

OVERVIEW

Budgeting for Change Series, 2011



This report is the product of a collaboration between the Centre for Budget and Governance Accountability (CBGA), New Delhi 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. 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.

For further information, please contact:
Social Policy, Planning, Monitoring and Evaluation (SPPME)
UNICEF India
New Delhi December 2011

CONTENTS

1. CONTEXT	1
2. KEY INDICATORS OF CHILD WELL-BEING.....	1
3. SOCIAL BUDGET ANALYSIS: AN INTRODUCTION.....	2
4. SOCIAL BUDGETING IN THE INDIAN CONTEXT	3
a. Social Budgeting in a Federal System.....	4
b. Spending on child-focused programmes.....	6
5. METHODOLOGY UNDERPINNING THE RESEARCH AND ANALYSIS	7
6. KEY ISSUES	7
7. CONCLUSIONS.....	9

Note to readers:

Rs. 10 million is equivalent to Rs. 1 crore

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

1. CONTEXT

India shows steady progress on closing human development gaps, but in the face of a large population still underserved in terms of essential quality services, the challenges remain numerous. In addition, India's increasingly mobile population and its diverse linguistic and social groups need innovative strategies to ensure inclusion irrespective of circumstance or identity.

These human development challenges need to be the subject of policies and plans that are adequately resourced, financially as well as in terms of human resources, if they are to be achieved within the timeframes established by policymakers. In particular, such policies and programmes require both the *allocation of sufficient* resources, on the one hand, and the existence of *transparent processes* of budgetary allocation and utilisation, on the other, that can ensure that public resources are reaching the communities, households and individuals that require them the most. Both aspects together can enable timely implementation of planned interventions as well as effective monitoring and evaluation of the efficacy of public spending.

Children below the age of 18 years comprise over one-third of India's population. Many Indian states have child populations similar to the entire population of countries such as Germany. Households with children in the age group 0-17 years constitute more than three-fourths of Indian households (74 per cent)¹. Despite being such a significant constituency in India's population, data on diverse aspects of child well-being still indicate considerable distance from universal outcomes.

2. KEY INDICATORS OF CHILD WELL-BEING

Table 1. Basic Data[†] (2010 unless otherwise stated)

U5MR (per 1,000 live births)/MDG goal (2015)	63/42
Underweight* (% , moderate and severe, 2005-2006)	43
(urban/rural, poorest/richest)	(33/46, 57/20)
Maternal mortality ratio** (per 100,000 live births, adjusted, 2008)/MDG goal (2015)	230/109
Primary school attendance (% , net male/female, 2005-2006)	85/81s
Survival rate to last primary grade (% , 2005-2006)	95s
Use of improved drinking water sources (% , 2008)	88
Use of adequate sanitation facilities (% , 2008)	31
Child labour (% , 5-14 year olds, 2005-2006)	12
Birth registration (% , under 5 years, 2005-2006)	41

¹ Calculated from National Family Health Survey (NFHS) 2005-06.

(male/female, urban/rural, poorest/richest)	(41/41, 59/35, 24/72)
One year olds immunised against DPT3 (%)	72
One year olds immunised against measles (%)	74

† More comprehensive data on children and women are available at www.childinfo.org

* Underweight estimates are based on the WHO Child Growth Standards adopted in 2006.

** The reported estimate is 250 deaths per 100,000 live births (2004-2006), as presented in The Special Bulletin on Maternal Mortality in India, 2004-2006.

The UN Interagency Group (WHO, UNICEF, UNFPA and The World Bank) produces internationally comparable sets of maternal mortality data, which account for the well-documented problems of under-reporting and misclassification of maternal deaths, including also estimates for countries with no data. Comparable time series on maternal mortality ratios for the years 1990, 1995, 2000, 2005 and 2008 are available at http://www.childinfo.org/maternal_mortality.html

s - Survey data.

