

Social Sector Expenditures: emerging trends, strengths and weaknesses

Dr. Anit Mukherjee, Fellow,
National Institute for Public
Finance Policy
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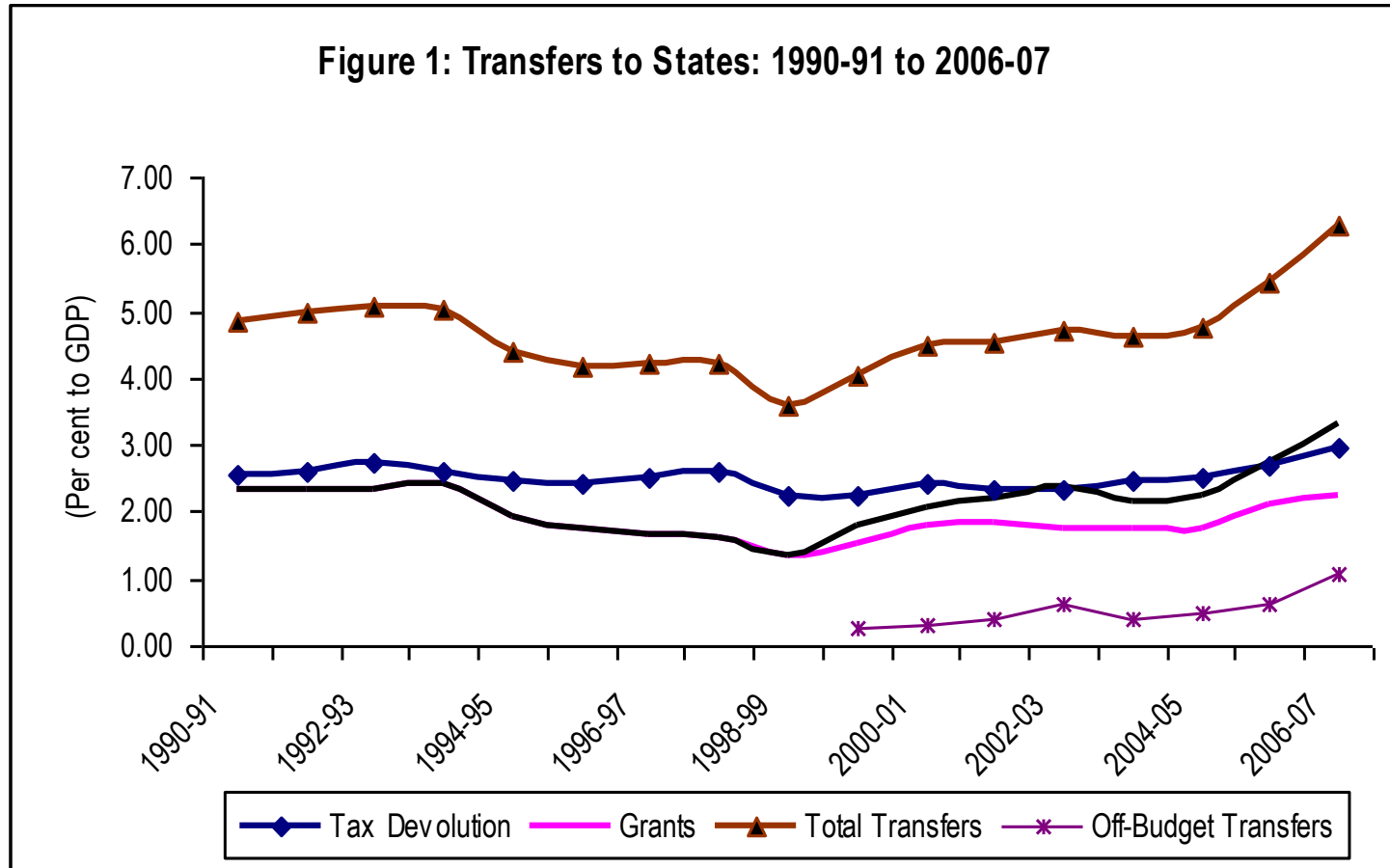


What are the issues?

- Has anything changed in social sector policy?
- Have allocations increased?
- If they have, is it because of the Centre or the States?
- What is the source of increased funding?
- What is happening to implementation?
- Where do we go from here?

