



Improving Utilization of National Rural Health Mission Flexi-funds in Jharkhand

Study Findings, Conclusions and Recommendations

Child in Need Institute
Jharkhand State Program Management Unit
MCH-STAR Initiative





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Acronyms

ACMO	Additional Chief Medical Officer
AMG	Annual Maintenance Grant
ANM	Auxiliary Nurse Midwife
ASHA	Accredited Social Health Worker
AWW	Anganwadi Worker
BPM	Block Programme Manager
CBM	Community-based Monitoring
CBO	Community Based Organization
CEDPA	Centre for Development and Population Activities
CHC	Community Health Center
CINI	Child In Need Institute
CS	Civil Surgeon
CWFCA	Child and Women Friendly Community Approach
DAM	District Accounts Manager
DHS	District Health Society
DoHFW	Department of Health and Family Welfare
DPM	District Programme Manager
EAG	Empowered Action Group
GoI	Government of India
GoJ	Government of Jharkhand
HMS	Hospital Management Societies
HSC	Health Sub-Center
ICDS	Integrated Child Development Services
INR	Indian National Rupee
KAP	Knowledge Attitude Practice
MCH-STAR	Maternal and Child Health Sustainable Technical Assistance and Research
MNCHN	Maternal, Neonatal, Child Health and Nutrition
MOIC	Medical Officer-In-Charge
NGO	Nongovernmental Organization
NHSRC	National Health Systems Resource Center
NRHM	National Rural Health Mission
PHC	Primary Healthcare Center
PFI	Population Foundation of India
PHFI	Public Health Foundation of India
PIP	Programme Implementation Plan



PRI	Panchayati Raj Institutions
RBI	Reserve Bank of India
RCH	Reproductive and Child Health
RKS	Rogi Kalyan Samiti
SC	Scheduled Caste
SIFPSA	State Innovations in Family Planning Services Project Agency
SPMU	State Programme Management Unit
SoE	Statement of Expenditure
ST	Scheduled Tribe
TNA	Training Needs Assessment
UC	Utilization Certificate
UF	Untied Funds
USAID	United States Agency for International Development
VHC	Village Health Committee
VHSC	Village Health and Sanitation Committee



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About this study

In 2005, when the National Rural Health Mission (NRHM) was launched in India, provisions for additional funds, called flexi-funds, were made to improve district and sub-district health facilities, including the Village Health Committee (VHC). Jharkhand, a high-focus state of the NRHM, has not been able to utilize these funds in an effective and efficient manner. In a series of meetings starting from early 2008, the officials from the Jharkhand Department of Health and Family Welfare (DoHFW) raised concerns related to the underutilization of the NRHM flexi-funds and how the situation undermined the funds' potential benefits to communities. In March 2010, the Child In Need Institute (CINI), in partnership with the Jharkhand State Program Management Unit (SPMU) for NRHM, DoHFW and with financial and technical support from the United States Agency for International Development's (USAID) Maternal and Child Health-Sustainable Technical Assistance and Research initiative (MCH-STAR), conducted a study to examine the factors that prevent optimal utilization of these funds. This study identified major barriers to effective utilization and laid out a set of recommendations for improving flexi-fund utilization that have emerged from the study. These findings and recommendations formed the basis of proposed revised guidelines for the state. This report highlights the barriers and the general recommendations that may be adopted by the Government of Jharkhand (GoJ) to improve the utilization of the funds. A full description of the study methodology and processes as well as more detailed recommendations particularly appropriate to Jharkhand can be found in the full project report "Effective Utilization of National Rural Health Mission (NRHM) Flexi-funds in Jharkhand: Facilitators, Barriers and Options". CINI and MCH-STAR hope that the study findings will prove useful to the Government of India (GoI) and other states seeking to improve the utilization of flexi-funds.



1. The Purpose of Flexi-funds and the Underutilization Problem

The GoI launched the NRHM in 2005 with the aim of providing accessible, affordable and accountable primary health care in rural areas throughout the country. One of the core strategies of the NRHM is facilitation of decentralized planning and program implementation in the health sector so that local communities can be effectively engaged with the public health system. This new approach poses multiple challenges to the public health system. For years, programs have been vertical and target driven. NRHM envisions that vertical programs will be integrated into a single, holistic public health program. This macro-level change being sought in the structure of the health system, coupled with the fact that the concept of flexible funding has been introduced into the public health sector for the first time, has made a challenging context for program managers. Further, because health is a state subject, national policy has allowed each state to adapt programs and processes so they may implement programs in a manner best suited to their context.

