

No. F 31(1) FCD/2011
Ministry of Finance
Department of Expenditure
Finance Commission Division

11th Block, 5th Floor,
CGO Complex, Lodi Road,
New Delhi - 110003,
Dated: 18th May, 2011

To
The Secretary,
Health & Family Welfare,
Nirman Bhawan,
New Delhi – 110001

Subject: Implementation of recommendation of Thirteenth Finance Commission-
Issue of Guidelines for utilisation of grant-in-aid for **Reduction in Infant
Mortality Rate (IMR)**.

Sir,

The recommendations of Thirteenth Finance Commission for the award period 2012-15 include, inter-alia, release of grant-in-aid to the State Governments for Reduction in Infant Mortality Rate (IMR). Recommendations of the Commission are in paras 12.72 to 12.75 of the report of FC-XIII (Vol. I), read with annexes 12.10 and 12.11 in Vol. II. Report of FC-XIII is accessible on this Ministry's website: <http://www.finmin.nic.in/TFC/tfc.asp>.

I am enclosing herewith the guidelines for release of grant-in-aid for IMR as recommended by the Thirteenth Finance Commission. These guidelines are also accessible on this Ministry's website <http://www.finmin.nic.in/TFC/guidelines.asp>

Yours faithfully,

Encl.: As above

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To
The Secretary,
Women & Child Development,
Shastri Bhawan,
New Delhi – 110001

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Issue of Guidelines for utilisation of grant-in-aid for **Reduction in Infant
Mortality Rate (IMR)**.

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11th Block, 5th Floor,
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To
The Chief Secretary,
Government of
(All State Governments)

Implementation of recommendations of the Thirteenth Finance Commission (FC-XIII) regarding release of incentive grant for **Reduction in Infant Mortality Rate (IMR)**

Dear Sir/ Madam,

As you are aware, the incentive grant for reduction in infant mortality rate (IMR), recommended by FC-XIII, is available during 2012-15. While you would have perused the detailed recommendations of FC-XIII in this regard (paragraphs 12.72 to 12.75 of the report of FC-XIII, Vol.I, read with annexes 12.10 and 12.11 in Vol. II), the basic features are summarised below for ready reference.

2. The grant aggregates Rs.5000 crore to be released over 2012-15, Rs.1500 crore each in 2012-13 and 2013-14 and Rs.2000 crore in 2014-15. The grant is linked to actual progress in reduction of infant mortality. The Sample Registration System (SRS) conducted annually by the Registrar General of India (RGI) will form the basis to determine eligibility of States for the grant during a particular year. The SRS measuring IMR for 2009 will

form the base line. The total annual improvement of each State will be measured from this baseline, as determined from the SRS bulletin/statistical report for the succeeding years. This grant seeks, therefore, to reward States based on forward looking criteria, as it is linked with both improvement in the parameter and the quantum of improvement.

3. The eligibility requirements to determine the release of this grant, and other relevant information, are summarised below:

(i) SRS data pertaining to 2009-10 will form the base-line to work out eligibility for all the succeeding years.

(ii) Each State's eligibility will be determined annually, based upon improvement in the IMR index in accordance with the formula given in Annex 12.10 (pages 464-466) of the report of FC-XIII, Vol. 2, reproduced as **Annex-I** to this reference. A simulated calculation applying this formula is given in Annex 12.11 (page 467) of the report of FC –XIII, Vol.2, reproduced as **Annex –II** to this letter.

(iii) The grant will be released in three annual installments from 2012-13 to 2014-15, after the publication of the annual SRS bulletin/report incorporating state-wise IMR statistics for the relevant year.

(iv) For 2012-13, change in IMR between the years 2009 and 2011; for 2013-14, change between 2009 and 2012 and for 2014-15 change between 2009 and 2013, for each state will be applied to the formula in Annex – I.