Explicit Fiscal Transfers

Figure 1: Transfers to States: 1990-91 to 2006-07

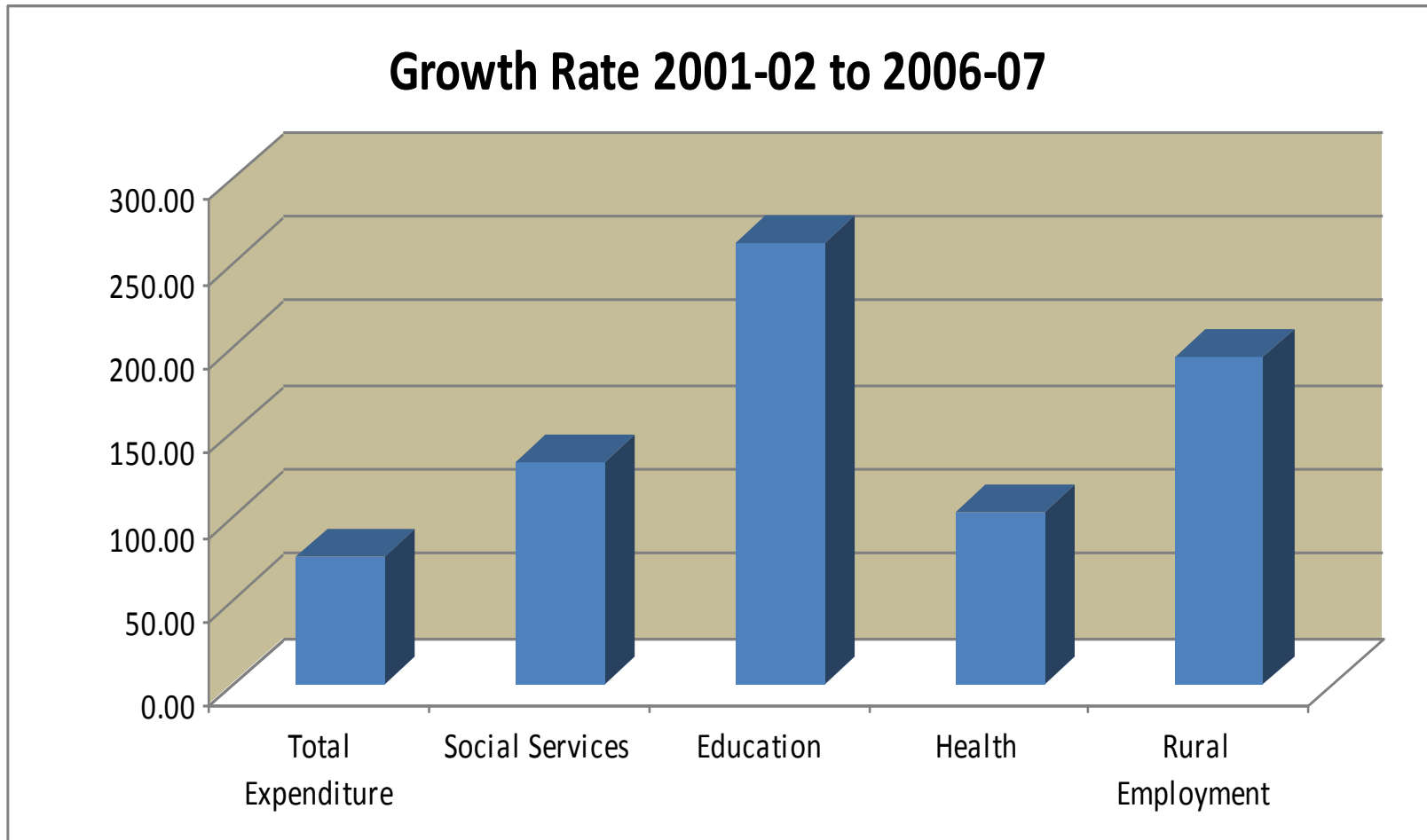


Has anything changed vis-à-vis policy

- Answer: Quite a lot!
- Major changes in education, health and rural employment strategy
- Introduction of 'flagship' programs
 - SSA, NRHM, NREGA, Bharat Nirman
- Political compact – Common Minimum Prog.
- Move to a 'rights-based' approach

Have Allocations Increased?

