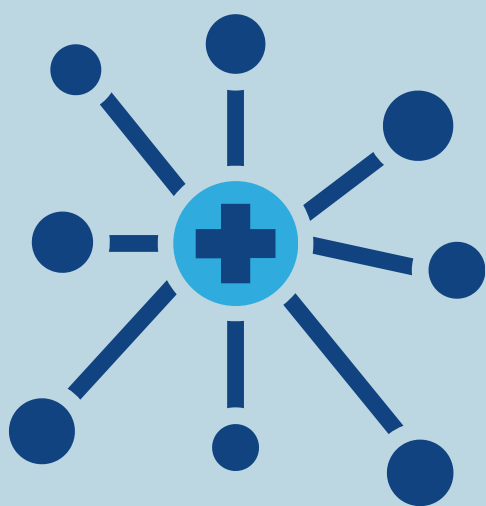


# Decentralising Health: The Potential of Urban Local Bodies in India

## Background



Several countries have experimented with the decentralisation of public health and health care functions, following different models and with varying degrees of success. The impact has been mixed, due to a range of systemic issues including:

- inconsistencies in political commitment
- funding inadequacy
- capacity constraints

Public policy in India has historically ignored the potential of municipalities, also known as urban local bodies (ULBs), in addressing urban health issues. ULBs spend about 4 percent of their total budget on health, and services provided are mostly preventive in nature. Constituted against the backdrop of the pandemic, the Fifteenth Finance Commission (FFC) of India went beyond its conventional domain of recommending revenue sharing arrangements across different levels of Government, to make certain novel financial recommendations around provision of health services by local governments – rural and urban.

## Our Study

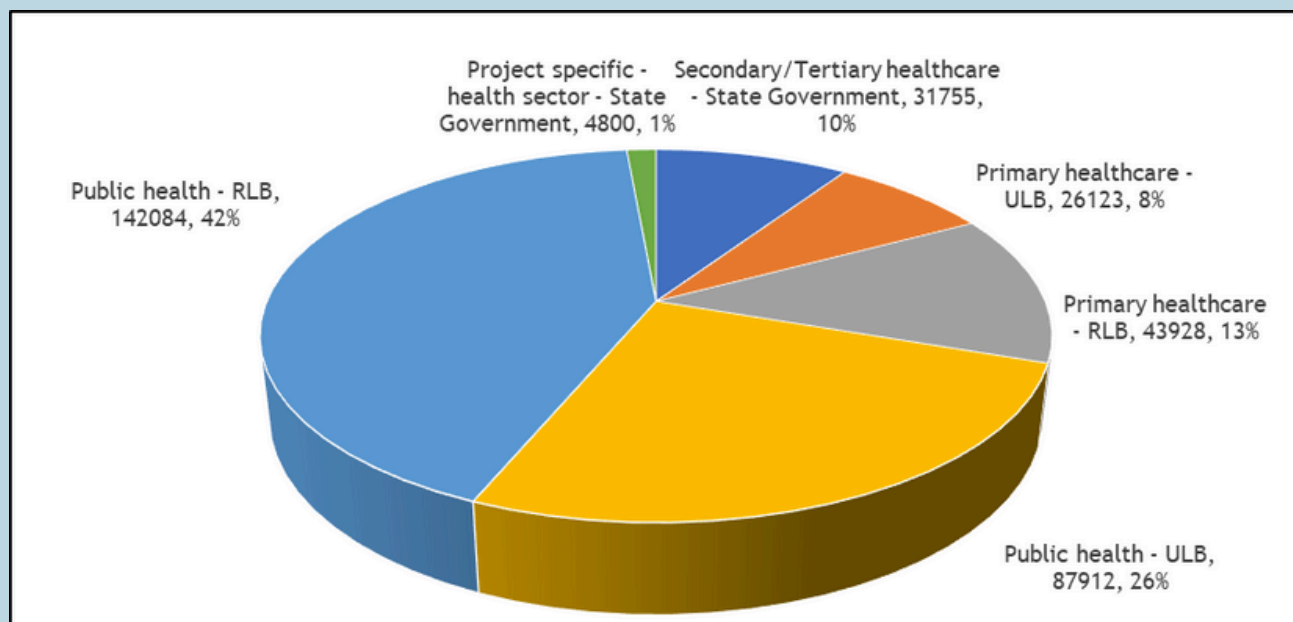
Our study engages with the context, nature, scope and status of FFC grants for health, to ULBs in India, through a re-categorisation of these grants applying the twin lenses of decentralisation and public health.

