

# ODISHA

## Tracking Public Investments for Children

Budgeting for Change Series, 2011



This report is the product of a collaboration between the Centre for Budget and Governance Accountability (CBGA), New Delhi, Open Learning Systems (OLS), Bhubaneswar and UNICEF India.

It focuses on analysis of public spending on children in selected states and districts of India. Field data reported in this summary report was gathered during 2007-08. The long version of this report is available on [www.cbgaindia.org](http://www.cbgaindia.org). CBGA and UNICEF gratefully acknowledge the valuable guidance provided by Dr. N.C. Saxena and Dr. A.K. Shivakumar at all stages of the research and analysis.

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**Note to readers:**

Rs. 10 million is equivalent to Rs. 1 crore

Rs. 100,000 is equivalent to Rs. 1 lakh

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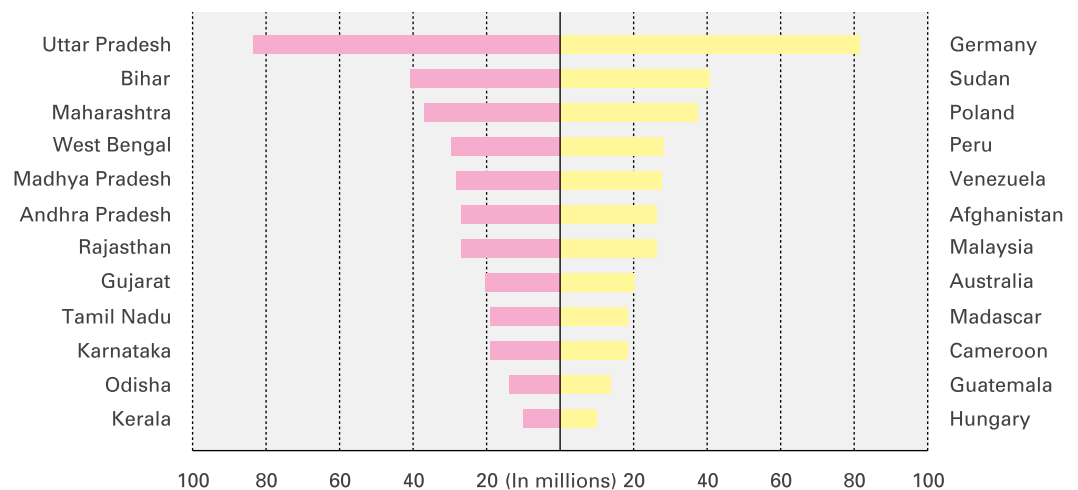
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## 1. SETTING THE CONTEXT

It is widely accepted that the future of India's development depends, to a large extent, on how well its children fare. Children below the age of 18 years account for over one-third (37 per cent) of India's population. Many Indian states have child populations that are similar to and even exceed the total populations of many countries (Figure 1). Investing in such a large young population is fundamental to the acceleration and sustainability of India's growth and human development.

**Figure 1: India: The Scale 2008**

India Population: 1,156 million Children (under 18 years): 424 million (37 per cent)  
Many Indian states have child population similar to population of countries



Source: Registrar General of India Population projections; State of the world's Children 2009

**Children (under 18 years) account for 39 per cent of Odisha's population and 4 per cent of India's children live in the state.**

<sup>1</sup> Calculated from unit level records of 61st round of NSS by the institute of Human Development (IHD).

<sup>2</sup> SRS Bulletin 2003.

<sup>3</sup> SRS 2008 in *The Situation of Children in India: A Profile*. UNICEF, 2011.

<sup>4</sup> SRS Bulletin 2010, released in 2011.

<sup>5</sup> NFHS (1998-99) and (2005-06) in *The Situation of Children in India: A Profile*. UNICEF, 2011.

<sup>6</sup> DLHS (2007-08) in *The Situation of Children in India: A Profile*. UNICEF, 2011.

<sup>7</sup> NFHS (1998-99) and (2005-06) in *The Situation of Children in India: A Profile*. UNICEF, 2011.

<sup>8</sup> NFHS (2005-06).

Children account for 39 per cent of Odisha's population and 4 per cent of India's children live in the state<sup>1</sup>. While there have been improvements in several child specific indicators like the infant mortality rate in Odisha, in general, and because of poor initial levels, the state has much catching up to do. The Infant Mortality Rate (IMR) in Odisha has been declining steadily. Between 1990 and 2000, the IMR declined from 122 deaths per 1000 live births to 95 deaths per 1000 live births<sup>2</sup>. By 2008 this figure had dropped further to 69 deaths per 1000 live births (rural 71 and urban 49)<sup>3</sup>, despite being the second highest in the country as per the Government of Odisha's 2009-10 Economic Survey. By 2010 Odisha's IMR had declined to 61 deaths per 1000 live births, but still remained significantly higher than the national average of 47 in the same year<sup>4</sup>.

The percentage of fully immunised children aged 12-23 months in the state increased from 43.7 per cent to 51.8 per cent between 1998-99 and 2005-06<sup>5</sup>, and then again to 62.3 per cent in 2007-08<sup>6</sup>. Similarly, the percentage of underweight children below 3 years declined from 50 per cent in 1998-99 to 40 per cent in 2005-06<sup>7</sup>. However immunisation coverage has been significantly lower amongst tribal communities than the state average (30.4 per cent compared to 51.8 per cent)<sup>8</sup>. This is of particular concern given that more than

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Despite improvements in several child specific indicators (e.g. infant mortality), Odisha has much catching up to do.

60 per cent of Odisha's sizable tribal population lives in malaria-prone areas (and suffers from tuberculosis and nutritional deficiencies)<sup>9</sup>.

As for educational outcomes, the percentage of children aged 6-10 years and attending school in Odisha has increased steadily, almost doubling between 1991 and 2008 for girls (from 48 per cent to 89 per cent). For boys too, there has been a notable increase between this period (from 60 per cent to 90 per cent). Interestingly, in 2008, the gender gap in education was more pronounced in urban parts of the state than in rural areas (with school attendance being 95 per cent and 84 per cent in urban areas for boys and girls respectively, and 90 per cent and 89 per cent in rural areas for boys and girls respectively)<sup>10</sup>.

## 2. SCOPE AND METHODOLOGY

Although India has recorded unprecedented economic growth over the past one and a half decades, the benefits of economic expansion, in the form of improvements in the quality and provision of public services, have not reached all segments of the population equitably. Partly responsible for the uneven development outcomes are distortions in the patterns of development expenditures that fail to create sufficient entitlements for the poor and disadvantaged groups. Allocation of sufficient budgetary resources and the development of appropriate planning processes can contribute to systematically promoting child rights.

**This summary report has been prepared by the Centre for Budget and Governance Accountability (CBGA), New Delhi and Open Learning Systems (OLS), Bhubaneswar, with support from the United Nations Children's Fund (UNICEF) India. It presents an analysis of public spending on children in Odisha, drawing on secondary data analysis and field interviews conducted in 2007-2008.**

Key aspects of budgets analysed include the following:

- a. Trends/patterns of public spending on social services over the past decade (social services meaning education, health and family welfare, water and sanitation housing and so forth);
- b. Trends/patterns of public spending on child specific interventions (by major sectors and programmes);
- c. Sector wise composition of budgetary resources earmarked for children; and
- d. Factors that aid or hinder spending.

The following indicators, corresponding to the components above, have been used to analyse the available data, including both trends across years as well as across states:

- a. expenditure on social services as a proportion of Net State Domestic Product (NSDP)/total expenditure (1998-99 - 2009-10); also per capita

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<sup>9</sup> ICMR Bulletin 2003.

<sup>10</sup> NSS (2007-08) in *The Situation of Children in India: A Profile*. UNICEF, 2011.