3. SOCIAL BUDGET ANALYSIS: AN INTRODUCTION

UNICEF and the Centre for Budget and Governance Accountability (CBGA) formed a partnership in 2005 to conduct social budget analysis with a focus on programmes affecting children. The partnership undertook a series of analyses on the share of resources, and impact of public investments allocated to realizing children's rights in India. Between 2007 and 2008, field work was conducted in six states, by CBGA and partner organisations in the states to delve deeper into state and district specificities². Secondary data were continually updated to reflect the latest available information.

As a product of political decisions on how resources should best be raised and used, the budget is a concrete expression of a country's priorities. The scrutiny of government budgets therefore has evolved as a useful analytical tool for assessing the priorities accorded to different sectors in public expenditure by the Union and State Governments in India.

From a child rights perspective, public investments on "social sectors" (like education, health, nutrition, water supply and sanitation etc.) provide the larger resource envelope for most of the child-focused government interventions in the country. **Social budget analysis** aims to bring to public focus how government budgets for schemes that affect children are allocated and spent. Among the desired outcomes of social budget work are greater - and more effectively channeled - resources for children, women and families in need of public support. The focus is twofold. The first is on the analysis of *allocations and expenditures* on social sector schemes in India. This reveals the priorities accorded to these sectors in public expenditure in the country. The second component of social budget analysis is an assessment of *budgetary processes*. This can generate significant insights about the factors that constrain effective utilisation of funds in social sector programmes. The latter assumes importance especially in a federal system such as India's, where states that have the highest shares of poverty and deprivation are also those that face governance challenges in ensuring effective planning, monitoring and utilisation of available resources. Thus the framework for analysing both financial commitments and budgetary processes needs to take into account the fiscal architecture as well as the intricate fiscal processes prevailing in the country.

² Open Learning Systems (OLS) in Odisha, Asian Development Research Institute (ADRI) in Bihar, and Samarthan-Centre for Development Support in Madhya Pradesh and Chhattisgarh.

While the starting point of the social budget analysis was to assess the allocations for programmes that benefit children – both in terms of general social sector investments in health, water and sanitation and

education, as well as specific programmes aimed directly at children under 18, such as scholarship programmes, welfare and protection programmes – the broader governance architecture within which these allocations were being spent emerged as a critical aspect. As noted by Rajkumar and Swaroop (2008), many studies suggest that public spending alone does not yield results for development outcomes:

“The reality is that public spending, governance and development outcomes are interlinked ... Our analysis shows that differences in the efficacy of public spending in improving health and education outcomes can be explained by the quality of governance”

AS Rajkumar and V Swaroop, 2008

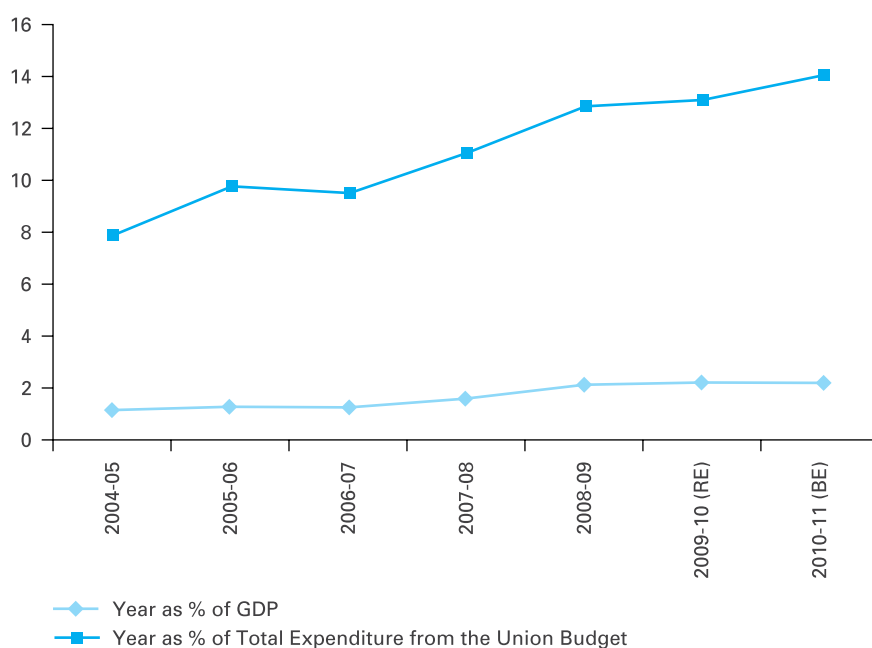
‘Public Spending and Outcomes: Does governance matter?’ *Journal of Development Economics* 86 (2008) 96–111