### Methodology:

Our work engages with diverse materials and data sources which includes reports from the Financial Commission, Reserve Bank of India and National Health Accounts, Press Information Bureau (PIB) releases, answers to parliamentary questions and many more.

## Findings

- 10% of the total health expenditure and 24% of the total Government health expenditure in the country were allocated through FFC grants.
  - The FFC has recommended 68% of its health grants for public health, 21% for primary health care, 10% on secondary / tertiary health care and the remaining 1% on health specific projects by selected states.
  - On applying the decentralisation lens, it appears that the local government share of total health grants comes to 90% (ULB:34%, RLB:56%).
  - Together, this marks a clear prioritisation of health in inter-governmental fiscal flows and an unprecedented emphasis towards fiscal decentralisation for the provision of public health and primary health care functions.



**Exhibit 1: Health grants recommended by the FFC - A Reclassification**  
(Absolute amount in INR crores and share of total as percentages)

- 78% of overall grants recommended for ULBs by the FFC, were for health.
  - Out of this, the major share (60%) are actually directed towards public health measures like water, sanitation, solid waste management and ambient air quality which cover the persistent, escalating as well as emerging problems of a rapidly urbanising country.

Components	Absolute amount (Rs. Crores)	Percentage composition (%)
<b>1. Health grants</b>	<b>114035</b>	<b>77.5</b>
<b>a. Public health (i+ii)</b>	<b>87912</b>	<b>59.7</b>
i. Million plus cities (1+2)	38196	26.0
1. Ambient air quality	12139	8.2
2. Attainment of service level benchmarks on drinking water, sanitation, solid waste management and water conservation	26057	17.7
ii. Others (non-million plus) cities (3 + 4)	49716	33.8
3. Sanitation, solid waste management and attainment of service level benchmarks	24858	16.9
4. Drinking water, water conservation	24858	16.9
<b>b. Primary health care infrastructure (iii + iv)</b>	<b>26123</b>	<b>17.7</b>
iii. Support for diagnostic infrastructure to Urban PHCs	2095	1.4
iv. Urban health and wellness centres	24028	16.3
<b>2. Non-health grants (Untied grants for non-million plus cities)</b>	<b>33143</b>	<b>22.5</b>
<b>Total FFC grants to ULBs (1 + 2)</b>	<b>147178</b>	<b>100.0</b>

**Exhibit 2: FFC grants to ULBs**

# Findings

- However, in terms of implementation, data from the first three years of the FFC period demonstrates inconsistencies in allocation, release and actual spending of health grants, which is likely to impact the realisation of its stated objectives.
  - Only 60 percent of the approved health grants were released to states for their respective local governments.
  - Fifteen out of the twenty-one major states have so far received just half of their total approved grants for the period 2021-23, or less.
  - The state level variations in approvals and release are an outcome of a complex interplay of political-economic factors which include administrative capacity, quality of communication and coordination between levels of government, financial management practices, technological infrastructure, political alignment with the Union Government, compliance with conditionalities for fund release etc.