- expenditure on social services and how Odisha fares viz. other states and across time (1998-99 to 2009-10);
- b. expenditure on child specific sectors as a proportion of state budget - trend from 2004-05 to 2007-08;
  - c. sectoral composition of budget for children (2004-05 to 2007-08); and
  - d. unpacking five child specific flagship programmes (ICDS, SSA, RCH, TSC and MDM) and considering expenditure as a proportion of approved outlay, funds available and funds released (looking at the three is important as funds released are only a subset of funds available and approved outlay; further even for this fraction, quality of utilisation is poor).

### 3. CHILDREN AND PUBLIC INVESTMENTS

Children benefit from general public investments and development spending on a variety of services delivered by the government including Education, Health and Family Welfare, Water Supply and Sanitation, Housing and Urban Development, Social Security and Welfare, and Nutrition. Children from socially disadvantaged groups further benefit from targeted measures provided under budget heads for the welfare of Scheduled Castes, Scheduled Tribes, and Other Backward Classes.

Budgetary allocations to the social sectors both as a proportion of Net State Domestic Product, and as a percentage of total development expenditures reflect the priority assigned by the state government to social sectors. A better sense of the relative adequacy of public spending can also be obtained by examining annual per capita (or per child) public spending on social services.

This summary report examines public expenditures on child-centred government interventions. The total 'Child Budget' (namely, the total pool of budgetary resources earmarked for child-centred interventions) is made up of the following four components.

- **Child Education** (which includes expenditures on government schools up to higher secondary level, and all kinds of education related interventions up to higher secondary level)
- **Child Development** (which includes expenditures on nutrition and early childhood care such as expenditures towards the Integrated Child Development Services and the National Crèche scheme)
- **Child Health** (which includes expenditures on child survival and health such as the expenditures towards the immunisation programmes as well as the Reproductive and Child Health programme)
- **Child Protection** (which includes expenditures on protection of children in difficult circumstances – such as child labourers, street children, disabled children, children affected by calamities, and children affected by trafficking).

It is important to note, however, that allocation of sufficient budgetary resources is only the first step. There is often a gap between budgeted outlays for child-centred interventions and actual expenditures that arises due

to insufficient capacity to disburse and utilise public resources. The problem of low resource absorption capacity of state governments has its roots in many bottlenecks in the budgetary processes. Efficiency in public spending is also affected by limitations in the institutions involved in the planning, implementation and monitoring of development programmes.

### Budgetary Allocations to Social Sectors

Table 1 shows the trends in social services as a proportion of the total state budget between 1998-99 and 2009-10, with noticeable variations between these two periods. Spending on social services in the Odisha state budget reached 30 per cent of total expenditure in 1999-2000 arguably because of government staff salary hikes following the implementation of the Fifth Pay Commission recommendations by the Union Government in the late 1990s (which would have presumably affected salaries of staff engaged in the social sectors like teachers or doctors). However, the combination of these salary increases, and a number of other public finance issues, pushed most state governments into a serious fiscal health crisis in subsequent years.

**Odisha spends nearly 35 per cent of its budget on social services.**

Between 2000-2004 spending on social services in the state budgets of Odisha dropped sharply, reaching 16.8 per cent of the state budget in 2003-04. This highlights the adverse impact that state fiscal crises can have on social services. In these situations it becomes easier for governments to curtail social spending as they prioritise spending in other sectors where they have already committed outlays. Since then, state budget spending on social services seems to have revived with noticeable increases in the last two years (over 35 per cent of the state budget in 2008-09 and 2009-10).

**Table 1: Total Expenditure on Social Services as per cent of the State Budget and Net State Domestic Product of Odisha (1998-99 to 2009-10)**

	Expenditure on social services as per cent of total state budget of Odisha	Expenditure on social services as per cent of net state domestic product of Odisha
1998-99	25.7	8.2
1999-00	30.4	11.2
2000-01	22.0	9.3
2001-02	19.5	8.8
2002-03	17.7	8.3
2003-04	16.8	7.2
2004-05	23.5	6.5
2005-06	30.6	7.1
2006-07	28.2	6.6
2007-08	31.8	6.9
2008-09 Revised Estimates	35.1	9.4
2009-10 Budget Estimates	36.5	9.0

Source: Computed from data available in Odisha State Budget, various years; State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation (CSO).



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**A significant share of resources for social services in Odisha go towards funding education, at the relative neglect of other important sectors like health.**

An assessment of the rate of increase in public expenditure on social services in the context of economic growth in Odisha requires an examination of trends in the state's budgetary expenditure on social services as a proportion of its Net State Domestic Product (Table 1). Expenditure on social services as a proportion of Net State Domestic Product peaked at 11.2 per cent in 1999-2000, and declined in subsequent years. During 2003-04 to 2007-08, this figure hovered at around 7 per cent of Net State Domestic Product. In the last two years, the trend has been reversed and it has risen to around 9 per cent of Net State Domestic Product. The fiscal health of most states has improved since 2005-06 due to various factors such as higher magnitude of resources transferred from the Union Government to the states under the Twelfth Finance Commission recommendations, and the acceleration of economic growth and consequent improvements in tax revenue collections. These factors seem to have enabled the state government to increase social sector spending from the state budgets over the past couple of years.

What about the sectoral break-up of expenditure by social services provided? Table 2 indicates that incremental budgetary resources for social services have been disproportionately allocated towards Education, while other sectors – such as Health, Family Welfare, Water Supply and Sanitation, Welfare of Scheduled Castes and Tribes and Other Backward Classes – have remained relatively neglected.

Odisha's annual per capita expenditure from the state budget for Education has increased from an average of Rs. 463 during 1998-99 to 2000-01 to Rs. 612 during 2005-06 to 2007-08. For Health and Family Welfare, the increase has been from Rs. 95 to Rs. 155 over the same time period and for Water Supply and Sanitation from Rs. 56 to Rs. 109.

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**Despite increasing its expenditure on social services in the last few years, Odisha ranks among the bottom few states in India on social sector spending.**

These figures show that a significant share of the incremental budgetary resources for social services has been allocated to Education with the other sectors remaining relatively neglected. The priority accorded to Education is more apparent in recent years. Annual per capita average expenditure in Education during 2008-09 to 2009-10 was Rs. 1248, whereas it was Rs. 337 for Health and Family Welfare, and Rs. 183 for Water Supply and Sanitation (Tables A-C, Appendix ).

One good benchmark for assessing whether Odisha spends enough on social services is to compare its levels of annual per capita expenditure on total social services<sup>11</sup> with those of other states (Figure 2 and Tables A-C, Appendix). The comparison highlights that in the last eleven years, there has been a threefold increase in the annual per capita state budget expenditure on social services. Specifically, Odisha's per capita (per annum) expenditure from the state budget on social services (total) has increased from Rs. 931 during 1998-99 to 2000-01 (average for the three years) to Rs. 1369 during 2005-06 to 2007-08 (average for the three years), further to Rs. 2892 during 2008-09 to 2009-10 (average for the two years). Yet, Odisha ranks among the bottom few states in India on social sector spending.

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**11** Three important services are compared— Education, Health and Family Welfare, and Water Supply and Sanitation - with those from the budgets of other states during three different time periods (average for the years 1998-99 to 2000-01, average for 2005-06 to 2007-08, and the average for 2008-09 and 2009-10.)