Flexi-funds Under NRHM

Health sector reforms under NRHM, such as provision of flexi-funds at district and sub-district levels, aim to increase functional, administrative and financial autonomy at all levels.

The service providers and the communities are empowered with decision-making powers for managing these small, yet significant funds placed directly with them (See table 1). National guidelines ensure that decisions about use of these funds by designated service providers have consensus of the communities that they serve. At the Community Health Center (CHC) and Primary Healthcare Center (PHC) levels, members of the *Rogi Kalyan Samitis* (RKS) and local patient welfare societies are to represent the local community. At the Health Sub-Center level (HSC) it is the *Sarpanch* of the local *panchayat* with the Auxiliary Nurse Midwife (ANM) who is to make decisions regarding flexi-fund use. At the Village Health and Sanitation Committee (VHSC), the ANM and Accredited Social Health Activist (ASHA), with other members from the village, are designated as part of the decision making body along with the VHSC members.



The flexi-funds scheme under NRHM provides a solution for paying for urgent but discreet expenses pertaining to maintenance of health infrastructure and provision of services at district and sub-district levels. Substitution of these funds for planned funds under NRHM is prohibitedⁱ. The proposed allocation of flexi-funds at various levels of health care delivery is presented in table 1.

Table 1: Proposed allocation of flexi-funds at various levels of health care (INR per annum)*

S.No.	Level	Untied Fund	Annual Maintenance Grant	RKS
1	District			500 000
2	Block (CHC)	50 000	100 000	100 000
3	Block (PHC)	25 000	50 000	100 000
4	Village (Sub-Centre)	10 000	10 000	Not applicable
5	Village (VHSC)	10 000	Not applicable	Not applicable

**Source: Compiled from National Guidelines on NRHM flexi fundsⁱⁱ*

The RKS funds are to be used for a range of activities that would lead to the improvement of health centers. The Annual Maintenance Grants (AMG) at the CHC, PHC and HSC are meant to cover expenses of maintaining infrastructure of the health facility. The Untied Funds (UF) at the CHC, PHC and HSC are to be used for innovative, needs-based activities to ensure effective reach and utilization of health services, while the UF for the VHSC is to be used for community activities that involve and benefit more than one household. National policy allows use of the UF for individuals in extraordinary situations.

Problem of underutilization of flexi-funds in Jharkhand

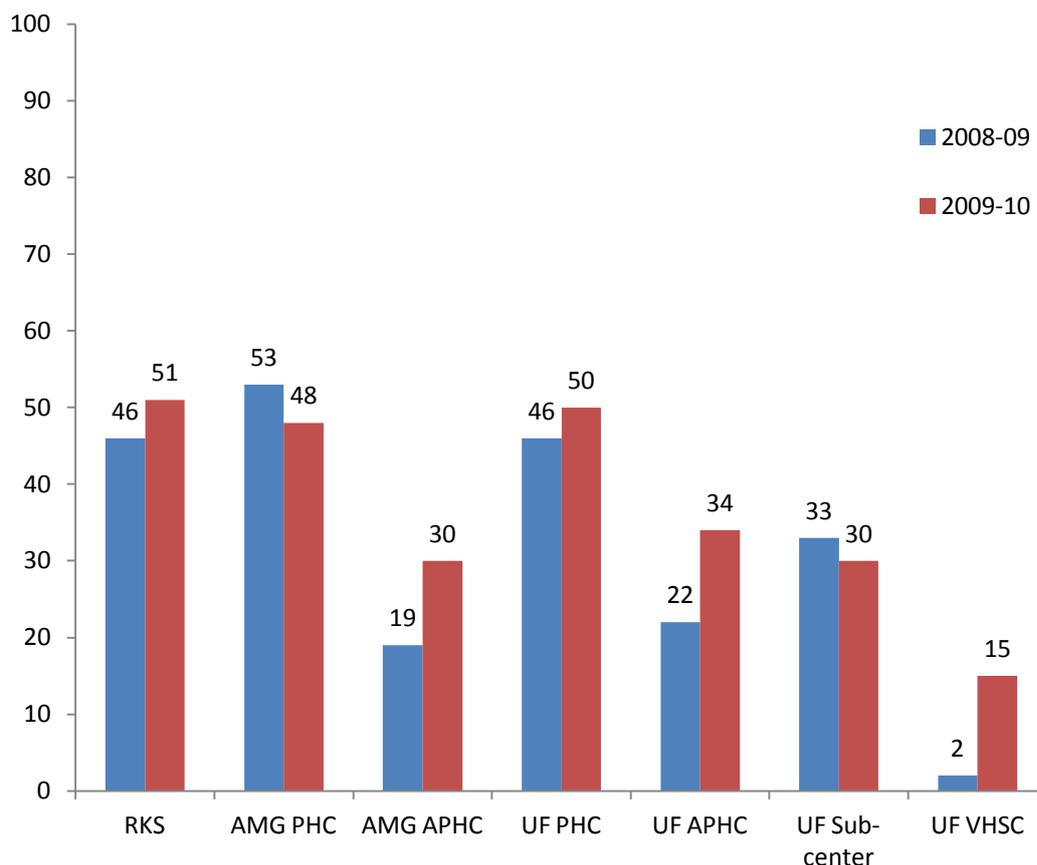
The problem of underutilization of all types of flexi-funds over two years is apparent in the state. Based on financial monitoring reports available at the SPMU in Jharkhand, the utilization of AMG at PHC/CHC level has hovered around 50% in 2008-09 and 2009-10. However, use of UF at sub-centre level has been about 30% during the same years. Utilization of UF at Village Health Committee (VHC)¹ level has witnessed an improvement