Given the importance of governance it was realised that the relationship between outlays and outcomes needed to be disaggregated first to understand how outlays translated into outputs (as per the needs and gaps identified in development plans); and next into how outputs translated into outcomes (that were aspired to in development policies). The latter relationship is the more complex one to unpack, requiring an understanding of the supportive investments needed to ensure quality in service delivery. These investments could be in the nature of human resources, including supervision and training, staff responsiveness to the needs of local communities measured through accountability and transparency measures; and other often intangible dimensions all of which appear under the rubric of governance. The overall outlay to outcome relationship therefore is not the focus of this body of work, given that this is not a linear equation. The focus instead is on the first step i.e. the relationship between outlays and planned outputs as identified in public policy documents available at the national and state levels.

4. SOCIAL BUDGETING IN THE INDIAN CONTEXT

As Figure 1 shows, social sector spending as a proportion of total expenditure from the Union Budget has been steadily on the rise in India in the past few years, although when seen as a proportion of GDP, the growth is flatter. The Union Government’s support for social programmes has continued to expand, especially through the launch of ambitious schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the National Rural Health Mission (NRHM), and the *Rashtriya Swasthya Bima Yojana* (RSBY), an innovative health scheme which is being piloted in several states.

Figure 1: Expenditure from the Union Budget on Social Services* (2004-05 to 2010-11)



* (1). This includes the Plan Expenditure and Non-Plan Revenue Expenditure from the Union Budget on the following services: Education, Youth Affairs and Sports, Art & Culture; Health & Family Welfare: Water Supply & Sanitation; Housing & Urban Development; Information & Broadcasting; Welfare of SCs, STs and OBCs; Labour & Welfare: Social Welfare & Nutrition; and Other Social Services.

(2). This does not include Non-Plan Capital Expenditure from Union Budget on Social Services, if any. Non-Plan Capital Expenditure on Social Services is sporadic and usually of a very small magnitude. Hence, this figure captures almost the entire magnitude of expenditure on Social Services from the Union Budget.

Source: Compiled by CBGA from Expenditure Budget Vol. I, Union Budget 2010-11, Govt. of India

a. Social Budgeting in a Federal System

In the fiscal architecture that has evolved in India, a significant amount of financial resources are transferred from the Union Government every year to every State Government so as to enable the latter to meet their expenditure requirements.