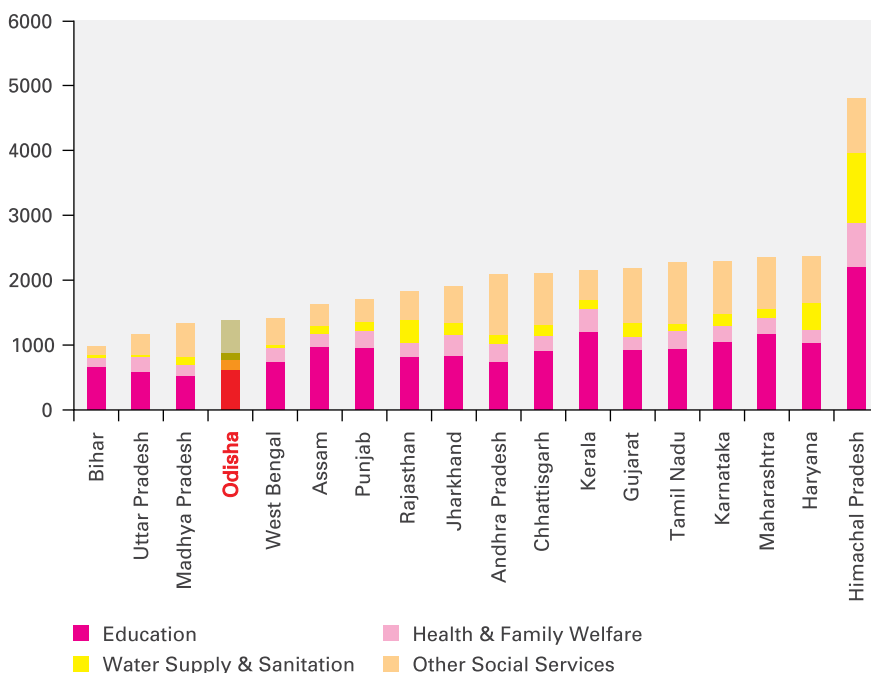
**Table 2: State Budget Expenditure on Major Social Services as per cent of Net State Domestic Product of Odisha (1999-2000 to 2009-10)**

	Education, sports, art and culture	Medical and public health	Family welfare	Water supply and sanitation	Welfare of scheduled castes/scheduled tribes/other backward classes	Social security and welfare
1999-2000	5.1	0.9	0.2	0.6	0.6	0.4
2000-01	4.6	1.0	0.2	0.6	0.6	0.5
2001-02	4.3	0.9	0.2	0.6	0.7	0.5
2002-03	4.3	1.0	0.2	0.6	0.6	0.5
2003-04	3.5	0.8	0.1	0.5	0.4	0.7
2004-05	3.2	0.9	0.2	0.4	0.4	0.5
2005-06	3.4	0.6	0.1	0.6	0.5	0.6
2006-07	3.0	0.6	0.1	0.5	0.5	0.7
2007-08	3.1	0.6	0.1	0.8	0.6	0.6
2008-09 Revised Estimates	4.3	0.9	0.1	0.9	0.6	0.8
2009-10 Budget Estimates	4.5	0.9	0.3	0.5	0.7	0.9

Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation (CSO).

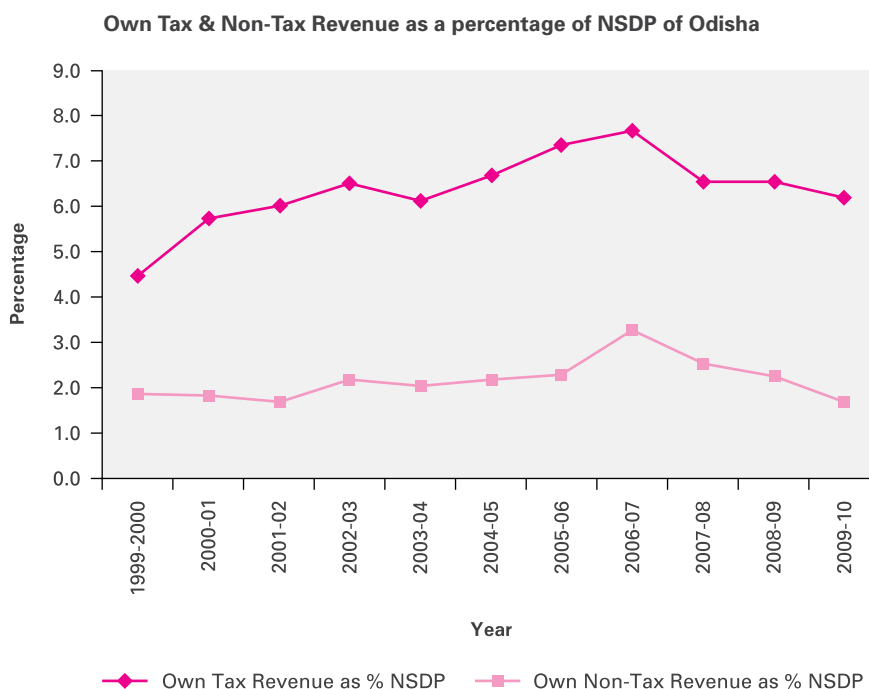
Also, if the extent of inflation is taken into account, then the increase in spending over the last couple of years would be less than the increase in absolute terms. Further, the figures for 2008-09 and 2009-10 are estimates and not actual expenditure figures; therefore, the extent of increase might not be the same in the last two years in actual expenditure.

**Figure 2: Per Capita Expenditure on Social Services by States from 2005-06 to 2007-08 (in Rs. per annum)**



Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation (CSO).

**Figure 3: Own Tax Revenue and Own Non-Tax Revenue as per cent of Net State Domestic Product of Odisha (1998-2000 to 2009-10)**



Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation.

Nearly half of Odisha's budget in 2009-10 was funded through transfers from the Union Government.

### Fiscal Health of Odisha

This is as far as expenditure goes. A state's inability to increase social sector spending may also be driven by its inability to fund such spending. A state government's own tax and non-tax revenues for instance are important to ensure adequate financing of the social sectors. Odisha's own tax revenue accounted for 4.5 per cent of Net State Domestic Product in 1999-2000; in subsequent years, it increased and reached 7.6 per cent of Net State Domestic Product in 2006-07, but fell again to 6.2 per cent in 2009-10. The state's own non-tax revenue accounted for around 1.7 per cent of Net State Domestic Product in 2009-10, falling from 3.3 per cent in 2006-07 (Figure 3).

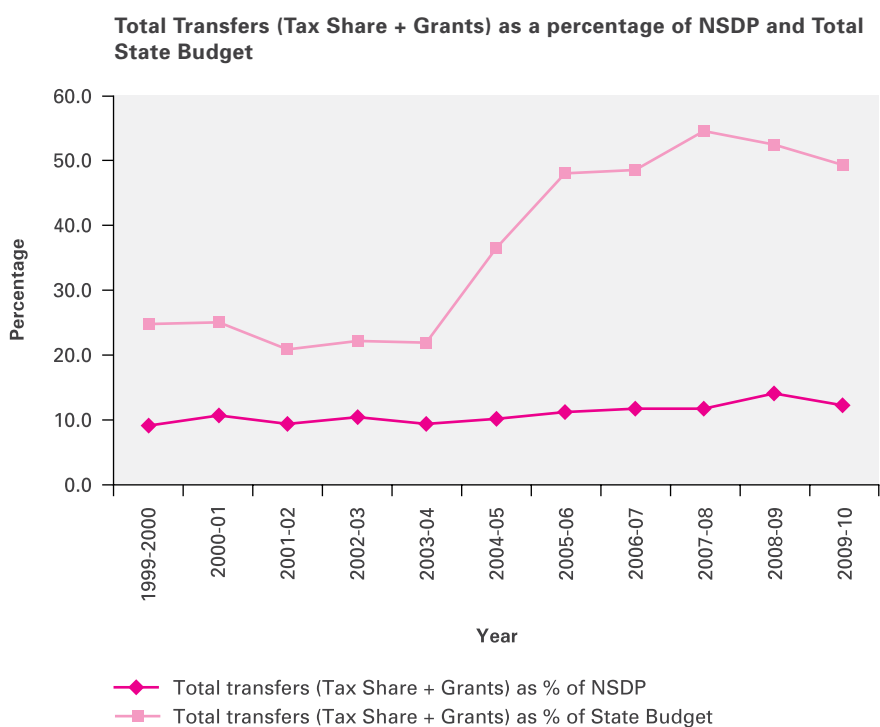
While Odisha has performed relatively better than most states in collecting own non-tax revenue, the state's performance in raising own tax revenue has not been at par with most other states. (State Finances: A Study of Budgets of 2009-10, Reserve Bank of India).