¹ The VHSC is a committee under the PRI system. In Jharkhand, as PRI are yet to be established, the DoHFW took the effort to form and develop the committees and hence they are referred to as Village Health Committees.



between 2008 and 2010, but is still excruciatingly low. Figure 1 provides the percentage of flexi-funds utilized in Jharkhand between the years 2008 and 2010.

Figure 1:NRHM flexi-fund utilization In Jharkhand between 2008 and 2010 for different types of flexi-funds (%)



PHC: Primary Health Centre (now equivalent to CHC in Jharkhand), APHC: Additional Primary Health Centre (now equivalent to PHC in Jharkhand), UF: Untied Fund

The underutilization of flexi-funds is a lost opportunity for strengthening the delivery of health care services for the state, particularly for women, children and sections of the populace who are generally unable to access services such as those from Scheduled Caste (SC) and Scheduled Tribe (ST) populations.



2. Summary of Study Process and Methods

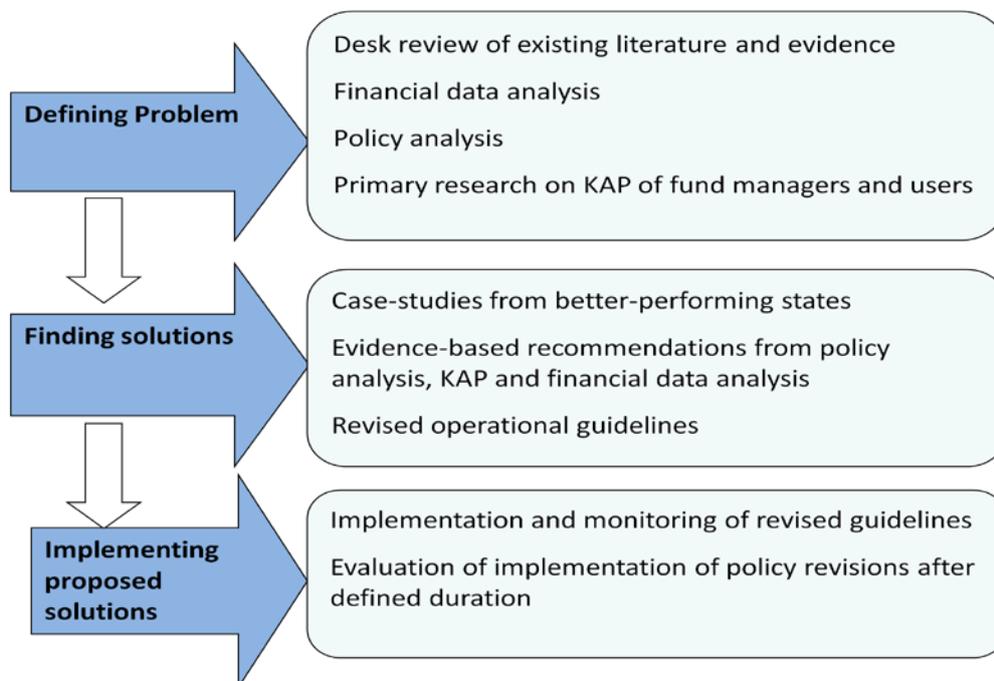
The goal of this study was to ensure effective utilization of NRHM flexi-funds in Jharkhand.