4. Actual release of grants to States will depend upon - (i) initial condition, i.e., condition in the base year, 2009-10; (ii) the incremental improvement (or deterioration) in performance over the base year level, i.e., difference between the performance level in the year of reckoning and in the base year. The reference point for assessment of performance will be the benchmark (median) in the base year (2009-10). Since improvement over a high base is that much harder, such improvement will receive higher weightage. Negative performance i.e., deterioration in performance in the year of reckoning may result in some States not being eligible for the grant.

5. As eligibility of States for grant will be based on SRS Bulletins for relevant years, States are not required to apply for release of grant. As and when SRS Bulletins become available, eligibility will be worked out and grants released accordingly.

6. The grant would be released by Ministry of Finance (Department of Expenditure) for which budget provision will be made in the Demand for Grant number 35.

Monitoring at the State level

7. Each State shall constitute a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to the State Government, which will include the State's Finance Secretary and Secretaries of Departments concerned as members. The HLMC shall have the responsibility to ensure use of grant for its objective and shall meet at least twice a year. Minutes of HLMC meetings shall be provided to the Department of Expenditure (Finance Commission Division), Ministries of Health and Family Welfare, and Women and Child Development.

Audit by the Controller and Auditor General:

8. The Comptroller and Auditor General of India would audit the release of the grant.

(Alok Chandra)
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Dated 18-05-2011

Copy to: - Principal Secretary (Finance), Government of

(All State Governments)

Formula for Incentive Grants for Reduction of IMR

Calculation of incentive coefficient (IC^i) for a particular State will depend upon (i) initial condition, i.e., condition in the base year, 2009, and in the relevant year of reckoning [2011 for 2012-13, 2012 for 2013-14, and 2013 for 2014-15]; and (ii) the incremental improvement (or deterioration) in its performance over the State’s base year level. The incremental performance is the difference between the performance levels in the year of reckoning and in the base year. The reference point for assessment performance will be the benchmark in the base year (2009). This benchmark will be the median of IMRs for all States in 2009.

- x_y^i outcome indicator (IMR) of the i^{th} State in the base year (y) [2009]
- x_{y+5}^i outcome indicator (IMR) of the i^{th} State after 5 years i.e. in the year (y+5)
[for 2012-13, the change in IMR will be measured between the years 2009 and 2011; for 2013-14, between 2009 and 2012; and for 2014-15, between 2009 and 2013]
- M the median value of the outcome indicators (IMR) of all States in the base year (y) [2009]
- IC_i the incentive coefficient of the i^{th} State

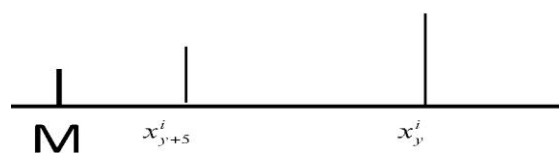
The incentive coefficient (IC_i) for a particular state will be calculated depend upon whether its performance in the base year is same, below or above the median value in the base year, and subsequent performance in the year of reckoning. Accordingly, States will fall in two categories.

Category A. States having performance in the base year below the base year bench mark (Median) [**Scenario 1:** $x_j^i > M$]

- i. If the performance level of a state is below the benchmark level in the base year and year of reckoning, it would be awarded points equal to the percentage by which it narrows the gap with the benchmark.

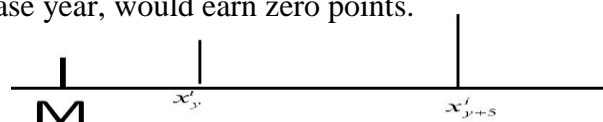
When $M < x_{y+5}^i < x_y^i$

$$IC_i = \frac{(x_y^i - x_{y+5}^i)}{x_y^i - M} * 100$$



- ii. Negative performance i.e., deterioration in performance in the year of reckoning being same or below compared to that in the base year, would earn zero points.