The magnitude of Odisha's budget as a proportion of its economy has been shrinking over time, having a deleterious impact on the envelopes available for social sector spending.

Given Odisha's modest performance in collecting own tax and non-tax revenues, it is quite likely that the state has had to depend heavily on transfers from the Union Government for its budgets. The total Union Government transfers for Odisha have increased from 25 per cent of the state budget (9.1 per cent of the Net State Domestic Product) in 1999-2000 to 49.1 per cent (12.1 per cent of the Net State Domestic Product) in 2009-10 (Budget Estimates) (Figure 4).

Looking next at the total budget envelope available to Odisha, the total magnitude of the state budget of Odisha compared to the size

**Figure 4: Total Central Transfers (Tax Share + Grants) as per cent of State Budget and Net State Domestic Product of Odisha (1999-2000 to 2009-10)**



Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation (CSO).

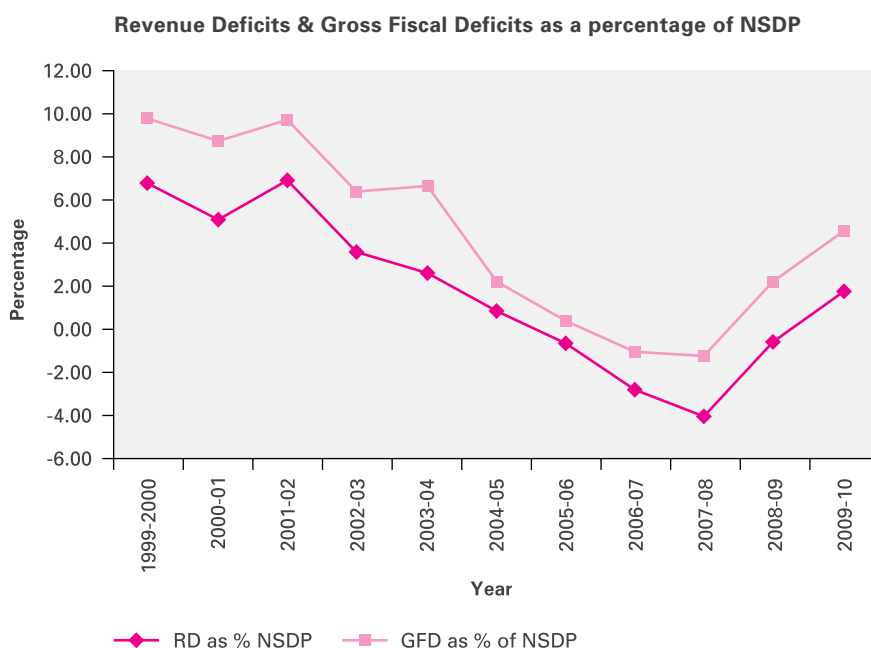
of its economy shrunk visibly and consistently between 2004-05 and 2007-08. The magnitude of Odisha's state budget dipped from 42.6 per cent of Net State Domestic Product in 2003-04, to 21.7 per cent in 2007-08 (Table 3). Even in absolute figures, the magnitude of the state budget was higher in 2003-04 (at Rs. 23,026 crore)

**Table 3: Size of the State Budget as per cent of Net State Domestic Product of Odisha (1999-2000 to 2009-10)**

	Net State Domestic Product (Rs. Crore)	Total Budget (Rs. Crore)	Budget as a proportion of Net State Domestic Product (per cent)
<b>1999-2000</b>	38200.0	14043.3	36.8
<b>2000-01</b>	38279.0	16207.1	42.3
<b>2001-02</b>	41065.0	18585.3	45.3
<b>2002-03</b>	44208.0	20783.8	47.0
<b>2003-04</b>	54047.0	23026.3	42.6
<b>2004-05</b>	62497.0	17336.3	27.7
<b>2005-06</b>	68295.0	15746.4	23.1
<b>2006-07</b>	79430.0	19346.0	24.4
<b>2007-08</b>	105470.0	22844.3	21.7
<b>2008-09 Revised Estimates</b>	117924.0	31625.4	26.8
<b>2009-10 Budget Estimates</b>	132845.0	32797.6	24.7

Source: Computed from data available in Odisha State Budget, various years; and the website of the Central Statistical Organisation.

**Figure 5: Gross Fiscal Deficit and Revenue Deficit as per cent of Net State Domestic Product of Odisha (2000-01 to 2009-10)**



NSDP: Net State Domestic Product.

Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation.

Between 2006-07 and 2007-08, Odisha spent only 14 per cent of its budget on programmes specific to children.

than in each of the subsequent years until 2007-08 (when it was Rs. 22,844 crore). It has increased visibly only in the last two years (between 2008-09 and 2009-10).

This sharp decline in the overall scope of the state budget during 2004-05 to 2007-08 seems to have been the consequence of the state government's efforts towards curtailing both the gross fiscal deficit and the revenue deficit in the state budgets – a situation that was reversed only in 2008-09 after which the government of Odisha managed a fiscal surplus (Figure 5).

Deficits in earlier years are likely to have been caused, quite perversely, because of incentives for deficit reduction (in terms of waivers rephase for interest payment obligations to the Union Government) introduced in 2005-06 by the Twelfth Finance Commission. Odisha seems to have been adversely affected by this rigid benchmark year (2004-05) set by the Twelfth Finance Commission<sup>12</sup>. This is because the state's total budgetary expenditure fell from Rs. 23,026 crore in 2003-04 to Rs. 17,336 crore in 2004-05. The policy prescriptions of the Finance Commission pertaining to the incentives for deficit reduction by the states seems to have led to a drastic and persistent decline in the overall magnitude of the state budget (as compared to the size of its economy) during 2005-06 to 2007-08.

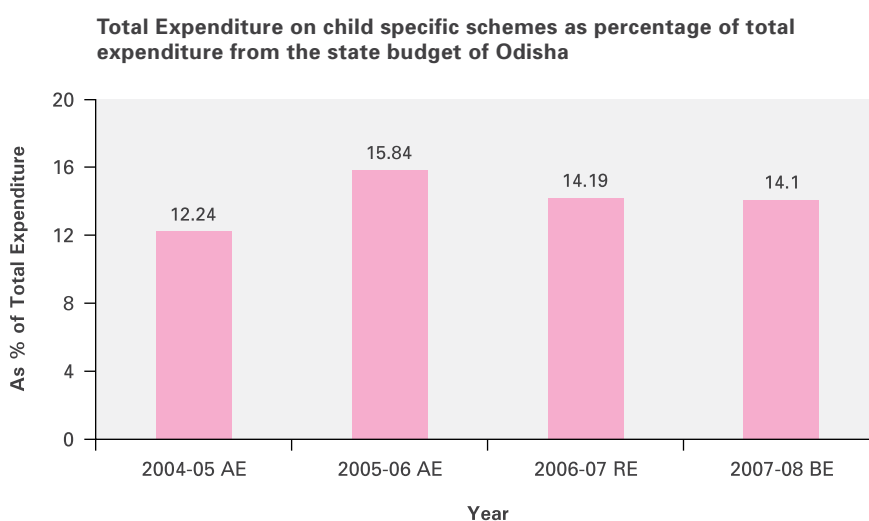
<sup>12</sup> The Twelfth Finance Commission set the budgetary figures of all states in 2004-05 as the benchmark to assess their efforts towards curtailing the gross fiscal deficit and the revenue deficit in the state budgets for the years 2005-06 to 2009-10.)

<sup>13</sup> These include development programmes and government services that are meant exclusively for children like the Mid Day Meal programme, Immunisation programmes, Integrated Child Development Services, schools, hospitals for children, crèches, amongst others.