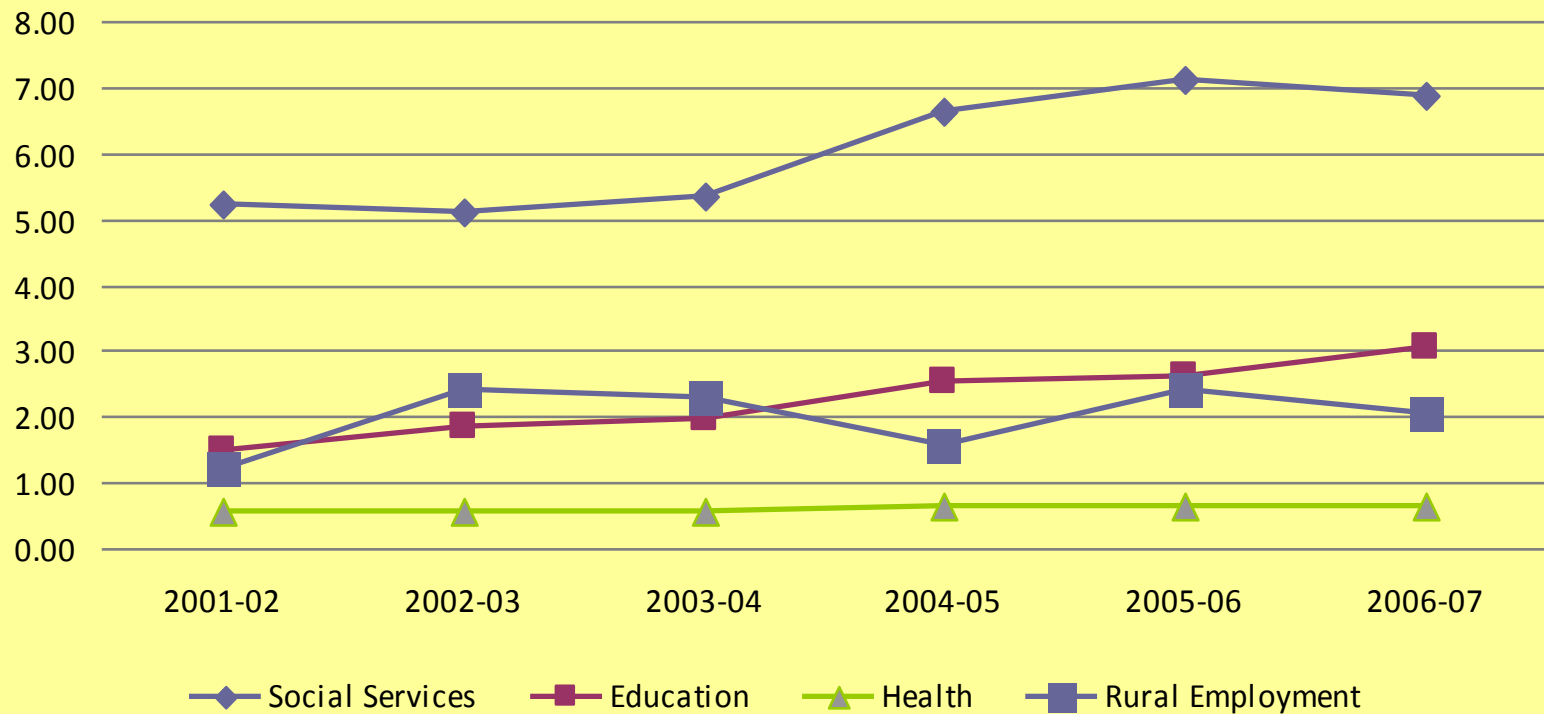
- Answer: Yes! Mostly due to the Centre



In relation to total revenue expenditure.....