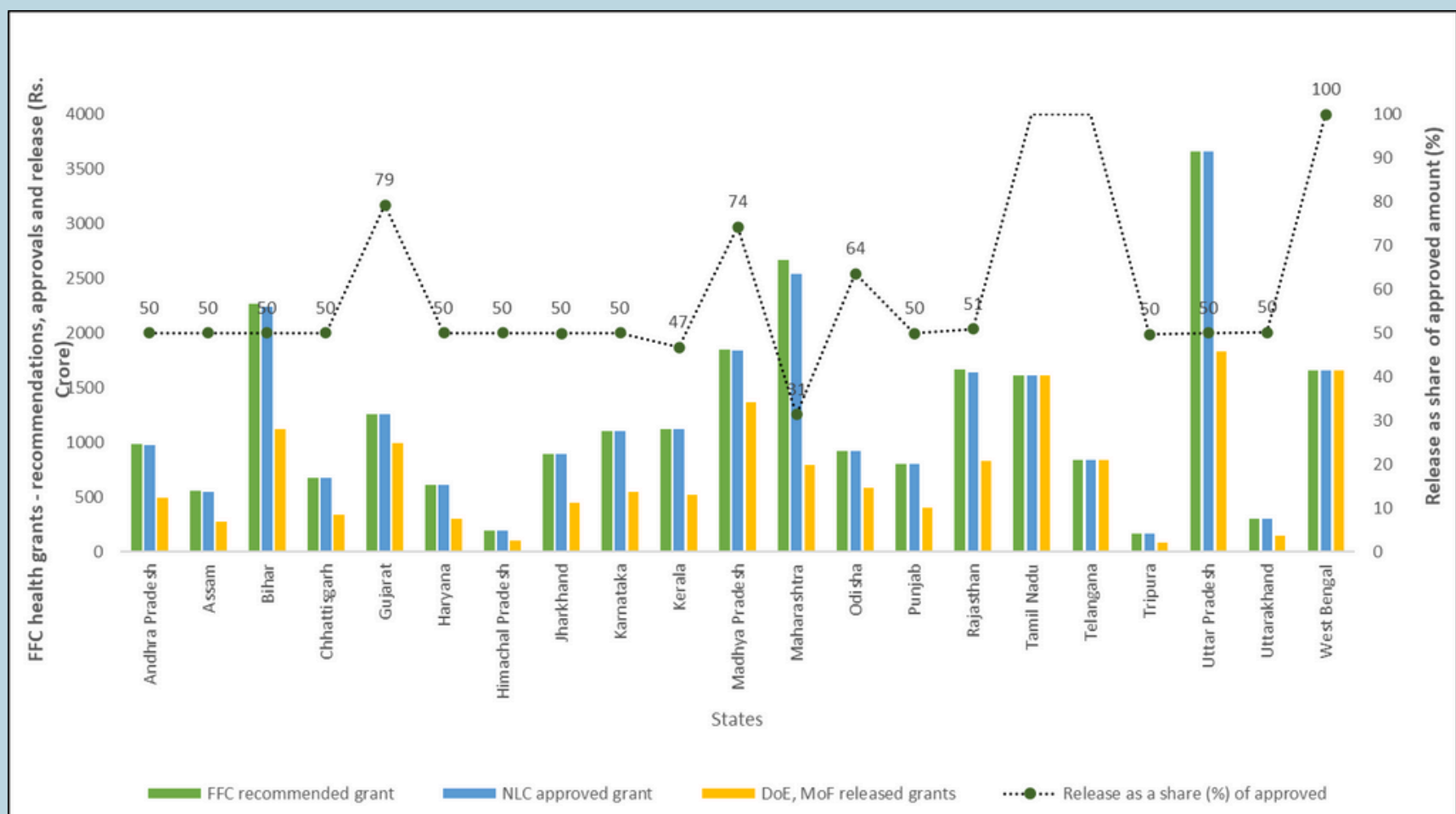


Exhibit 3: FFC health grants to local bodies - recommendations, approvals and release, 2021-22 to 2022-23

# Recommendations

## What higher levels of government should do:

- ✔ Improve fund release and resolve the substantial inter-state variation.
- ✔ Empower and provide further training for small and medium ULBs in preparing health action plans, operationalising Health and Wellness Centres and procurement.
- ✔ Avoid replacing the Central share of existing centrally sponsored schemes in the health sector with similar mandates.

## What ULBs should do:

- ✔ Enhancing own revenue generation through periodic revision and recalibration of property taxes.
- ✔ Provision of reliable financial information and capacity building of municipal staff to ensure access and utilisation of FFC health grants.

# Underlying Research

**Research Article:** Chowdhury, S. Fiscal federalism, inter-governmental transfers and public health– The case of Urban Local Bodies in India. SSM - Health Systems 5, (2025). <https://doi.org/10.1007/s40273-025-01507-x>

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