### Allocations for child-centred programmes

While social sector spending encompasses the entire household, there are several programmatic interventions in India that aim specifically at children as an age cohort. An analysis of allocations by Odisha to four child-centred sectors<sup>13</sup> – child development, child education,

**Figure 6: Child-centred expenditure as a proportion of the Total Expenditure from the State Budget of Odisha (in per cent) (2004-05 to 2007-08)**



Source: Compiled from Detailed Demands for Grants, State Budget of Odisha (for 2006-07 and 2007-08).

About 9 in every 10 rupees allocated for child programmes in Odisha goes towards funding education.

child health and child protection – reveals some interesting patterns. Between 2006-07 and 2007-08, the share of budgetary resources earmarked for children hovered at around 14 per cent of the total Odisha state budget. In 2005-06, it reached around 16 per cent in actual expenditure figures (Figure 6), after which it again registered a decline.

An analysis of the sector-wise break-up of the total pool of resources set aside for children in the State Budgets by Odisha between 2004-05 and 2007-08 reveals the following:

- **Child Education:** The share of Child Education in the total budgetary resources allocated for children was the highest of all social sectors (Table 4). In three of these four years (i.e., 2004-05, 2005-06 and 2007-08) the share of Child Education in the total child budget of Odisha was around 87 per cent.
- **Child Development:** The share of Child Development in the total budgetary resources was 11.77 per cent of the total child budget in 2007-08, remaining more or less at the same level as the previous years.

**Table 4: Composition of 'Child Budget' in Odisha (Figures in per cent) (2004-05 to 2007-08)**

	2004-05 (Actuals)	2005-06 (Actuals)	2006-07 (Revised Estimates)	2007-08 (Budget Estimates)
<b>Child Development</b>	10.5	13.0	15.5	11.8
<b>Child Health</b>	0.7	0.6	1.5	0.7
<b>Child Protection</b>	1.7	0.3	1.6	0.2
<b>Child Education</b>	87.0	86.1	81.4	87.3
<b>Total Child Budget</b>	100.0	100.0	100.0	100.0

Source: Compiled from Detailed Demands for Grants, State Budget of Odisha (for 2006-07 and 2007-08).

- **Child Health:** The share of Child Health in the total budgetary resources reserved for children was marginal between 2004-05 and 2007-2008, accounting for 0.71 per cent in 2007-08.
- **Child Protection:** The share of Child Protection in the total budgetary resources allocated for children was also marginal, accounting for only 0.21 per cent of the total child budget over the same period.

All development inputs require equal attention especially in the early years of a child's life. Skewed distribution of financial resources between different sectors seems to be a feature of many state budgets across the country. Both the Union and state governments need to significantly increase budgetary resources for interventions pertaining to Child Health and Child Protection as a matter of priority, while continuing to ensure adequate resource allocation for Education to meet quality norms and standards.

### Fund Utilisation in Major Child-Centred National Flagship Programmes

The analysis below provides an overview of trends and factors in effective fund utilisation with respect to five key social sector programmes that focus on children – the *Sarva Shiksha Abhiyan*, Integrated Child Development Services, Reproductive and Child Health programme, Total Sanitation Campaign and the Mid Day Meal Programme. Institutional and procedural bottlenecks in delivery systems often constrain the ability of the state government to utilise higher public expenditure, thereby reducing the potential impact of increased budget outlays on citizens and communities. Even when increased budget outlays do translate into higher levels of actual expenditure on the ground, deficiencies in composition and patterns of spending could reduce the impact of such expenditures.

#### 1. Sarva Shiksha Abhiyan (SSA)

Table 5 and 6 present the extent of fund utilisation under the *Sarva Shiksha Abhiyan* between 2004-05 – 2006-07 and 2007-08 – 2008-09, highlighting the inability of the state government to fully utilise the approved budget outlays for this key intervention that focuses on education of children. Expenditure under the *Sarva Shiksha Abhiyan* as a proportion of the annual outlay approved for Odisha has varied between 44 per cent and 78 per cent during 2004-05 to 2008-09.

**Table 5: Sarva Shiksha Abhiyan: Extent of Fund Utilisation by Odisha (2004-05 to 2006-07)**

Year	Outlay Approved	Total Funds Available (Rs. in Lakh)	Expenditure (Rs. in Lakh)	Expenditure as per cent of Funds Available	Expenditure as per cent of Outlay Approved
2004-05	57598.8	19807.3	9857.4	25190.2	43.7
2005-06	58891.0	31199.9	8000.0	34326.0	58.3
2006-07	87785.4	40568.5	15594.5	59421.1	67.7

Source: State Project Office, Bhubaneswar, Odisha, 2008.

While fund utilisation under the *Sarva Shiksha Abhiyan* has improved, Odisha did not spend one-fourth of the funds allocated for the programme in 2008-09.

**Table 6: Sarva Shiksha Abhiyan: Extent of Fund Utilisation by Odisha (2007-08 and 2008-09)**

	2007-08			2008-09		
	Outlay Approved (Rs. Crore)	Expenditure (Includes Unspent Balances and State Shares) (Rs. Crore)	Expenditure as per cent of Approved Outlay	Outlay Approved (Rs. Crore)	Expenditure (Includes Unspent Balances and State Shares) (Rs. Crore)	Expenditure as per cent of Approved Outlay
<b>Odisha</b>	939.6	657.8	70.0	1088.4	845.3	77.7

Source: Annexure II, Referred in reply to Lok Sabha Starred Question No.22 for 24.02.2010 asked by Shri Asaduddin Owaisi and Shri. A.T. Nana Patil regarding *Sarva Shiksha Abhiyan*, Website. [www.loksabha.nic.in](http://www.loksabha.nic.in)

While the above numbers suggest that Odisha was successful in increasing its fund utilisation in the education sector (fund utilisation improved from 43 per cent in 2004-05 to over 75 per cent in 2007-08 in three important child-centred programmes – *Sarva Shiksha Abhiyan*, National Programme of Education for Girls at Elementary Level (NPEGEL) and *Kasturba Gandhi Balika Vidyalaya* (KGBV)), there was still scope for further improvement.

## 2. Integrated Child Development Services (ICDS)

The Integrated Child Development Services (ICDS) has been an important intervention to address child nutrition especially in the critical early years of a child's life. However, the implementation of the programme in Odisha has not been consultative, or supported by inputs from the ground or districts, but rather driven by guidelines dictated by the Union Government.

## 3. Reproductive and Child Health (RCH) Programme

The Reproductive and Child Health programme, which was brought under the National Rural Health Mission in 2005-06, has been a major

**Table 7: Utilisation of funds in the Integrated Child Development Services (General) (Rs. in Crore) (2006-07 to 2008-09)**

State	2006-07	2007-08	2008-09
<b>Odisha</b>	121.0	132.8	180.8

Source: (i) Figure for 2006-07 has been compiled from the Central Ministry of Women and Child Development's website: [www.mwcd.nic.in](http://www.mwcd.nic.in); (ii) Figures for the years 2007-08 and 2008-09 have been compiled from the Statement referred in reply to Part 9 (b) of the Lok Sabha Un-starred Question No.3440 for 16-04-2010 by Shri Adagooru Viswanath on Integrated Child Development Services.

**Table 8: Utilisation of funds in Integrated Child Development Services for Supplementary Nutrition (Rs. Crore) (2006-07 to 2008-09)**

State	2006-07	2007-08	2008-09
<b>Odisha</b>	79.8	190.1	204.5

Source: (i) Figure for 2006-07 has been compiled from the Central Ministry of Women and Child Development's website: [www.mwcd.nic.in](http://www.mwcd.nic.in); (ii) Figures for the years 2007-08 and 2008-09 have been compiled from the Statement referred in reply to Part 9 (b) of the Lok Sabha Un-starred Question No.3440 for 16-04-2010 by Shri Adagooru Viswanath on Integrated Child Development Services.