- Share of social services have increased

Percentage of Total Revenue Expenditure

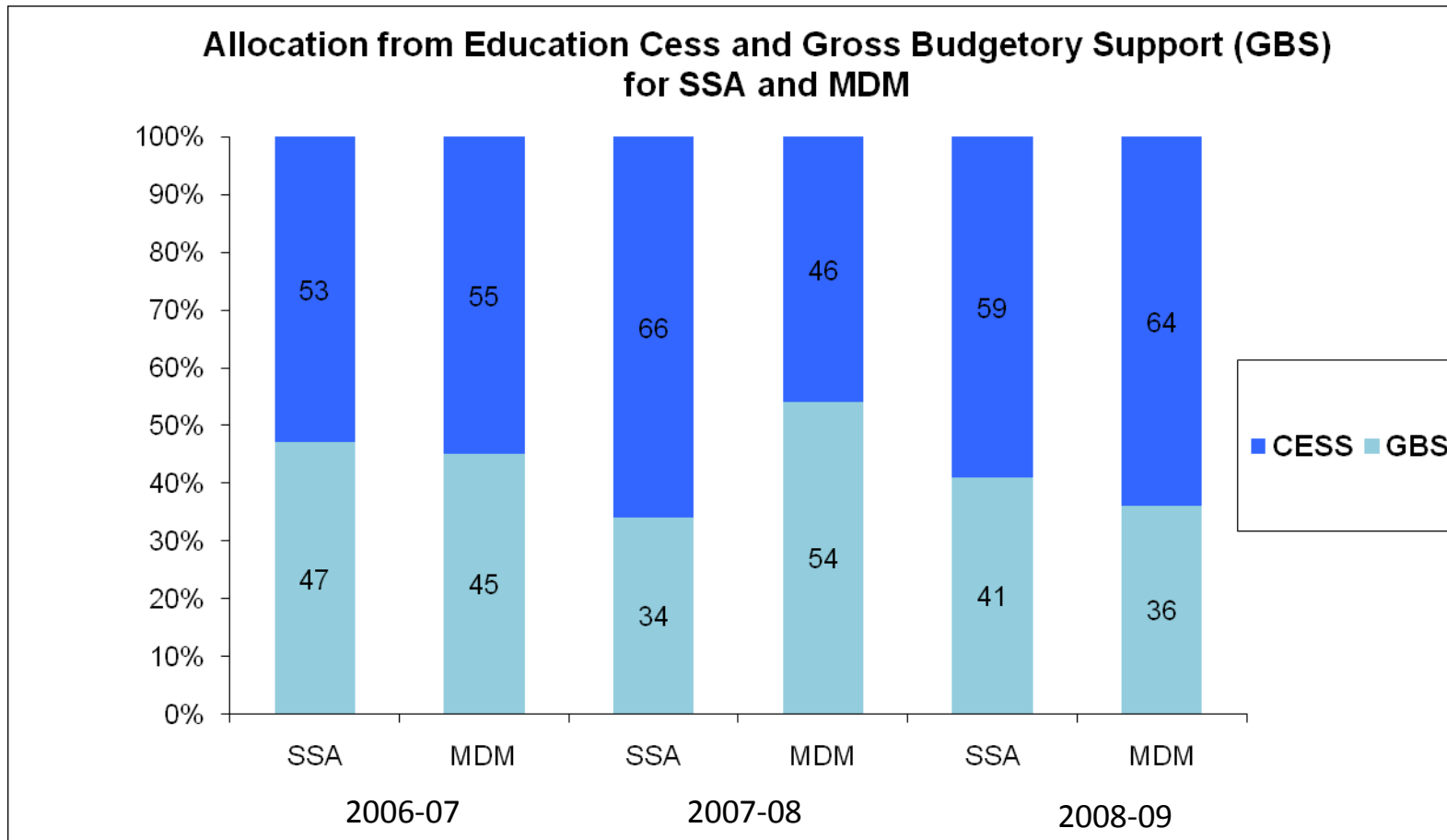


What are the sources of increase?

- Increase in budgetary support
 - NREGA financed exclusively through the budget
- Education Cess
 - Total cess collection in 2008/09 RE: Rs.17209 Cr
- Increased borrowing
 - US\$ 500 million for Vector Borne Disease
 - US\$ 140 million for Karnataka Health System
 - Grants from Global Fund for AIDS, TB, Malaria