The study had the following objectives.

1. To identify barriers impeding utilization and practices promoting utilization of the NRHM flexi-funds at district and sub-district level through primary and secondary research.
2. To make recommendations to the GoJ for improved utilization of flexi-funds.
3. To develop revised operational guidelines on use of flexi-funds for approval by the GoJ.

To understand the barriers and facilitators to flexi-fund use in Jharkhand, a problem-solving approach was adapted for this study. Three critical components of the approach 1) defining the problem, 2) finding solutions and 3) implementing proposed solutions along with the processes adopted to achieve them are presented in figure 2.

Figure 2: Application of the problem solving approach to understanding utilization of Flexi-Funds



A brief description of each of the study processes follows.

Desk review: At the outset, a desk-review of published original research articles and reviews on use of flexi-funds across different states in India was done to identify the potential factors affecting utilization. This formed the basis of identifying a preliminary list of domains on which further investigation could be constructed.

Financial data analysis: The primary purposes of this analysis were to 1) understand bottlenecks in fund-flow and utilization in Jharkhand from state to district and sub-district levels, and 2) identify better-performing states based on reported flexi-fund utilization for a comparative analysis of policies and knowledge, attitude and practices (KAP) in these states versus Jharkhand. In Jharkhand, financial records were reviewed at the district and block levels. To achieve the latter objective, audited financial reports available on the NRHM websiteⁱⁱ for years 2008-09 were reviewed. As the financial information for the districts and sub-districts at the state level had many inconsistencies, such as differences in opening and closing balances for two consecutive years for the same funds, CINI added a protocol to visit districts and directly source the required information from there. Financial data from Rajasthan, Maharashtra and Tamil Nadu were selected for comparison with Jharkhand.

Policy analysis: The objectives of analyzing policies and guidelines were 1) to assess availability of guidelines from the national to district level, 2) to analyze the content of national level policies based on identified domains and 3) to understand differences among the policies in Jharkhand and better-performing states. The domains² identified through the desk review were further detailed based on the review of national policies and used for comparative analysis of other state policies. Twelve domains related to effective implementation of the flexi-funds program, each with a specific set of questions, were used for review of policies and designing the KAP study. The detailed chart describing these domains is available in the full project report.

KAP study and case study from a better performing state: A KAP study was conducted in eight districts of Jharkhand to understand the fund managers' and users' perspectives and

² Twelve domains were identified which covered the entire spectrum of fund-flow from allocation to use to accounting and auditing.



to learn about actual practices. Districts were ranked for utilization across all funds and the best and worst performers of each individual fund were selected. Districts with 0% utilization were not considered in the study. A district could be selected only once. The final sampling was done to ensure the KAP study covered all regions of the state and the range of flexi-fund performance. Using the same set of tools, the KAP study was conducted in two districts of Tamil Nadu to understand similarities and difference between Jharkhand and a better-performing state.

3. Findings

The findings below reflect the learning from evidence and information collected over the course of the study from all methods. Throughout the study, findings from better-performing states also were reviewed—comparing Jharkhand with Maharashtra, Tamil Nadu and Rajasthan on the guidelines and comparing Jharkhand with Tamil Nadu for financial data and KAP.

Awareness about the purpose or intent of NRHM flexi-funds: Awareness about flexi-funds among fund managers and users in Jharkhand gradually decreased from state to the village level and was poor at the block level and below. In Tamil Nadu awareness about flexi-funds was observed to be high at both district and block levels. However, awareness about these funds at the village level was found to be low in both the states. This may indicate that the NRHM's mandate to encourage bottom-up planning has not translated into action as the knowledge of these funds at is low.

Fund allocation, release and receipt: At the national level, the guidelines for NRHM flexi-funds are clear about frequency of allocation, which is annual, and the amount of allocation per unit for these funds at all levels. National guidelines also describe the detailed procedure for transfer of funds, banking processes and who is eligible to receive these funds. Jharkhand has not prepared any specific directives, timetable or guidelines on the fund allocation and release for the district and sub-district levels, which has led to delayed receipt of funds at the various institutions. Tamil Nadu also has no written directives but follows a practice where all timelines have been decided and adhered to by the fund managers. This has been followed consistently throughout the past three years.