**Table 9: National Rural Health Mission: Odisha's Expenditure on the Programme from 2005-06 to 2009-10 (in Rs. Crore)**

State	2005-06	2006-07	2007-08	2008-09	2009-10	Total Exp. from 2005-06 to 2009-10
Odisha	137.7	173.3	310.7	365.0	611.0	1597.7

Source: Compiled from the latest data available on <http://mohfw.nic.in/NRHM.htm>

**Table 10: National Rural Health Mission: Utilisation of Funds Released (by the Centre) to Odisha from 2005-06 to 2009-10**

State	Total Funds Allocated from 2005-06 to 2009-10 (in Rs. Crore)	Total Funds Released from 2005-06 to 2009-10 (in Rs. Crore)	Total Expenditure from 2005-06 to 2009-10 (in Rs. Crore)	Exp. as a proportion of Funds Released from 2005-06 to 2009-10 (in per cent)
Odisha	2058.7	1741.9	1597.7	91.7

Source: Compiled from the latest data available on <http://mohfw.nic.in/NRHM.htm>

**NRHM fared better: Between 2005-06 and 2009-10, Odisha spent about 90 per cent of the funds set aside for the programme.**

government intervention in the child health sector. One of the main criticisms of the first phase of the programme, implemented from 1996-97 to 2004-05, has been the limited involvement of the states in its design and, therefore, limited ownership by the states. As a matter of fact, the "one size fits all" design of Reproductive and Child Health (Phase I) was one of the reasons for the inability of several states to fully utilise the funds available to them under the programme.

The planning process under the Reproductive and Child Health programme in Odisha was reported to be quite thorough in spite of being a primarily top-down process led by implementing officials, as opposed to a district level participatory process. Of the funds released by the Union Government to the state, 92 per cent was spent under the NRHM in Odisha between 2005-06 and 2009-10 (Tables 9 and 10).

#### **4. Total Sanitation Campaign (TSC)**

Odisha's total expenditure from the Union Government's share and state's own share of funds for the Total Sanitation Campaign during 1999-2000 to 2010-11 (up to August 2010) has been 66 per cent of the total funds released and 28 per cent of the total budget approved during the project period.

The figures provided above point to the inability of the state to expedite fund utilisation in this programme. A related challenge is the quality of utilisation of funds that were spent. A review of available secondary literature and relevant financial and planning documents, along with interviews with government officials in the state in 2007-2008, revealed a number of critical implementation bottlenecks and constraints – staff shortages (i.e. significant shortage of qualified engineers), infrastructure inadequacies, weaknesses in decentralised planning, inadequate training and capacity building of staff, bottlenecks in fund transfer, and weak supervision and monitoring.

**Table 11: Utilisation of funds in the Total Sanitation Campaign in Odisha during 1999-2000 to 2010-11\***

	1999-2000 to 2010-11*				
	Total Approved Budget (in Rs. Crore)	Total Released Funds (in Rs. Crore)	Total Expenditure (in Rs. Crore)	Expenditure as per cent of Funds Released	Expenditure as per cent of Total Approved Budget
<b>Centre's Share for TSC</b>	849.0	368.2	244.4	66.0	29.0
<b>State's Share for TSC</b>	336.2	134.5	88.2	66.0	26.0
<b>Total</b>	1185.2	502.7	332.6	66.0	28.0

Notes: Total Approved Budgets, Released Funds and Expenditure incurred are for the 30 approved project districts till 2010-11 (FY). This excludes the shares of beneficiary.

\*The Financial Progress Report as per information received upto 05-08-2010.

Source: www.ddws.nic.in

**Human resource and infrastructure shortages affect almost all social sector programmes in Odisha.**

### 5. Mid Day Meal (MDM)

Planning under the Mid Day Meal programme seemed largely mechanical and ad hoc according to available secondary data. This was attributable to the low wage salary structure for implementing personnel. Salaries of educational and vocational instructors were as low as Rs.1,500 per month, and even then there were considerable delays in payment. The low wage structure made it difficult to recruit teachers who were qualified and adequately skilled.

### Issues affecting quality of fund utilisation

Human resource shortages affect almost all social sector programmes (Tables 12A and 12B). In the ICDS for instance, in 2007-08, about 40 per cent of the positions for Child Development Project Officers, in addition to 50 per cent of the positions established for supervisors and *Anganwadi Workers* (women community health care workers) were vacant.

Training programmes for core staff and job related competencies, such as on hygiene practices for cooks and helpers in the Mid Day Meal programme, were not held despite budgetary allocations being

**Table 12A: Total Sanctioned Strength, Staff in Position and Vacancies in various administrative departments of Government of Odisha since 2001**

Year (As on 1st March)	Sanctioned Strength	Staff in Position	Total Vacancy	Per cent of Vacancy against the Sanctioned Strength
<b>2001</b>	556302	502160	54142	9.7
<b>2002</b>	538801	479437	59364	11.0
<b>2003</b>	536893	377352	59541	11.1
<b>2004</b>	546832	470064	76768	14.0
<b>2005</b>	545593	463883	81710	16.0
<b>2006</b>	544370	463136	81234	14.9
<b>2007</b>	561083	471547	89536	16.0

Source: Budget at a Glance 2008-09, Finance Dept. Government of Odisha.

**Table 12B: Vacancies in Education and Health Departments of Government of Odisha (2004 to 2007)**

<b>School and Mass Education Department</b>			
<b>Year (As on 1st March)</b>	<b>Sanctioned Strength</b>	<b>Staff in Position</b>	<b>Total Vacancy</b>
<b>2004</b>	211134	181512	29622
<b>2005</b>	209364	178061	31303
<b>2006</b>	205415	174721	30694
<b>2007</b>	218886	184509	34377
<b>Health and Family Welfare</b>			
<b>2004</b>	51939	44654	7285
<b>2005</b>	50385	41444	8941
<b>2006</b>	48786	41285	7501
<b>2007</b>	49165	41669	7496

Source: Budget at a Glance, Government of Odisha, Various issues.

**Absence of proper banking facilities in some regions in Odisha impedes transfer of money for social sector programmes.**

made for capacity development. In the case of the Total Sanitation Campaign, there were delays in the upgrading of knowledge and office competence with respect to the adoption of new financial management technology.

Besides shortages in trained staff, shortfall in infrastructure affected all programmes, but was most pronounced in the Mid Day Meal and Reproductive and Child Health programme. For instance, some schools did not have kitchen sheds, storage space, adequate utensils for cooking, or even plates and glasses to serve hot meals under the Mid Day Meal. Implementing officials at the state level also reported poor maintenance of Primary Health Centres, shortage of properly equipped labour rooms, lack of basic amenities in hospitals, and constraints in supply of vaccines and medicines under the Reproductive and Child Health programme.

The transfer of funds in a programme was yet another constraint leading to poor delivery of most social services. Fund transfer was largely perceived as being a slow process because many districts remained without facilities for electronic fund transfers. Although the Union government has mandated that all funds be transferred electronically, the absence of proper banking facilities in some regions in Odisha continued to impede smooth and quick money transfer. Moreover, even in the presence of electronic fund transfer facilities, field interviews revealed that payorders continued to be sent by post, delaying the sanction of funds to the next level of implementation. These problems were more prominent in programmes like the Mid Day Meal, and the Integrated Child Development Services.

## 4. DISCUSSION

Adequate funding for social services is necessary but not sufficient to guarantee desired outcomes for children. Discussed below are some of the commonly reported factors that limit the efficiency and effectiveness of funds utilisation and implementation of programmes that affect outcomes in Odisha.

Despite the increased priority given to social services over the last five years, Odisha continues to lag far behind in terms of annual per capita expenditure from the state budget to the social sectors. The state, therefore, needs to further enhance the volume of spending on all social services.

