

F. No. 44(2)/PF-S/2026-27 (HSNS)

**Government of India
Ministry of Finance
Department of Expenditure
Public Finance-States Division**

Kartavya Bhawan 1, New Delhi

Dated: 25th March, 2026

To
The Chief Secretary,
All State Governments / UT Administrations,
(As per list attached)

Subject: Guidelines for Financial Assistance to States/UTs for Public Health Infrastructure in 2026-27.

Madam/Sir,

Health Security se National Security Cess Act 2025 has come into force on 1st February, 2026. It aims to augment the resources for meeting expenditure on national security and public health by levying special excise cess on Pan Masala and Tobacco manufacturing machinery. A part of the revenue collected from this cess is to be used in health sector. Accordingly, an outlay of Rs. 4200 crore has been provided in the Budgetary Estimates of 2026-27 in Demand No.42 (Transfer to States) of Department of Expenditure, which will be used for providing 'Assistance to States/UTs for Public Health Infrastructure'. This letter details the guidelines for the providing such incentive to the States/UTs.

2. Aforesaid funds will be made available to States/UTs in a challenge mode, as performance incentive upon meeting the stipulated performance criteria on "First Come First Serve" basis. For this, following performance criteria linked to improvement in select health indicators and enhancing quality of health care facilities in the State have been identified:

i. Infant Mortality Rate (IMR): It is measured as the number of deaths of infants under one year of age per 1,000 live births in a given year. IMR data is published annually in the Sample Registration System (SRS) by the Registrar General of India (RGI). India's Infant Mortality Rate (IMR) has declined from 39 per 1,000 live births in 2014 to 25 per 1,000 live births in 2023. However, the progress remains uneven across the country. Several States/ UTs continue to encounter structural and local/ contextual challenges. Addressing persistent gaps requires sustained, equity-driven and geographically tailored interventions. Financial incentives

to States for reducing IMR is aimed at facilitating the scaling up of targeted interventions and accelerating the pace of reduction in infant mortality.

ii. Maternal Mortality Ratio (MMR): It is defined as the number of maternal deaths during a given time period per 100,000 live births during the same time period. India's Maternal Mortality Ratio (MMR), has declined from 130 as per SRS 2014-16 to 88 as per SRS 2021-23, reflecting the impact of varied sustained interventions for the same. The Sustainable Development Goal (SDG) target is to reduce MMR to less than 70 per lakh live births by 2030. Eight States have achieved this benchmark. However, several States continue to face challenges in attaining the SDG target due to persistent socio-economic and geographic constraints. Therefore, to accelerate the efforts towards reduction of MMR, financial incentives will be provided to the States for improvement in this indicator.

iii. National Quality Assurance Standard (NQAS) Certification of health care facilities: NQAS certification is crucial for public health facilities to ensure high-quality, patient-centric care, building trust and reducing regional disparities in healthcare. As NQAS certification is expected to lead to improved patient safety and care across primary and secondary healthcare facilities, States will be encouraged through financial incentives to maximize NQAS certification of their healthcare facilities.

iv. TB Mortality Rate: It is defined as the estimated number of deaths caused by TB per 1,00,000 population in the given year. TB continues to be the most challenging public health problem among communicable diseases in India and accounts for over a quarter of the global burden. India has made significant strides in addressing the challenge of TB. As per the World Health Organization's Global TB Report 2025, the incidence rate of TB in India has shown a 21% decline from 2015 to 2024, while the mortality rate has reduced by 25% during the same period. The progress in reduction of TB mortality remains different across the country due to the diverse epidemiology, other co-morbidities like NCDs, under-nutrition, substance abuse, health seeking behaviour leading to late detection, etc. To address these challenges, targeted strategies & interventions are required tailored to the local context, vulnerability & strength of public health infrastructure. Financial incentives to States in challenge mode is aimed at strengthening the interventions and accelerating the reduction of TB mortality to achieve SDGs related to TB & the national goal of ending TB.

3. Categorization of States

For providing incentive, states/UTs have been divided into following categories:

Category	Number of states and UTs	States and UTs
Category - I	20	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal
Category - II	11	Arunachal Pradesh, Goa, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, NCT of Delhi, Puducherry and Jammu & Kashmir
Category - III	5	Andaman & Nicobar, Chandigarh, Dadra & Nagar Haveli and Daman & Diu, Ladakh, Lakshadweep

4. Incentive Amount

i. Part I: Infant Mortality Rate (IMR)

Incentive will be provided for reduction in the Infant Mortality Rate (IMR) in the State in 2024 over 2023 as per the Registrar General of India's (RGI) Sample Registration Survey (SRS) for the reference year 2024 which will be published in the year 2026.

State/ UT Category	Performance Criteria*	Incentive Amount per State/UT (in Rs crores)
Category - I	1 point reduction	50
	2 or more points reduction	100
Category - II	1 point reduction	20
	2 or more points reduction	50
Category - III	1 point reduction	10
	2 or more points reduction	20

ii. Part II: Maternal Mortality Ratio (MMR)

Incentive will be provided for reduction in the Maternal Mortality Ratio (MMR) in the State in 2022-24 over 2021-23 as per the Registrar General of India's (RGI) Sample Registration Survey (SRS) for Category-1 States. For the remaining States the data of Maternal deaths reported in HMIS portal of MoHFW will be used.