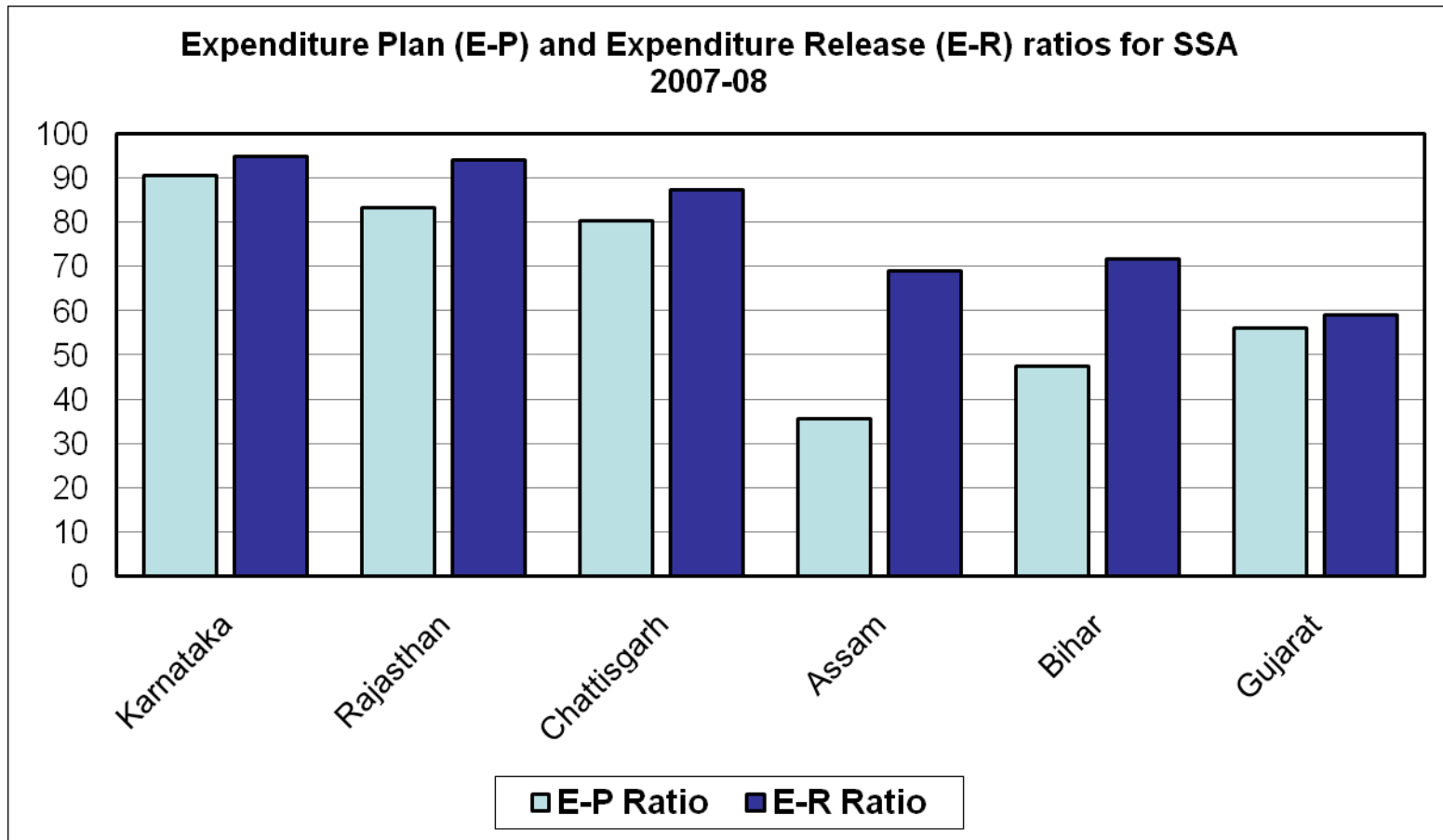
Contribution of Cess in SSA and MDM....