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**Odisha needs to substantially increase its allocations on child health and child protection.**

Linked to Odisha's inability to expand the share of social services in its budget, is the overall size of its budget. The benchmark year (2004-05) set by the Twelfth Finance Commission in its policy prescriptions for state specific deficit reductions during 2005-06 to 2009-10 appears to have adversely affected Odisha's public expenditure. The state's total budgetary expenditure during that fiscal year was unusually low, declining from Rs. 23,026 crore in 2003-04 to Rs. 17,336 crore in 2004-05. This led to a drastic and persistent decline in the overall magnitude of the state budget of Odisha (as compared to the size of its economy) between 2005-06 and 2007-08. The Union government needs to take this problem into account and help Odisha expand the size of its state budget. Only then will it be able to contribute more to social sector spending.

Modest performance in the collection of own tax and non-tax revenues has also made the state highly dependent on Union Government transfers for its budgets. Hence, the state government needs to take strong measures to enhance its collections, which would enable it to increase spending from the state budget on social services.

Within social services, the priority accorded to child-centred interventions in the state budget of Odisha appears to have been low and registered a decline between 2005-06 and 2007-08 despite the persistence of challenges relating to several child development indicators. Resource shortages are most acute in the Child Health and Child Protection sectors. The state government needs to substantially increase allocations towards child-centred interventions in these sectors.

However, increased allocations alone do not guarantee fund utilisation. With the exception of health and to a certain extent education, Odisha seems to have struggled with expediting the rate of fund utilisation in its social sector programmes. For this, the state government needs to address critical implementation problems in the social sector such as weaknesses in decentralised planning. Plans developed for most

social sector programmes for are not based on participatory needs assessments and decentralised planning processes<sup>14</sup>. Capacity for such bottom-up planning needs to be strengthened along with interventions such as more training of human resources, improvements in infrastructure, designing better systems for fund transfers, and improving monitoring through tools like Information and Communications Technology (ICT).

The State Government has started taking measures, which are likely to help improve the process of implementation of development programmes in Odisha. For instance, the GRAMSAT project initiated by the government is an e-governance strategy to improve people's participation in such programmes (Box 1). However, the State Government will need to take several such measures to transform the processes of planning, budgeting and implementation of its social sector interventions.

### **Box 1: GRAMSAT Pilot Project in Odisha**

The GRAMSAT project is an e-governance strategy to improve people's participation in the government's developmental and social welfare programmes. Officials are required to address developmental requirements at the local Panchayat and Block levels, making relevant information available in a responsive manner. Through the broadcasting of various government developmental programmes and social well-being programmes, the project aims to help in maintaining transparency, increasing efficiency and addressing accountability issues in the state administration. The interactive training programme through 'GRAMSAT' has assisted various government departments - revenue, commerce, transport, law, rural development, health and family welfare, water resources, development of Scheduled Castes/Scheduled Tribes, *Panchayati Raj*, fishery and animal resources - in reaching out to the people and to various Non Government Organisations engaged in development projects. This has facilitated the participation of local communities in government initiated programmes.

Source: Best Practices, Governance Knowledge Centre, Department of Administrative Reforms and Public Grievances, Government of India

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<sup>14</sup> Performance Audit of *Sarva Shiksha Abhiyan* – Report No.15, 2006; Performance Audit of Mid Day Meal scheme - Report No 13, 2008; Audit of National Rural Health Mission – Audit Report (Civil) of the year ended 31 March 2009, Comptroller and Auditor General of India, Government of India.

## APPENDIX

**Table A: Per Capita Expenditure on Social Services by the States (1998-99 to 2000-01)**

States	Average for the years 1998-99 to 2000-01 (in Rs. per annum)			
	Social Services (Total)	Education	Health & Family Welfare	Water Supply & Sanitation
<b>Bihar</b>	474.0	311.1	50.9	19.1
<b>Uttar Pradesh</b>	558.5	340.4	63.4	20.0
<b>Madhya Pradesh</b>	781.3	344.5	86.2	63.4
<b>Assam</b>	929.9	615.2	92.2	59.2
<b>Odisha</b>	931.2	463.1	94.7	56.2
<b>West Bengal</b>	958.2	512.3	136.8	42.5
<b>Rajasthan</b>	1020.7	545.3	128.3	111.5
<b>Andhra Pradesh</b>	1004.1	411.7	118.2	57.7
<b>Karnataka</b>	1083.9	558.3	135.7	60.3
<b>Haryana</b>	1145.4	587.6	122.1	102.1
<b>T N</b>	1240.9	651.5	154.4	38.3
<b>Kerala</b>	1254.8	713.3	172.3	52.3
<b>Maharashtra</b>	1276.1	730.9	131.7	79.7
<b>Punjab</b>	1220.5	716.3	221.1	55.0
<b>Gujarat</b>	1331.3	664.4	154.3	39.0

Note: Bihar, Uttar Pradesh and Madhya Pradesh considered above were taken as undivided States only.

Source: Government of India, Report of the Twelfth Finance Commission, December 2004.

**Table B: Per Capita Expenditure on Social Services by the States (2005-06 to 2007-08)**

States	Average for the years 2005-06 to 2007-08 (in Rs. per annum)			
	Social Services (Total)	Education	Health & Family Welfare	Water Supply & Sanitation
<b>Bihar</b>	967.0	668.4	130.4	55.5
<b>Uttar Pradesh</b>	1157.7	589.3	209.6	55.1
<b>Madhya Pradesh</b>	1318.3	532.2	169.7	110.5
<b>Odisha</b>	1369.3	611.7	155.0	108.7
<b>West Bengal</b>	1408.7	739.4	201.3	67.7
<b>Assam</b>	1618.9	966.8	190.4	127.8
<b>Punjab</b>	1695.6	942.4	276.1	146.6
<b>Rajasthan</b>	1821.5	811.0	216.0	360.6
<b>Jharkhand</b>	1895.0	828.6	322.7	185.1
<b>Andhra Pradesh</b>	2085.0	752.2	255.6	136.8
<b>Chhattisgarh</b>	2101.2	907.3	225.6	179.6
<b>Kerala</b>	2151.3	1,203.1	343.9	158.3
<b>Gujarat</b>	2184.4	909.4	217.4	211.6
<b>Tamil Nadu</b>	2276.4	950.6	263.1	108.3
<b>Karnataka</b>	2281.6	1,041.0	256.7	178.0
<b>Maharashtra</b>	2356.1	1,175.4	232.9	153.2
<b>Haryana</b>	2363.0	1,021.9	219.1	416.4
<b>Himachal Pradesh</b>	4814.9	2,204.8	673.5	1098.4

Source: Computed from data available in State Finances: A Study of Budgets, Reserve Bank of India, various years; and the website of the Central Statistical Organisation (CSO).

**Table C: Per Capita Expenditure on Social Services by the States (2008-09 to 2009-10)**

States	Average for 2008-09 (Revised Estimates) and 2009-10 (Budget Estimates) (in Rs. per annum)			
	Social Services (Total)	Education	Health & Family Welfare	Water Supply & Sanitation
<b>Bihar</b>	1746.5	870.1	188.2	128.2
<b>Uttar Pradesh</b>	1973.6	864.2	329.5	46.0
<b>Madhya Pradesh</b>	2010.4	878.2	228.1	148.6
<b>West Bengal</b>	2563.5	1197.5	311.1	129.8
<b>Jharkhand</b>	2813.6	1278.3	373.9	217.6
<b>Rajasthan</b>	2823.9	1279.6	354.1	569.8
<b>Odisha</b>	2892.1	1248.4	336.8	182.6
<b>Maharashtra</b>	3075.7	1655.1	329.2	69.9
<b>Punjab</b>	3169.4	1519.5	426.7	232.6
<b>Gujarat</b>	3226.7	1114.7	309.8	270.9
<b>Assam</b>	3278.2	1530.7	510.4	256.5
<b>Kerala</b>	3369.9	1741.6	475.6	344.7
<b>Karnataka</b>	3568.0	1535.9	403.1	305.7
<b>Tamil Nadu</b>	3726.4	1534.8	462.4	148.2
<b>Chhattisgarh</b>	3911.9	613.0	390.8	212.8
<b>Andhra Pradesh</b>	3999.0	1283.7	427.4	160.1
<b>Haryana</b>	4144.9	1946.7	380.5	595.5
<b>Himachal Pradesh</b>	6505.0	3434.0	918.9	1074.0

Source: Computed from data available in State Finances: A Study of Budgets, Reserve bank of India, various years; and the website of the Central Statistical Organisation (CSO).