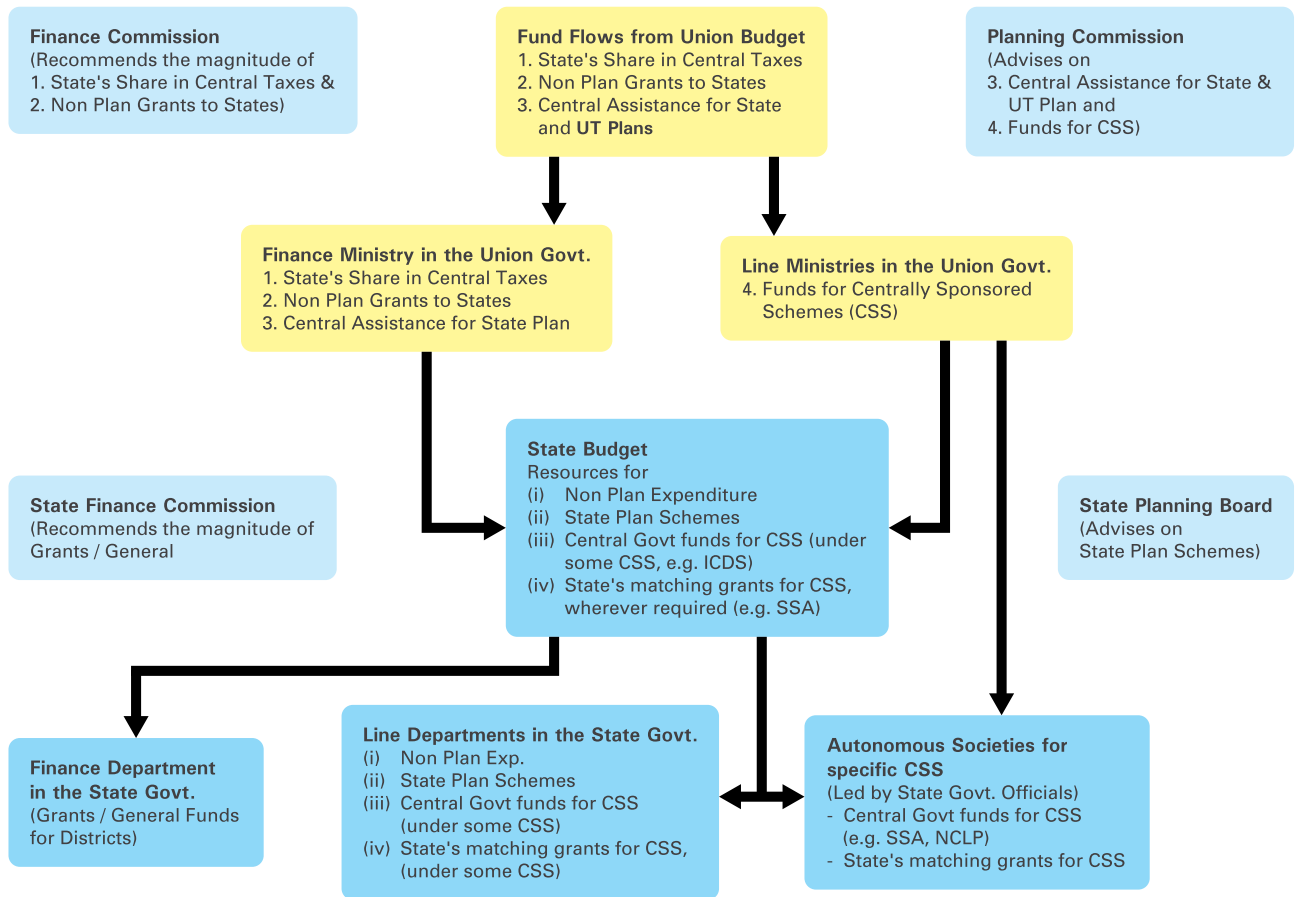
There are three main channels which govern the fiscal transfers from the Union Government to States.

- First, the Central Finance Commission makes recommendations regarding States' shares in central taxes as well as the magnitude of grants for States out of the central divisible pool of resources.
- Second, the Planning Commission makes recommendations on the magnitude of grants and loans to be provided to States for financing their expenditure on new and targeted interventions for socio-economic development.
- Third, there are Central Sector Schemes and Centrally Sponsored Schemes, designed by the various Union Government Ministries in consultation with the Planning Commission, in which the central funds are transferred to the States implementing the schemes.

The schemes which are entirely funded by the Union Government (e.g. the Backward Region Grants Fund and *Rashtriya Krishi Vikas Yojana*) are called Central Sector Schemes, while the schemes which are partly funded by the Union Government with the States contributing a matching share of funds (e.g. the *Sarva Shiksha Abhiyan*, the *Total Sanitation Campaign* etc.) are called Centrally Sponsored Schemes.

State governments contribute a large share of resources, and most social sector issues that affect children are the responsibility of both the State and Union Governments, as per the Constitution of India. State governments have to match allocations or make contributions to Union Government allocations for centrally sponsored programmes. Figure 2 summarises the channels through which funds flow both from the Union Government and State governments for social sector spending.