- ...is nearly 60 percent, rest comes from gross budgetary support

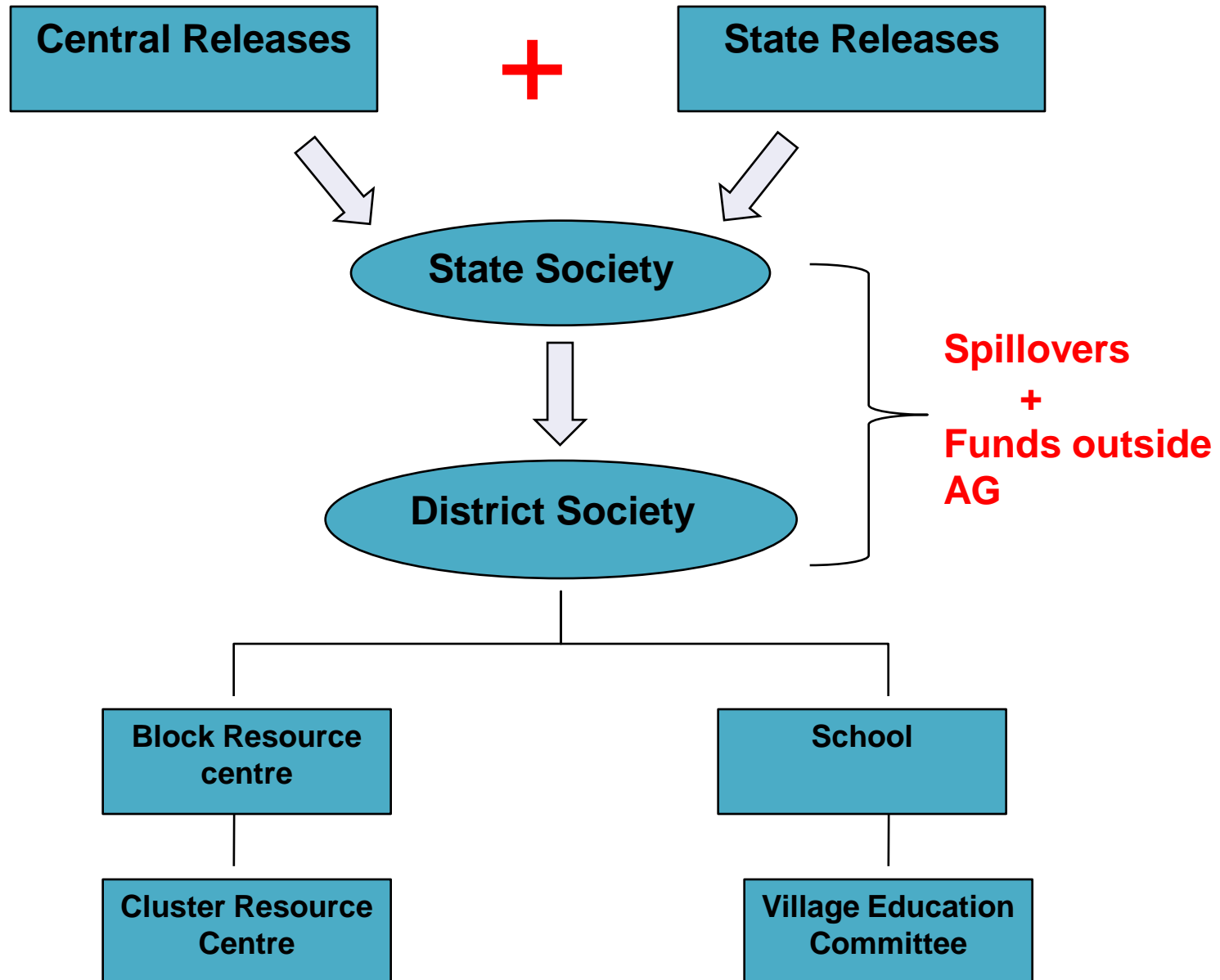


Planning and Implementation.....

- are still not harmonized – plan sizes big, implementation capacity weak



Structure of Transfers – Education/Health



Implementation - Decentralized Framework

Pre-SSA

Broad Function	Responsibility						
	Central Govt	State Govt	District	Block	Village		Service Provider (School)
					GP	Village Groups	
Standards Setting	Orange	Orange	Blue	Blue	Blue	Blue	Blue
Planning	Blue	Orange	Orange	Blue	Blue	Blue	Blue
Asset Creation	Blue	Blue	Orange	Blue	Orange	Blue	Blue
Operation - Non Teacher	Blue	Orange	Blue	Blue	Blue	Blue	Blue
Operation - Teacher	Blue	Orange	Blue	Blue	Blue	Blue	Blue
Monitoring and Evaluation	Orange	Orange	Blue	Blue	Blue	Blue	Blue