## GLOSSARY

### Acronyms

<b>CBGA</b>	Centre for Budget and Governance Accountability
<b>CSO</b>	Central Statistical Organisation
<b>DLHS</b>	District Level Household Survey
<b>ICDS</b>	Integrated Child Development Services
<b>ICMR</b>	Indian Council of Medical Research
<b>MDM</b>	Mid Day Meal
<b>NFHS</b>	National Family Health Survey
<b>NPEGEL</b>	National Programme of Education for Girls at Elementary Level
<b>NRHM</b>	National Rural Health Mission
<b>NSDP</b>	Net State Domestic Product
<b>NSS</b>	National Sample Survey
<b>RCH</b>	Reproductive and Child Health
<b>SRS</b>	Sample Registration System
<b>SSA</b>	<i>Sarva Shiksha Abhiyan</i>
<b>TSC</b>	Total Sanitation Campaign
<b>UNICEF</b>	United Nations Children's Fund

### Translations

*Sarva Shiksha Abhiyan* : Education for All Scheme  
*Kasturba Gandhi Balika Vidyalaya* : Scheme Providing Residential Schools for Girls

### Key Terms

**Actuals:** The figures (of receipts and expenditure) for the previous fiscal year would be referred to as Actuals or Accounts.

**Approved Budget:** It is the total amount of funds approved by the Central Government as expenditure for the financial year.

**Budget Estimates (BE):** The estimates presented in this Budget for the approaching fiscal year would be called Budget Estimates (BE).

**Central Sector Schemes (also known as Central Plan Schemes):** The entire amount of funds for a Central Sector Scheme/Central Plan Scheme is provided by the Central Government from the Union Budget. The State Government implements the Scheme, but it does not provide any funds for such a Scheme from its State Budget.

**Centrally Sponsored Schemes (CSS):** Government schemes wherein

the Central Government provides a part of the funds and the State Government provides a matching grant. The ratio of contributions by the Centre and a State is pre-decided through negotiations between the two. CSS were formulated with monitorable targets at the central level with adequate provision of funds in the Union Budget under various Ministries. The objectives, strategy and methodology of implementation are prescribed and funds are released to the States based on their requirements. These schemes which were initially restricted to a few well defined activities, have multiplied to include considerable areas of activity performed by the State Governments. CSS came into being also due to the availability of external funding for social sector programmes which was earlier available only for economic activities of the Government.

CSS also introduced a new mechanism for fund transfer from the Centre to the States, by routing the funds outside the State Budget through autonomous societies. This was done to address the growing fund flow problems faced by States during the first half of the financial year, leading to untimely releases and delayed implementation.

**Electronic Fund Transfer (EFT):** The Electronic Fund Transfer system (or National Electronic Fund Transfer) was introduced by Reserve Bank of India in March 2004 through which electronic instructions can be given by banks to transfer funds. EFT allows for paperless direct debit and credit transactions by banks. Prior to this system, a pay order was sent followed by the cheque, which delayed the transfer of funds from one level of government to the other.

**Funds Available:** It includes the total approved budget for the financial year plus unspent balances with the State Government plus the interest earned on money parked in the bank account.

**Funds Released:** It is the total amount of funds that are released by the Central Government as expenditure for the financial year. Owing to the problem of poor fund utilisation, the total funds released are usually lower than the total budget approved for the financial year.

**Gross Domestic Product (GDP):** The Gross Domestic Product (GDP) of a country indicates the size of the country's economy. Usually, GDP of a country for any particular year is expressed as a comparison with its value for the previous year. For instance, if we read somewhere that the GDP in 2007-08 will grow by 5 per cent, what it means is the economy will be 5 per cent larger than what it was last year.

**Non-Plan expenditure:** Any expenditure of the government that does not fall under the category of Plan Expenditure is referred to as Non-Plan Expenditure. Sectors like Defence, Interest Payments, Pensions, Subsidies, Police, Audits etc. have only Non-plan Expenditure since these services are completely outside the purview of the Planning

Commission; while sectors like Agriculture, Education, Health, Water & Sanitation etc. have both Plan and Non-plan Expenditure.

**Net State Domestic Product (NSDP):** Net State Domestic Product (NSDP) equals the Gross State Domestic Product (GSDP) minus depreciation on capital goods. GSDP refers to the size of the State's economy. NSDP is the most complete measure of productive activity within the borders of a State, though its accuracy suffers from the difficulty of measuring depreciation (or capital consumption allowance).

**Plan Expenditure:** Plan Expenditure is meant for financing the development schemes formulated under the given Five Year Plan or the unfinished tasks of the previous Plans. Once a programme or scheme pursued under a specific Plan completes its duration, the maintenance cost and future running expenditures on the assets created or staff recruited is not regarded as Plan Expenditure.

**Public Expenditure:** In the present set of outputs, the terms public expenditure and government expenditure are used interchangeably. Public expenditure is the amount of funds spent by the Government on provision of critical services and functions.

**Revised Estimates (RE):** The estimates presented in this Budget for the current/ongoing fiscal year based on the disbursements in the first two to three Quarters of the fiscal year would be called as Revised Estimates (RE).

**Social Services:** There are three kinds of government services/functions – economic, social and general. Government services/functions which usually lead to income generating activities for people and promote the expansion of economic activities in the country are called Economic Services. Social Services usually refer to the interventions by the Government which are expected to promote social development. Although better outcomes in the social sector, like better education and better health, also contribute towards economic development, this effect would be indirect and take more time to be realized. The term General is meant to distinguish these services from the other two kinds of services, i.e. Economic and Social. E.g. interest payments, repayment of debt, defence, law and order and pensions.

**Social Sector:** In the discourse on public policy in India, the terms Social Services and Social Sector are used interchangeably. In the present set of outputs, however, the term Social Sector refers to Reserve Bank of India's (RBI) definition of Social Sector. According to the RBI (in its document – State Finances: A Study of Budgets), Social Sector includes all Social Services, Rural Development, and Food Storage and Warehousing.

**State Own Tax Revenue:** Every State Government mobilises its Own Revenues from various sources. State Governments have

been vested with the powers to levy certain types of taxes and duties, which include: Sales Tax (tax on intra-State sale of goods), State Excise (a duty on manufacture of alcohol), Stamp Duty (a duty on transfer of property), Land Revenue (a levy on land used for agricultural/non-agricultural purposes), Duty on Entertainment and Tax on Professions.

**State Own Non-Tax Revenue:** State Governments can also mobilise from Non-Tax Revenue. Interest receipts, Fees/User Charges, and Dividend & Profits from Government Enterprises together constitute the Non-Tax Revenue of the Government. For instance, if a State owns a hospital and levies user fees, the revenue accruing from the same would comprise part of the State's Own Non-Tax Revenue.

**State Plan Schemes:** There are three different kinds of Plan Schemes, which are implemented in any State, viz. State Plan Schemes, Central Sector Schemes and Centrally Sponsored Schemes. The funds for State Plan Schemes are provided only by the State Government, with no 'direct contribution' from the Centre. However, the Centre may provide, at the recommendation of Planning Commission, some assistance to the State Government for its State Plan schemes, which is known as 'Central Assistance for State & UT Plans'. Unlike the Centre's grants to a State under central schemes, the 'Central Assistance for State & UT Plans' cannot be tied to any conditionalities of the central government ministries.

**Total Central Transfers:** Total Central Transfers to State Governments include three components – Share of State in Central taxes, Loans from Centre and Grants from the Centre. Grants comprise of both Finance Commission-recommended grants as well as Planning Commission-recommended grants.









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