Health Budget as per cent of GSDP	Health Expenditure as per cent of GSDP
2014-15	15,407	361.17	261.34	2.34	1.70
2015-16	18,034	348.83	262.08	1.93	1.45
2016-17	20,687	314.76	283.57	1.52	1.37
2017-18	23,495	489.95	463.58	2.09	1.97
2018-19	26,786	465.33	423.19	1.74	1.58
Total	1,04,409	1,980.04	1,693.76	1.90	1.62

Source: Directorate of Economic, Statistics, Monitoring & Evaluation and Detailed Appropriation Accounts

Thus, it can be seen that during 2014-19, the State's expenditure on health sector, ranged between 1.37 to 1.97 per cent of the GSDP.

Out of the total expenditure of ₹ 1,693.76 crore incurred on health sector during 2014-19, the revenue expenditure constituted ₹ 1,164.65 crore (69 per cent) while the capital expenditure was ₹ 529.11 crore (31 per cent). Revenue expenditure (component-wise) incurred by the Health & Family Welfare Department during 2014-19 is presented in the following chart:

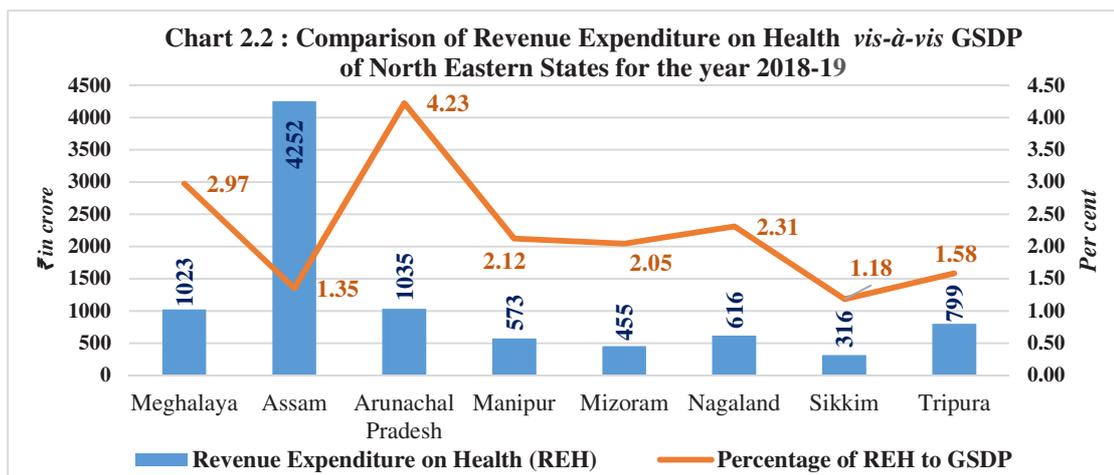
Chart 2.1: Component wise revenue expenditure during 2014-19 (₹in crore/in per cent)

As can be seen from the chart above, 65 per cent of the revenue expenditure was incurred on human resources; five per cent on procurement of drugs and consumables, one per cent on equipment and 29 per cent towards ‘Others’. It is observed that expenditure under ‘Others’ comprised of items like office expenditure, motor vehicles, referral services, Grants-in Aid, minor works, repair & maintenance *etc.* during the period.

While accepting the audit observations, the Department stated (July 2020) that efforts would be made to achieve the norm, however, no reason for decline in expenditure on health during 2018-19 was cited.

2.1.2 Revenue expenditure on Health compared to other North Eastern States

In terms of revenue expenditure on Health during the financial year 2018-19, Sikkim contributed ₹316 crore which was only 1.18 per cent of GSDP. Further, while comparing the revenue expenditure on Health with respect to GSDP, the position of Sikkim was the lowermost as shown in the following **Chart 2.2**:



Source: Appendix 1.1 of SFAR 2018-19, Government of Sikkim

2.1.3 Funds under National Health Mission (NHM)

The National Health Mission (NHM) a centrally funded programme implements various health programmes through different units under the State Health Mission (SHM). At the State level, the NHM schemes are implemented under the overall guidance of the State Health Mission (SHM), headed by the Chief Minister of the State. The functions under the Mission are carried out through the State Health Society (SHS), Sikkim headed by the Chief Secretary, Government of Sikkim. At the district level, every district has a District Health Society (DHS) headed by the Deputy Commissioner of the district and Chief Medical Officer, Health Services of the district as Member Secretary.