Implementation – Decentralized Framework

Post - SSA

Broad Function	Responsibility						
	Central Govt	State Govt	District	Block	Village		Service Provider (School)
					GP	Village Groups	
Standards Setting	Orange	Orange	Blue	Blue	Blue	Blue	Blue
Planning	Blue	Orange	Orange	Orange	Blue	Blue	Blue
Asset Creation	Blue	Blue	Blue	Orange	Orange	Orange	Blue
Operation - Non Teacher	Blue	Blue	Blue	Blue	Blue	Orange	Orange
Operation - Teacher	Blue	Blue	Blue	Orange	Orange	Orange	Blue
Monitoring and Evaluation	Orange	Orange	Blue	Blue	Blue	Orange	Blue

So what's happening on the ground?

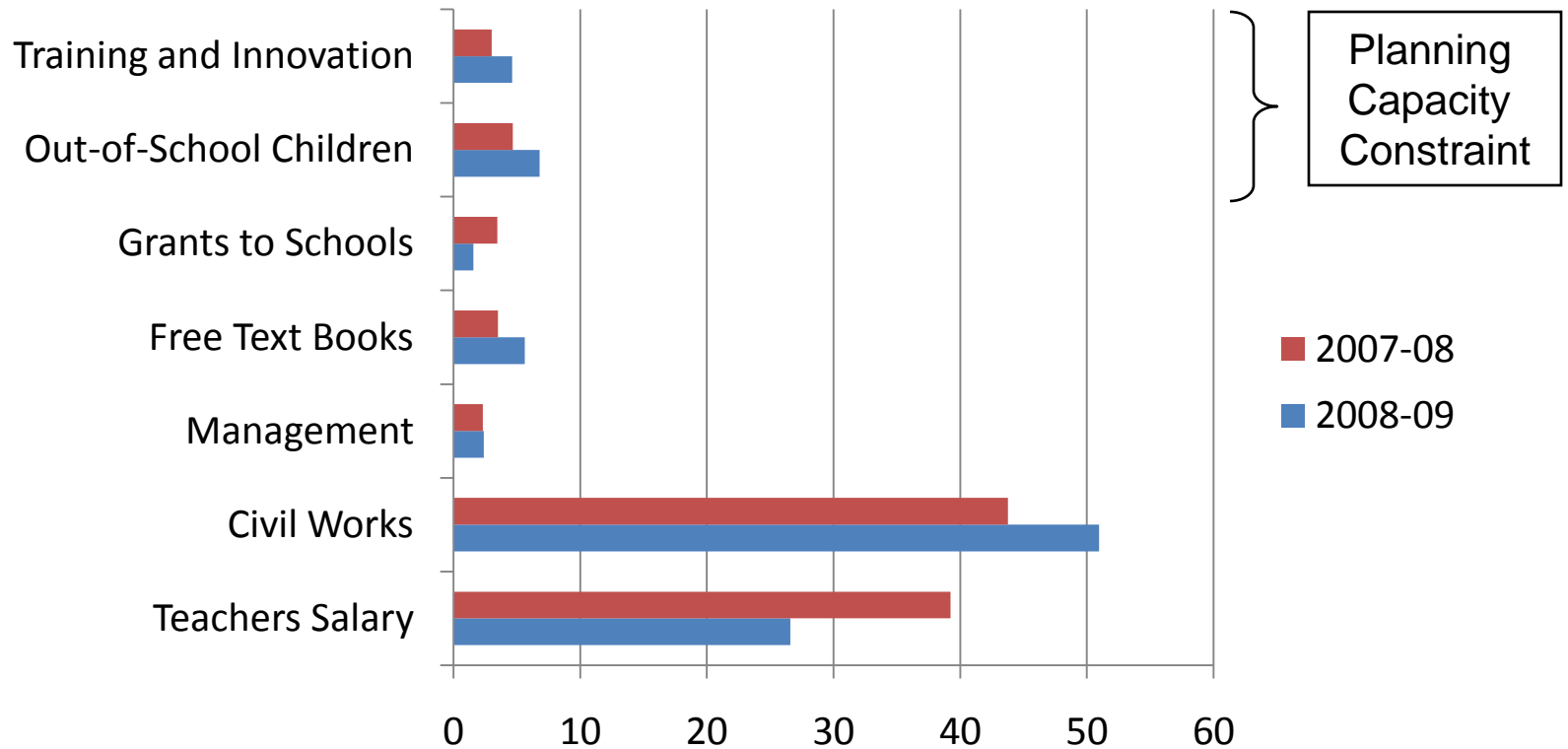
Three Basic Problems

- “Weak Planning Capacity”
- “Irregular Fund Flows”
- “Low Absorptive Capacity”