Figure 2: Flow of Funds from Union Budget to a State



b. Spending on child-focused programmes

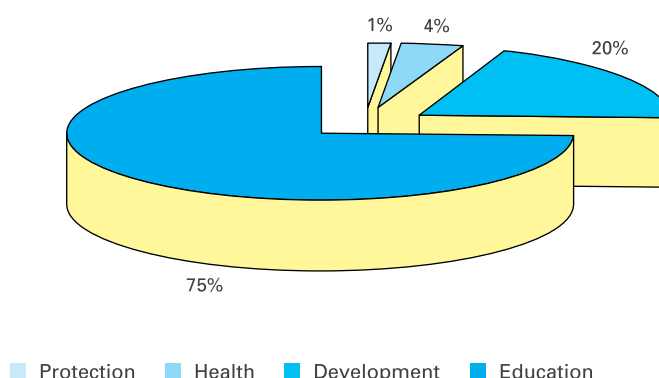
As children comprise one of the largest disadvantaged sections of Indian society, there is a strong case for identifying the proportion of public expenditure meant for addressing their needs. This requires the segregation of schemes meant specifically for addressing the needs of children, from other development schemes. The total magnitude of budget outlays on child specific schemes is referred to as the 'Child Budget.' Thus, 'Child Budget' is not a separate budget but a part of the total government budget.

A Statement on 'Child Budgeting' was introduced in the Union Budget for 2008-09 (i.e. *BUDGET PROVISIONS FOR SCHEMES FOR THE WELFARE OF CHILDREN*, Statement 22, Expenditure Budget Vol. I, Union Budget 2008-09). This statement has been carried over in subsequent Union Budgets (i.e. in 2009-10, 2010-11 and 2011-12), and captures all child-specific schemes in the Union Budget. In 2008-09, when the 'Child Budgeting' statement was introduced in the Union Budget, the "Demands for Grants" with child-specific schemes included those of the Ministries of *Women and Child Development, Human Resource Development, Health and Family Welfare, Labour and Employment, Social Justice and Empowerment, Tribal Affairs, Minority Affairs, and Youth Affairs and Sports*. The 'Child Budgeting' statement now covers 21 "Demands for Grants" (including Union Ministries of *Atomic Energy, Nuclear Power, Industrial Policy and Promotion, Posts, Telecommunication, and Information and Broadcasting* among others), marking a significant increase from an initial eight "Demands for Grants" in 2008-09.

Of the total resources earmarked for children in the 2010-11 Budget Estimates (BE) Union Budget, 75 per cent is for Child Education, 20 per cent for Child Development, 4 per cent for Child Health and only 1 per cent for Child Protection (Figure 3). What this implies is that the shortage of resources could be most acute in the Child Health and Child Protection sectors.

Figure 3: Sectoral Composition of the Total Outlay for Children in Union Budget 2010-11 (BE)

Composition of total Allocation Earmarked for Children in the Budget 2010-11 (BE)



Source: Compiled by Centre for Budget and Governance Accountability from Union Budget 2010-11, Expenditure Budget Vol. I & II, Govt. of India.

5. METHODOLOGY UNDERPINNING THE RESEARCH AND ANALYSIS

The data on which the reports in this series are based are case studies of a selected set of Centrally Sponsored Schemes, including the *Sarva Shiksha Abhiyan* (SSA), Integrated Child Development Services (ICDS), Reproductive and Child Health (RCH) programme and Immunization programme (both under the NRHM), and the Total Sanitation Campaign (TSC). Secondary data on allocation, release and expenditure/utilisation were scrutinized, and complemented with primary data based on discussions and interviews with key officials at state and district levels of government. As mentioned above, budget data for six states were studied in depth (Uttar Pradesh, Chhattisgarh, Madhya Pradesh, Bihar, Odisha and Rajasthan), and further data collected in one district each of two states (Uttar Pradesh and Chhattisgarh).

Four different kinds of data have been collected through the studies:

- (i) Data on *approved budget outlays, funds released, total funds available and expenditure reported* for the state and district (as relevant) during the last four financial years;
- (ii) Data on the *time-line of fund flow and fund utilisation in the state and district* (as relevant);
- (iii) Perceptions of relevant government officials, involved in planning and implementation of the scheme, on the major constraints in effective utilisation of funds; and
- (iv) Perceptions of grassroot-level service providers as regards constraints faced at the level of the primary units of service delivery (e.g. Primary School, Primary Healthcare Centre, and *Anganwadi* Centre).