Receipt of funds and banking: The issue of delayed receipt of funds due to non-availability of e-transfer-enabled banking institutions has a major impact on fund use in Jharkhand. At present, e-transfers are not available at the sub-district levels in Jharkhand. Delays in receipt and clearance of checks at district and sub-district level have been a persistent issue in the state. Jharkhand's VHCs have faced many barriers in opening bank accounts and maintaining stipulated minimum balances. Tamil Nadu has been successful in negotiating arrangements with lead banks at the state level for faster clearances of government checks, zero-balance accounts and waiver of bank fees for such accounts. Negotiations on these issues in Jharkhand have not yet produced positive results.

Registration of authorized societies: The non-registration or delayed registration of Hospital Management Societies (HMS) at all levels is a major hurdle in fund release and receipt, a problem in Jharkhand that is not faced in Tamil Nadu.

Decision-making and role of committees: Except for the absence of guidelines for the use of AMG at the sub-centre level in Jharkhand, national and state guidelines on flexi-funds provide details of which people should be involved in decision making at all levels. However, these guidelines offer no clarity on the decision-making process. In Jharkhand, the study findings led to the conclusion that decisions were not being taken at the institutional level with the involvement of all people responsible for decision making. Personnel responsible for managing the fund continued to seek approval from the senior level on how the fund should be used. The flexi-funds were intended to bring about decentralized local planning and this is generally not taking place. Even when decisions were being taken at the institutional level, the people's representatives were not necessarily invited to participate in the executive committee meetings. At the HSC level, community representatives of the VHCs have not been provided a role in decision making. At the HSC and village level, recommendations on expenditures come from the ASHAs (called *Sahiyyas* in Jharkhand) and ANMs based on the expressed preferences of the Medical Officer-in-Charge (MOIC) or the Civil Surgeon (CS). In Tamil Nadu, although the guidelines suggest that *Panchayati Raj Institutions* (PRI) and NGO representatives be involved in decision making for RKS funds, community representation is limited at meetings at the village level. The PRI representatives



attended and were involved in all decision makings but were not aware of the significance or potential of these funds. It appears that UF may not have been appreciated in part because these funds are small compared to the other funds managed by PRIs.

Through the desk review, it was noted that one of the critical factors associated with decision making on fund use is knowledge of allowable and unallowable expenses at all levels, and a major barrier in decision making is the fear of audit objections. Similar attitudes and perceptions were observed in both the states in the study, especially at the HSC level.

Guidelines for all the funds, except the AMG fund for the HSC, are available in Jharkhand and Tamil Nadu. Jharkhand state has 'tied' the UF under certain expenditure headings at the village level without any rationale or allowing for local flexibility at the village level. Current guidelines prioritize five activities, including referral transport and group meetings, for which UF may be used with a limit on the total amount to be expended under each heading.

Accounting and Documentation: As per NRHM norms, states are expected to submit the financial management report (monthly) and utilization certificates along with the Statement of Expenditure (SoE) annually by July 31st. The Jharkhand reporting requirements stipulate that monthly data on fund utilization to be submitted by the districts to the state PMU. Formats for each of the above reports are prepared and approved by the state and are in use. In both Jharkhand and Tamil Nadu, the study team observed that the abovementioned reports are generally submitted at all levels by the respective managers to their supervisors on a regular basis. But, in most Jharkhand districts, the District Accounts Manager (DAM) accepts the financial statements from the Block Project Manager (BPM), after checking only the accuracy of the figures. The level of scrutiny is more stringent in Tamil Nadu where the district and block level accountants cross-check the ledgers and book to verify how the expenditures have been tallied and if they have been booked under the appropriate headings. There was no extensive use of any accounting software in Jharkhand.

Audits, supervision and support: Statutory audits are taking place in Jharkhand, including a few audits by Accountant General Auditors (AGA) that have been conducted at CHCs and



PHCs. However, concurrent audits had not yet started in the state at the time of the study. These concurrent audits, adapted from the Madhya Pradesh modelⁱⁱⁱ and observed in Tamil Nadu, serve as a means of supportive supervision for financial officials at all levels and improve the accounting system. Finance personnel feel less threatened by these audits and perceive them as capacity-strengthening efforts. In Jharkhand, most of the fund managers haven't been provided with any standardized monitoring format, resulting in different methods of financial reporting. In Tamil Nadu, the state government has centrally developed and printed standardized recording and reporting formats and made them available to the fund managers and users. The distribution and mandatory use of ledgers from the State Health Society has helped the state streamline record maintenance. Besides reporting formats, Tamil Nadu state has a well-established system of monitoring the utilization of NRHM funds, including flexi-funds. The procedure involves reviewing documents and reports, field visits and spot checks for physical verification of progress. The supervisors at all levels ensure that the review meetings include discussion on the progress of flexi-funds utilization. However, the monitoring systems at the HSC level are not as strong as at higher levels, and monitoring at the VHSC level is very weak.