The SHM Sikkim implements various programmes of health care introduced by GoI and the State of Sikkim (GoS). The ratio of contribution of funds for NHM by the GoI and GoS is 90:10. The position of fund received and utilised under various programmes of GoI and GoS during the years 2014-15 to 2018-19 are as below:

Table 2.3: Funds under National Health Mission

(₹ in crore)

Year	Opening Balance	Funds available during the year			Total funds available	Expenditure (per cent)	Closing balance (per cent)
		GoI	GoS	Interest earned			
2014-15	20.34	29.62	6.00	0.80	56.76	32.84 (58)	23.92 (42)
2015-16	23.92	36.63	2.50	0.81	63.86	51.19 (80)	12.67 (20)
2016-17	12.67	26.87	3.00	0.48	43.02	42.57 (99)	0.45 (1)
2017-18	0.45	30.68	5.75	0.54	37.42	34.12(91)	3.30(9)
2018-19	3.30	30.88	5.00	0.40	39.58	35.56(90)	4.02(10)

Source: Sikkim State Health Society, NHM

During the period 2014-15 to 2018-19, the State received ₹ 200.30 crore funds¹ under NHM (O.B., GoI share, State share & Interest) against which the expenditure was ₹ 196.28 crore. There was no short contribution of funds by the State during the period.

The unspent balances decreased from 42 per cent (2014-15) to one per cent in 2016-17, however, it increased to nine and 10 per cent during 2017-18 and 2018-19.

2.2 Leveraging of CSR Funds for Health

The Ministry of Corporate Affairs, GoI notified Section 135 and Schedule VII of the Companies Act, 2013 as well as provisions of the Companies (Corporate, Social Responsibility Policy) Rules, 2014 which came into effect from 01 April 2014. Accordingly, every company, private or public limited, which either has a net worth of ₹ 500 crore or a turnover of ₹ 1,000 crore or net profit of ₹ five crore, needed to spend at least two per cent of its average net profit for the immediately preceding three financial years on CSR activities. CSR activities included eradicating hunger, poverty and malnutrition, promoting preventive healthcare, education, gender equality, setting up homes for women, orphans and the senior citizens, etc. while giving preference to the local areas around it for spending the amount.

CSR funds have been identified as an important source of resource by the GoI under National Health Policy (NHP) 2017 which could be leveraged for filling health infrastructure gaps in public health facilities across the country. The policy recommended engagement of private sector through adoption of neighbourhood schools/ colonies/ slums/ tribal areas/ backward areas for healthcare awareness and services. It was seen that 15 manufacturing units based in Sikkim (Pharma companies) liable to spend ₹ 211.57 crore towards CSR activities² in the State during 2014-18, had spent only ₹ 35.06 crore on activities such as purchase of ambulances, organising health camps, assistance to Government schools towards boundary fencing, providing computers, water filters, contribution to local festivals etc. There was thus short-contribution of funds of ₹ 176 crore towards CSR activities by the industrial units during the period. This amount would increase if contribution from hydropower companies was also reckoned (data of CSR funds from the hydropower companies was not available with the Department concerned). The State Government, however, had not taken any action to assess the size of CSR funds available and access the same for health care spending till date, despite its inability to meet the demand for health sector expenditure as required under NHP till date.

The Department stated (June 2020) that the hospital equipment viz. orthopaedic unit, ICU & Eye Unit were provided to Gyalshing DH by two pharma companies³ during

¹ ₹200.30 Cr = ₹20.34 Cr (O.B.) + ₹154.68 Cr (GoI) + ₹22.25 Cr (State) + ₹3.03 Cr (int).

² The State neither had any data of funds liable to be contributed towards CSR activities by the industrial units nor the complete details of CSR activities undertaken by the units. The data on CSR funds & activities included here was collected by Audit directly from the industrial units in coordination with the Commerce and Industries Department while conducting PA on Manufacturing Industries during 2017-18 (featured in AR 2017-18; Government of Sikkim).

³ M/s CIPLA and M/s ALKEM Pharmaceuticals

2019. During Exit conference, the Department further stated that various equipment including ambulances were provided by Power and Pharma companies to DHs and PHCs. The Department may ensure that the DHs keep records of such Assets provided out of CSR funds.

Conclusion

The overall budget allotment and expenditure of the Health and Family Welfare Department during 2014-19 was 6.24 *per cent* and 6.53 *per cent* respectively even as the National Health Policy, 2017 envisaged allocation of at least eight *per cent* of the total budget of the State for Health Sector. During 2018-19 the budgetary allocation on health services decreased to 5.52 *per cent* from 7.70 *per cent* of 2017-18 of its Budget. During the period 2014-19, the State spent ₹ 529.11 crore constituting 31 *per cent* of the total expenditure on Capital expenditure relating to creation of health infrastructure. The State had not formulated any Health Policy till date nor had it put in place any norms of expenditure for creation of physical infrastructure over a defined period of time. The Department's performance in utilising allotted funds improved with the savings decreasing from 27.64 *per cent* during 2014-15 to 9.06 *per cent* in 2018-19.

Recommendations

- *The State Government may enhance the budget provision and expenditure on healthcare services in conformity to the National Health Policy to ensure that adequate and quality healthcare infrastructure and services are provided to the people of the State.*
- *Steps may be initiated to assess availability of CSR funds with the industrial units to channelise such funds for filling up the gap in providing basic as well as quality healthcare to the people.*