6. KEY ISSUES

Allocations made for some of the social sector schemes in Union Budgets fall short of the allocations recommended for these schemes by the Planning Commission for the Eleventh Five Year Plan period. As shown in Table 2, the total provisioning in the five Union Budgets during 2007-08 to 2011-12 has been only 22 per cent of the recommended outlay for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and 45.5 per cent for Teacher Training; although, *Sarva Shiksha Abhiyan* (SSA) and Mid Day Meal (MDM) schemes have fared better with 102 per cent and 81 per cent respectively. SSA reports more than 100 per cent allocations as it also takes into account the previous years' unspent balances. The mismatch between the outlays recommended by the Planning Commission and the allocations made in the Union Budget during the Eleventh Plan period seems more pronounced in case of the National Rural Health Mission (NRHM), which has direct impact on child health; the total plan allocation made in the Union Budgets for NRHM for 2007-08 to 2011-12 stands at 77 per cent of the quantum of funds recommended by the Planning Commission for the entire Eleventh Plan period. For the Integrated Child Development Services

(ICDS), which addresses the development needs of children in the 0 to 6 years age group, the total allocations made in the Union Budgets during the Plan period stands at 92 per cent of the quantum of funds recommended by the Planning Commission for the Eleventh Plan period.

One of the main reasons that the Union Budget allocations fall short of the Planning Commission recommended outlays for the social sector

Table 2: Outlays Recommended (by Planning Commission) for Eleventh Plan vs. Union Budget allocations made in the Plan period (2007-08 to 2011-12)

Scheme	Outlay Recommended for Eleventh Plan (in Rs. Crore) [at current prices]	Plan Allocation made in the Union Budget (in Rs. Crore)					Total Union Budget allocation made in the Eleventh Plan (in Rs. Crore)	Union Budget Allocation made during 2007-08 to 2011-12 as % of Outlay Recommended for Eleventh Plan
		2007-08 (RE)	2008-09 (RE)	2009-10 (RE)	2010-11 (RE)	2011-12 (BE)		
Sarva Shiksha Abhiyan (SSA)	71000.0	11295.6	12639.2	12825.4	15000.0	21000.0	72760.2	102.5
Mid Day Meal (MDM) Scheme	48000.0	5632.2	6530.5	6931.7	9440.0	10380.0	38914.4	81.1
Teacher Training	4000.0	312.0	307.0	325.0	375.0	500.0	1819.0	45.5
Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	22620.0	1.0	511.0	550.0	1500.0	2424.0	4985.9	22.0
National Rural Health Mission (NRHM)	89478.0	10669.0	11930.0	13378.0	15037.0	17924.8	68938.8	77.0
Integrated Child Development Services (ICDS)	42400.0	5193.2	6932.7	8154.5	8700.0	10330.0	39310.5	92.7

Note: * Figures for Union Budget allocations for these schemes do not include the *Lumpsum provision of funds for North Eastern Region and Sikkim*, if any. BE: Budget Estimates, RE: Revised Estimates.

Expenditure figures SSA, MDM and ICDS for the years 2007-08 to 2009-10 are actual figures. Allocations for SSA as a proportion to the Eleventh Plan period recommended outlays are higher than 100 per cent as these also include unspent balances carried over from previous years.

Source: Compiled by Centre for Budget and Governance Accountability (CBGA) from *Eleventh Five Year Plan*, Planning Commission, Govt. of India; and *Union Budget*, Govt. of India, various years.

schemes has been the inability of many of the States to expedite spending in such schemes. The present series of studies finds that typically, a large share of spending gets crowded in the last two quarters of a fiscal year, with greater levels of spending often on outputs where it is easier to disburse money as compared to others which require investment in time and quality of service delivery (training, information, communication). Human resource intensive components appear particularly compromised because of significant levels of vacancy across key functions of service delivery. Typically also, states which have greater capacity gaps tend to receive less funds because of their inability to absorb and spend allocated funds, ultimately to the benefit of states which have better coverage and governance of services. The latter are consequently able to absorb additional funds that are unspent or unclaimed.