Orientation and training of fund users, managers and communities: The GoI, the GoJ and most fund managers agree on the importance of training and orientation of fund managers and users in effective utilization of flexi-funds. The guidelines, however, do not explicitly state or provide a mechanism for training and orientation. The GoJ is making some formal and informal efforts for orientation and training of fund managers and users, which, according to the fund managers, need further strengthening and detailing. The ANMs, *Anganwadi Workers (AWW)* and *Sahiyyas* have assumed the role of fund managers for the first time, and hence are not confident about utilization of these funds. At the VHSC level, no orientation or training has been organized for the ANMs, AWWs, *Sahiyyas* or VHSC members with regards to fund utilization, record keeping and reporting, and manager roles and responsibilities. Even in a better-performing state like Tamil Nadu, orientation and training remains an issue.

Accountability mechanisms: Responsibility has been assigned for each step of the fund flow, but there is no mention of how to ensure that people responsible have adequate training



and an enabling environment to fulfill their responsibilities. Because community engagement is low overall, external accountability mechanisms may not be effective until awareness of these funds is raised and procedures for fund use are streamlined. Community-based Monitoring (CBM) under the NRHM is a good example of how the system is attempting to bring in more transparency and accountability^{iv} for its programs. Although piloted in selected districts across Jharkhand and Tamil Nadu, this mechanism has yet to be scaled up across states.



Fund-use in Jharkhand versus Tamil Nadu

As discussed in the general findings, there are various comparisons and contrasts between Jharkhand and Tamil Nadu. The table below highlights these, particularly in reference to receipt of funds at the district, block and village levels.

Table 2: A comparison of time-lines for receipt of flexi-funds in Jharkhand and Tamil Nadu

Type of fund		Receipt of funds by month 2008-09		
		Districts	Blocks	HSC and VHC
UF – HSC	Jharkhand	Oct to Dec	Jan to Mar	Feb-Mar and next financial year
	Tamil Nadu	June-July and Nov	June-July and Nov	July and Nov
UF – VHSC	Jharkhand	October	Feb to Mar	March and next year
	Tamil Nadu	June and Nov	June and Nov	June and Nov
HMS	Jharkhand	Oct to Dec	Jan to Mar	Not applicable
	Tamil Nadu	June and Nov	June and Nov	Not applicable
AMG	Jharkhand	Oct and Dec	Jan and Mar	Jan-Mar and next year *
	Tamil Nadu	June and Nov	June and Nov	June and Nov *

*Not applicable to VHSC

It should be reiterated that in Tamil Nadu timelines for release and receipt of funds are followed as per national financial management guidelines. These are not followed in Jharkhand, and in many instances, the funds reach the village level in the next financial year—negating the possibility of funds being utilized for urgent issues. As mentioned earlier, funds are transferred electronically from state to district and district to blocks in Tamil Nadu. In Jharkhand this type of transfer is not available at the district and sub-district levels. Another notable feature in Tamil Nadu is the biannual release of funds, which ensures that there is a continuous flow of funds and that some amount of money, is available throughout the year.



4. Limitations of the Study

Research and the generation of evidence is an evolutionary process. Although the findings of this study have contributed a good deal of insight into the barriers that exist for the effective utilization of flexi-funds, this study could have been strengthened by including the following components:

1. The policy analysis of this study was restricted to three states including Jharkhand. A more extensive analysis of policies, guidelines and other documents like the annual Programme Implementation Plans (PIP) might have furthered the understanding of fund utilization issues. Representative samples from other Empowered Action Group (EAG) states, non-focus and Northeast states could have made the analysis of policies more robust, especially because the states have the autonomy to adapt the guidelines, and there are valuable lessons to learn from them.

2. Due to time constraints, the case-study was restricted to Tamil Nadu as a well-performing state. Conducting case studies of states such as Rajasthan and Chhattisgarh, which have population and social indicators similar to Jharkhand, would have enriched the findings as practices from these states may be more relevant to Jharkhand's context as compared to other well-developed states in India.