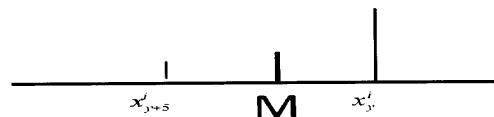
When $x_{y+5}^i \geq x_y^i$
then $IC_i = 0$



iii. If the performance level of a state is below the benchmark level in the base year but higher than this benchmark level in the year of reckoning, it will receive 100 points *plus* the percentage increase of the performance level in the year of reckoning over the benchmark level.

When $x_{y+5}^i < M$

$$IC_i = 100 + \frac{(M - x_{y+5}^i)}{M} * 100$$

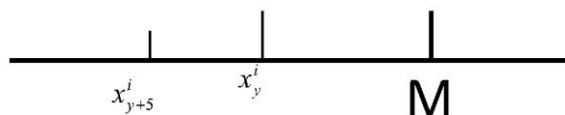


Category B. States having performance in the base year same or above the bench mark (Median) in the base year [Scenario 2: $x_j^i \leq M$]

i. States whose achievement is higher than the benchmark level in the base year and in the year of reckoning would be awarded 100 points *plus* the percentage improvement over the base year *multiplied by* the distance of their performance level in the year of reckoning from the benchmark as a percentage of the benchmark level.

When $x_{y+5}^i < x_y^i$

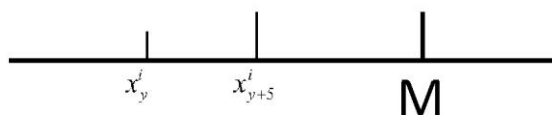
$$IC_i = 100 + \frac{(x_y^i - x_{y+5}^i)}{x_y^i} * 100 * \frac{(M - x_{y+5}^i)}{M} * 100$$



ii. Negative performance in relation to the base or initial year but still above the benchmark would earn only 100 points.

When $x_{y+5}^i > x_y^i$ but $x_{y+5}^i < M$

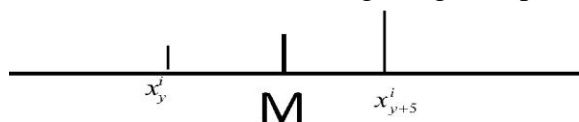
$$IC_i = 100$$



iii. Negative performance taking a state below the benchmark (i.e. performance in year of reckoning year less than the benchmark level) would result in the state getting zero point.

When $x_{y+5}^i > M \geq x_y^i$

$$IC_i = 0$$



Calculation of incentive value or percentage for a particular States (IV^i) will percentage share of a State's incentive coefficient (IC_i) in aggregate of incentive coefficients of all States, as under

$$IV^i = \frac{IC_i}{\sum_i IC_i} * 100 \text{ for } i = 1 \text{ to } n \text{ where } n \text{ is the number of states}$$

IV^i the incentive value or incentive percentage of the i^{th} State

Source: FC-XIII report, Vol.11, Annexure 12.10, pages 464 to 466.

Simulated Calculations for Change in Infant Mortality Rate

State	2009 SRS	2012 SRS	Incentive Coefficient	Incentive Value (%)
A	36	30	111.76	1.05
B	19	17	626.32	5.86
C	39	35	80.00	0.75
D	42	33	102.94	0.96
E	48	39	64.29	0.60
F	11	12	100.00	0.94
G	35	28	117.65	1.10
H	43	30	111.76	1.05
I	27	25	296.08	2.77
J	37	33	102.94	0.96
K	33	28	367.38	3.44
L	10	8	1629.41	15.24
M	48	38	71.43	0.67
N	23	19	867.26	8.11
O	8	7	1092.65	10.22
P	43	23	132.35	1.24
Q	24	22	394.12	3.69
R	28	21	1055.88	9.87
S	49	40	60.00	0.56
T	33	28	367.38	3.44
U	38	30	111.76	1.05
V	19	17	626.32	5.86
W	49	17.8	147.65	1.38
X	26	20	1050.23	9.82
Y	49	41	53.33	0.50
Z	29	22	951.93	8.90
Median	34			100

Source: FC-XIII report, Vol.II, Annexure 12.11, page 467.