State Category	Performance Criteria*	Incentive Amount per State/UT (in Rs crores)
Category – I (excluding Himachal Pradesh)	Reduction of >10 points	150
	Reduction of >=5 but <=10 points	100
	Reduction of <5 but >=3 points	50
Category – II (including Himachal Pradesh)	Reduction of >10% in Maternal deaths	80
	Reduction of >=5% but <=10% in Maternal deaths	40
	Reduction of <5% but >=3% in Maternal deaths	20
Category - III	Reduction of >10% in Maternal deaths	60
	Reduction of >=5% but <=10% in Maternal deaths	30
	Reduction of <5% but >=3% in Maternal deaths	15

iii. Part III: NQAS Certification of Health Care Facilities

Incentive will be provided for increase in percentage of total NQAS Certified Health Care Facilities in the State in 2025-26 over 2024-25.

State Category	Performance Criteria* (increase in percentage of total NQAS certified health facilities)	Incentive Amount per State/UT (in Rs crores)
Category – I	Increase of >20	200
	Increase of >=10 but <=20	100
	Increase of >=5 but <10	50
Category - II	Increase of >20	100
	Increase of >=10 but <=20	50
	Increase of >=5 but <10	25
Category - III	Increase of >20	100
	Increase of >=10 but <=20	50
	Increase of >=5 but <10	25

Additional incentive of Rs 100 cr, Rs 50 cr and Rs 30 cr will be provided to Category-1, Category-II and Category-III states/UTs respectively if 100% of the health care facilities in the state are NQAS certified.

iv. Part IV: TB Mortality Rate

Incentive will be provided for reduction in TB Mortality Rate (i.e. estimated number of deaths caused by TB per 1,00,000 population) in the State in 2024 over 2023.

State/ UT Category	Performance Criteria*	Incentive Amount per State/UT (in Rs crores)
Category - I	1 point reduction	50
	2 or more points reduction	100
Category - II	1 point reduction	20
	2 or more points reduction	50
Category - III	1 point reduction	10
	2 or more points reduction	20

5. Assessment and Release of Incentives

i. The States/UTs will submit their claim for incentive along with list of projects, to the Ministry of Health and Family Welfare (MoHFW) latest by 31st July 2026. MoHFW will examine the claim, assess the eligibility of States for incentives under various parameters and recommend incentive amount, project wise and state/UT-wise, latest by 16th August to the Department of Expenditure, Ministry of Finance for release of funds. The eligible amount will be available to the States on first-come-first-served basis. The projects will also be uploaded by the State government on PFMS.

ii. The eligible amount under any or all categories will be reduced by the Department of Expenditure depending on the quantum of incentive recommended by MoHFW and availability of fiscal space.

6. Flow of Funds

i. Each state/UT will identify a Single Nodal Agency (SNA) for flow of funds for the projects funded from the incentive amount. The SNA will open a savings account in a scheduled commercial bank and will onboard the same on PFMS.

ii. All the project Implementing Agencies (IAs) below the SNA may either use the bank account of SNA or open Zero Balance Subsidiary Accounts (ZBSA) in the same bank as the SNA and map these accounts with the nodal agency's account. The Nodal agency will assign limit up to which expenditure may be incurred from a ZBSA.

iii. Upon receipt of incentive funds from the Central Government, the State/UT concerned will transfer the funds to the bank account of the nodal agency within a period of 30 days. For any delay beyond this prescribed limit, the State government will pay interest to the Government of India at the weighted average interest rate of the State Development Loans of the previous financial year.

iv. Expenditure of the incentive amount shall be from the SNA bank account only. Direct expenditure from state treasury or parking funds in other accounts will not be counted as expenditure.

v. Interest accrued in the bank account shall be deposited in the Consolidated Fund of India by the State/UT concerned.

7. Other Conditions

i. If there is deterioration in the performance of a State/ UT in the subsequent year in any of the parameters, the amount of incentive availed in earlier year under that parameter will be deducted from the total incentive admissible to the State/ UT.

ii. The incentive amount can be used by the States/ UTs on capital works in health sector only. Preference should be given to primary, preventive and promotive health care infrastructure.

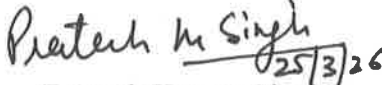
iii. The States shall use the incentive amount only for the approved projects. Any change in projects can be done only with the approval of the Department of Expenditure, Government of India.

iv. The MoHFW may, if needed, issue implementation guidelines, standard operating procedure, FAQs etc. to the State Governments.

v. These guidelines will come into effect immediately on their notification.

8. This issues with the approval of the Finance Minister.

Yours faithfully,


(Prateek Kumar Singh)
Director, (PF-States)
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