5. Questions Raised: Research, Policy and Program

During the course of this study, it became apparent to CINI that examination of the barriers to utilization, while critical to improving the flexi-funds program, is not sufficient to improve the use of these funds as intended and many questions about policy and practice were raised, for example:

1. Can the utilization of flexi-funds be evaluated as an isolated phenomenon? It will be important to understand how the overall financial management strategies for other health funds in the country or the state create conditions that may be conducive to or hamper fund utilization. A careful review of how flexi-funds fare in utilization and outcomes, as compared



to other funds, could bring attention to how systemic changes in financial management may be a prerequisite to good utilization.

2. Are detailed policies and guidelines the most critical factor to enhance effective and efficient utilization? This study focused more on the inflow and outflow of funds and not on assessing the expenditure pattern. In the study, it has been difficult to ascertain if the funds that were utilized had any large public health impacts. More research would be required to study the correlation between fund expenditures and how communities may actually benefit from them. Other focus areas could include determining whether public health services actually improved or people have started accessing facilities more as a result of the new investments.

3. Flexi-funds have an inbuilt decentralization and community involvement process. What is not clear, however, is to what extent these principles have actually worked at the field level. It would be worth exploring how the process of empowerment could help fund-managers and end-users play a more active role in community health. It will be necessary to explore whether decentralization is actually helping communities articulate and effectively assert their health system needs. In both Jharkhand and Tamil Nadu, it was noted that community representatives did not play a very active role in any of the committees at the village level. It would be pertinent to research successful approaches and programs of implementing capacity-building and empowerment at the community level that have lead to improved health or other sector services.

4. It also will be important to assess the effective utilization post implementation of revised guidelines and system level reforms. From a policy perspective, it is imperative that the effectiveness of the revised guidelines and reforms are evaluated after 6 months to 1 year of implementation. This will help researchers and the DoHFW understand if there are any more operational and system level barriers and could possibly explain how certain factors have now become facilitating agents.



6. Recommendations Emanating from the Study

Recommendation 1: Revise existing state guidelines to address all concerns on fund management (people, processes and timeframe) and use at each level and for each type of fund with special focus on the health needs of women, children and marginalized communities. Develop guidelines for AMG use at sub-centre level.

Rationale: The available state operational guidelines on the use of flexi-funds at district, block and village levels do not address all concerns on fund management and use. Critical information is missing in the current guidelines in areas including the supervisory framework, fund flow processes, and timeframes for each step of the fund flow until it reaches the client. Currently, there are no state guidelines for use of AMG at the sub-centre level.

Recommendation 2: As an urgent matter, the GoJ should catalyze the process of society registration at all levels in order to empower communities to actively participate in decision making. Revitalize existing VHSCs formed by NGOs and create new VHSCs where needed. Because Jharkhand does not currently have Panchayat Raj Institutions (PRI) in place, the state should engage VHSC members in positions and roles that national guidelines suggest for PRI involvement.

Rationale: Management of flexi-funds and decision making about their use are contingent upon having robust local governance and management mechanisms in the form of District Health Societies (DHS), RKS, PRIs and VHSCs at district and sub-district levels. Jharkhand does not have active PRIs yet, and registration of the other societies and committees, initiated a few years back, has not been completed. Though the formation of RKS and VHSC in the districts included in the analysis has been in compliance with existing guidelines, the principles of democratic decision making, such as the importance of the participation of all members and the encouragement of civil discussions and debates among group members, are seldom practiced.

Recommendation 3: Negotiate with the management of nationalized banks with presence in Jharkhand to ensure the availability of “no frills” bank accounts for operators of NRHM funds and to take measures for the expeditious clearance of checks for groups duly authorized to spend public funds.



Rationale: The Reserve Bank of India (RBI) introduced “no frills” bank accounts in commercial banks in 2005. These offer options of zero or a very low minimum balance to be maintained, as well as very low bank charges. The intent is to make bank accounts accessible to larger sections of the populace. The KAP study showed that fund users at the HSC and the village level often faced problems with banks that were not keen to service accounts with small deposits. The absence of core-banking facilities, especially in remote areas, led to delays in check realization and high banking service charges. The GoJ may want to intervene and consider this “no frills” option as an intermediary step until the e-banking mechanisms proposed under NRHM become operational at district and sub-district levels.