Under-utilisation of Plan outlays by the states can be traced to the following factors:

(a) Bottlenecks in budgetary processes in the schemes: These include delays in the flow of funds; delays in sending sanction orders for spending; centralised decision-making within states with low delegation of financial powers to the district and sub-district level authorities; uniform norms of Centrally Sponsored Schemes for all states; and incomprehensibility of guidelines of some of the Centrally Sponsored Schemes.

(b) Weaknesses in decentralised planning: These are usually reflective of shortage of personnel, particularly at the district and sub-district levels who can carry out planning activities; lack of emphasis on training and capacity building of staff and community leaders for decentralised planning; and inadequate emphasis on community participation in the planning process.

(c) Systemic weaknesses in the government apparatus in the States, particularly lagging States: Institutional bottlenecks are more often than not the primary constraint for under-utilisation of funds and poor quality of spending. The most important constraint is shortage of trained, regular staff particularly for supervision, management and finance roles. This has considerably weakened the capacity of the government apparatus to implement Plan schemes, in particular monitor programme activities in a manner that mid course correction, if needed, is possible. To give an example, about 70 per cent of ICDS Child Development Project Officer (CDPO) and Supervisor positions in Chhattisgarh were vacant as of 31 December 2009. This resulted in considerable pressure on those in position to supervise the *Anganwadi* centres under them, with some supervising 40 or more centres.

Vacancies among frontline service providers also affect programme implementation. Uttar Pradesh for instance has a considerable shortage of specialist doctors for the reason that the state converted many Primary Healthcare Centres into Community Health Centres without providing such centres with human resources and other facilities. Lack of basic infrastructure also weakens the incentive of service providers to work. As of March 2010, Uttar Pradesh had only about 80 per cent of the required sub-centres and Primary Health Centres and 48 per cent of the required Community Health Centres. Among the existing sub-centres, two-fifths did not even have a building.

7. CONCLUSIONS

Budget analysis provides a window into the interlinked aspects of policy intent, programme design and implementation. The series of reports presented in this collection are aimed at starting a dialogue about the practical challenges that face India despite its impressive

range of policies and programmes for addressing different aspects of child rights. Through regular review of budgetary data compiled by the Government of India, combined with local level monitoring and scrutiny of budgetary processes, it is hoped that budget analysis goes beyond a highly quantitative technical exercise to an exercise in accountability that can bring diverse stakeholders together to change the lives and circumstances of India's children.

The Union and State Governments need to take a number of measures with regard to effective utilisation of budget outlays for development programmes / schemes, including:

- Timely submission of Annual Plans (for central sector schemes) by States and timely approval of such Plans by the Union Government.
- Timely release of fund installments, and Electronic Fund Transfers within the State.
- Expediting the process of sending Sanction Orders and Guidelines to the district-level staff.
- Filling up vacancies in managerial positions.
- Capacity building of staff at the district and sub-district levels.
- Conducting activities like staff recruitment, selection of villages and sites, advance budget provision, etc. in parallel, rather than sequentially.
- Emphasis on strengthening the planning process in districts (through capacity building of government staff and community leaders).
- Strengthening the role of *Panchayati Raj* Institutions in planning and implementation of schemes.
- Greater emphasis on Information, Education and Communication (IEC) activities to ensure allocated funds are utilised
- Imparting some flexibility to States vis-à-vis the norms, guidelines and unit costs in the central schemes.

The specific state and flagship scheme reports included in this series detail many of these aspects.



United Nations Children's Fund

India Country Office
UNICEF House
73, Lodi Estate
New Delhi- 110003
Tel +91 11 24690401
www.unicef.in



B-7 Extn/110A (Ground Floor) Harsukh Marg
Safdarjung Enclave, New Delhi - 110029
Tel: (11) 4920 0400, 4050 4846

www.cbgaindia.org