Poor Budgeting Leads to Huge Under Spending

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Regardless of the allocations for healthcare, there is a systemic reluctance to spend on health care. This trend needs to be reversed and a more transparent citizen-centred process of budget-making and monitoring introduced

The BMC in 2016-17 is committing Rs. 37,052.15 crore, a nominal 10.5 per cent increase over the Rs. 33,511.41 crore in its core budget (A B E G T) of the previous year though the BMC would like us to believe that they have increased the budget by a whopping 40 per cent if you compare this year's budget estimate against the previous years revised estimate (Rs. 26248 crore). However, in actuality no real additional fiscal space has been added by the new budget. Capital expenditure constitutes a huge 35 per cent. All of this is not necessarily for new infrastructure but mostly for completing inordinately delayed projects, including roads, flyovers and sewerage systems.

The BMC is one of the largest municipal corporations in the country, and one that is least dependent on state grants. It has an annual budget that is larger than that of a number of smaller states. Its budget papers need to be viewed seriously.

On the revenue side BMC laments the withdrawal of octroi, which is likely to happen in 2016 or 2017 because of the introduction of GST. BMCs dependence on octroi has created a sense of complacency in their revenue administration and they have not pursued other options that municipal governments worldwide use – property and related taxes. Octroi is also a daily cash based tax and a source of huge corruption defrauding the local government of its resources. The octroi tax affects all people through increased prices of goods and more so the poor. Property taxes on the other hand are progressive and the burden would be much more on the rich. In fact in both 2015-16 and 2016-17 revenue from property taxes doesn't show any significant increase. The BMC's knee jerk reaction has been to hike taxes that affect the poor. It is now talking of introducing property taxes on slums, transport cess, conservancy cess, fire cess etc. all of which will be charged as part of house tax. Also this year the Commissioner in his speech said that he would pressurise all department heads to raise user charges and fees. Both the above measures again burden common citizens. With octroi on its way out the BMC has a good opportunity to reform the revenue structure by upping property taxes substantially at the higher end for residential and across the board for commercial. Also there is another huge revenue source on premium of fungible FSI which showed a huge jump in 2014-15 in revised estimates and this should be exploited further.

On the revenue expenditure side pensions take the largest single share of 14 per cent of the budget followed by water supply and sewerage with 12.5 per cent, health with 11.5 per cent and education with a mere 6.8 per cent. The last three are the most critical departments in terms of municipal services but account for just 31 per cent of the budget. The underfunding of these critical services is the main cause for the pathetic condition of Mumbai city – the filth and the public health crises. On the infrastructure front too despite reasonable allocations for roads and flyovers, including loans, an ineffective administration riddled with huge corruption is responsible for the poor conditions of the roads making travel on them not

only a frustrating experience but also resulting in economic losses due to increased fuel consumption and time loss. Lets look at the health budget as a case in point.

Going by the mandate of the municipal laws in the country and the recommendations of the Zakaria Committee in 1963 (Report of the Committee of Ministers on Augmentation of Financial Resources of Urban Local Bodies) the municipal corporation is supposed to spend 30 per cent of its budget just on healthcare alone. This, the BMC was actually doing, from 1960s to 1980s (Table 1). The decline began in the 1990s coinciding with the neo-liberal reforms. These declining budgets of BMC in the health sector have led to gross inadequacies in health care provisioning in Mumbai and have affected utilisation of public health facilities, and ultimately their credibility. We see in Table 1 that from the 1960s onwards until the beginning of 1990s the proportion of allocation to the health sector was between 25 and 35 per cent of the budget. This was the period when the BMC health facilities functioned reasonably well with even the middle classes using them as the first option.

The 2016-17 BMC budget continues the trend of low allocation to health care though we do see a small increase form allocations in the earlier years. The BMC in the new fiscal year has committed Rs.3693.74 crore, a 10 per cent increase over the 2015-16 budget estimates. But, the share of the total health budget (revenue+capital) to the BMC budget has declined marginally.

The 2015-16 revised estimates show a whopping increase of 45 per cent, indicating the reluctance of the BMC to spend so that it can increase its surplus and transfer it to the capital account. The actual expenditure for 2014-15 is a low of Rs.1840 crore, which was less than the actuals of 2013-14. Budget data for 2012-13, 2013-14 and 2014-15 clearly shows that the actual expenditure figures are much less than even the revised estimates (see Table 1). For instance, 2012-13 actual expenditure for health as compared to revised estimate is short by 13 per cent and for 2013-14 and the gap in actual spending is 24.5 per cent less than the budget estimate and 11 per cent less than the revised estimate and in 2014-15 gets even worse, at a deficit of 37 per cent less than the budget estimate. This reveals a pattern of an inflated budget estimate being projected with actual expenditure being much lower. The final expenditures always show a huge underspending and this is because the propensity to spend is weak – medicines are not purchased in adequate quantities and patients are instead given prescriptions to purchase from outside; equipment maintenance is not done in a timely manner and again, patients are forced to go to private diagnostic facilities; vacancies are not filled up and this leads to overcrowding in hospitals and doctors being overburdened with patients, and so on. All this leads to a loss of credibility of the public health system and the poor patients suffer in the process and often are forced into indebtedness by seeking care in the private sector.

So in the final analysis it is not only the question of money not being adequate but one of poor capacity in budgeting and deliberate ineffective use of the allocations even at the low level that they are made. This can only be changed if the BMC becomes more transparent and allows citizen participation in budget-making for which the provision is already there under the 74th Amendment of the Constitution.

Table 1: BMC's Health Expenditure Trends 1960-61 to 2016-17 Rs. Crore

Year	Health Expenditure	Total BMC Expenditure	Percent Health
1960-61	5.46	15.84	34.45

1970-71	16.85	53.52	31.48
1980-81	50.98	187.29	27.22
1985-86	93.19	360.63	25.84
1990-91	187.63	760.85	24.66
1995-96	294.48	1913.37	15.39
2000-01	467.81	3175.14	14.73
2005-06	660.6	4902.91	13.47
2010-11	1156.77	12666.66	9.13
2011-12	1493.24	15223.52	9.81
2012-13 RE	1826.66	20687.50	8.83
2012-13 actual	1584.35	18600*	8.51
2013.14 BE	2508.62	27492.57	9.10
2013-14 RE	2129.99	24338.86	8.75
2013-14 actuals	1894.47	21500*	8.81
2014-15 BE	2906.73	31172.42	9.32
2014-15 RE	2319.79	26314.69	8.81
2014-15 actuals	1840.34	24210	7.6
2015-16 BE	3359.78	33511.41	10.03
2015-16 RE	2541.42	26248.00	9.68
2016-17 BE	3693.74	37052.15	9.97

Expenditures include revenue and capital. Source BMC budget documents various years.
*not final