Recommendation 4: **Design and implement a dedicated training strategy on flexi-funds use and management for all levels of fund managers and users. Integrate training strategy on each aspect of fund management in the operational guidelines and have a follow-up plan to provide on-the-job training.**

Rationale: Fund managers and users have limited clarity on how to manage and use these funds. Fear of permitting unallowable expenditures is a reported reason for not using these funds. Current guidelines have limited explanation of fund use, accounting, recording, and other aspects of fund management at district and sub-district level. The handicap can be removed by bringing out revised guidelines along with relevant formats and appropriate training of all fund users/managers³.

Recommendation 5: **Re-orient technical and managerial staff for greater clarity on roles and areas of coordination required for successful implementation of programs/schemes at state, district and sub-district levels.**

Rationale: There is a well-defined structure of technical and management teams at national, state and district level under NRHM. However, there is limited clarity on actual roles and responsibilities at the state and district levels, which affects decision making on fund use as well as monitoring and supervision across all levels. Specific job descriptions are lacking and delegation of tasks is sometimes not clear enough, and hence confusion persists. The state

³ *Fund managers include people responsible for handling money as conduits for transfer of money to the next level or as final links, like the VHSC managers, in the fund flow chain leading ultimately to consumers. Fund users include community-level clients benefitting from the expenditure of the money whether it is in the form of the RKS, AMG or the UF.



will need to design a very thorough induction program for every class of employees to educate them on what is expected of them and how they will be appraised for their performance. The state also needs to establish more sound coordination mechanisms between all the divisions to avoid repetition of tasks and duplicative efforts.

Recommendation 6: **Integrate the Community Based Monitoring Framework proposed by the NRHM into existing guidelines on flexi-fund use at the district and sub-district levels. If implemented as planned, this framework will serve the dual purposes of supporting community engagement as well as facilitate the formation and effectiveness of various communities and societies at district and sub-district levels.**

Rationale: The concept of flexi-funds was recently introduced in the health system for the first time. Communities, who are the ultimate users and beneficiaries of these funds, have limited knowledge about them. It was observed during field visits that their limited awareness about these funds defeats the purpose of translating intentions of decentralization into action. The CBM framework involves drawing in, activating, motivating, and building the capacity of the community and its representatives (e.g. community-based organizations (CBOs), people's movements, voluntary organizations and PRI representatives) to give direct feedback about the functioning of public health services. This process could thus be used as an avenue to strengthen the community's awareness of these funds and empower them on fund monitoring as well.

Recommendation 7: **Streamline accounting, recording and reporting formats and make them uniform across the state. Ensure adherence to the annual regular audits and institutionalize the concurrent audit system as per NRHM financial guidelines.**

Rationale: Bringing about uniformity in all formats, ledgers and registers across various levels in the state is a good step toward fund management and will help the GoJ understand weak links in fund flows and expenditures. Many discrepancies in the reported figures of the financial data were found at the state level and below. It was observed that many times, the mandated annual audits were not bringing about the desired changes in financial accountability. The state should work to ensure that the regular audits are conducted in an unbiased manner and appropriate accounting and reconciliation actions are taken when



irregularities are found. Institutionalizing concurrent audits could help to rectify many accounting issues on a monthly basis, as demonstrated in Tamil Nadu.

7. Next Steps

To address several of the many issues highlighted in the study, CINI envisages the following action items that may be considered by the GoJ and undertaken in the near term to improve the utilization of funds. Most of these activities may be done simultaneously and are in-line with the evidence-based recommendations proposed above.

- The state should revise guidelines on the use of flexi-funds for fund managers at all levels. Once developed, the guidelines could be field tested in selected districts to assess their effectiveness and feasibility.
- The GoJ should take immediate steps to ensure that all facility-based societies and VHC are registered. The state should also take strong steps to ensure that VHC and HMS members are empowered. To operationalize this, the state could engage with local CBOs or NGOs who were actively involved in the VHC formation.
- The GoJ should negotiate with all the lead banks for waiver of bank charges, simpler account opening processes for community groups, and faster clearance of funds at various levels. The negotiations should also include establishing coordination mechanisms with smaller banks at the sub-district level.
- After guidelines are revised, the GoJ should design and implement a dedicated training package on flexi-funds management for all levels of fund managers. It is also important to develop a follow-up mechanism to evaluate the effectiveness of the trainings and to arrange refresher sessions on a continuous basis.



8. References

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