Planning

- Annual Work Plan and Budget (AWP)
- Guidelines indicate that planning process should be bottom-up from habitation level
- In practice, most plans are made at district or even the state project directorate office
- Norms need to be strictly followed, otherwise plans are rejected at the Project Approval Board

Planning – Analysis of Bihar state AWP

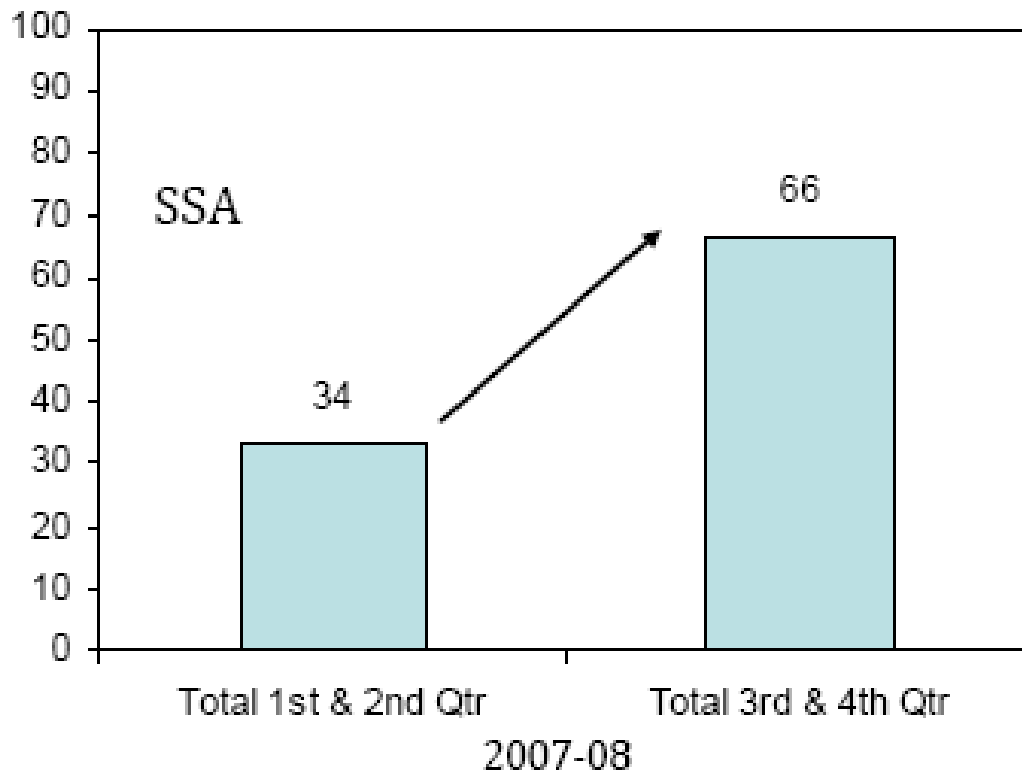


Total AWP size increased from Rs.3145 crore to Rs.5429 crore

Fund Flow

- Issue seems to be more of fund flow and implementation capacity
- Civil works constitute the largest source of spillovers
- Mainly because funds do not arrive on time
- This leads to clustering of expenditure in the latter half of the year

Final quarter rushes to meet spending targets



The components that seem to be most affected are:

1. Civil works
2. Teacher training
3. Grants to school
4. Innovative activities

Between 60 and 70% of total plan allocation

Source: Budget Brief on Education Sector, Accountability Initiative
www.accountabilityindia.org

Absorptive Capacity

- How much (apart from civil works and teacher salaries) go to schools?
- Does it reach on time?
- How and when do they spend it?
- Is the grant amount sufficient?
- If not, how would schools spend the money if they are given say, 1 lakh rupees?

Grant Information – Madhya Pradesh: Bhopal district, Fanda block (Direct Bank Transfer)

Type	Receipts (Month)		Expenditure (Month)		If unspent, why? (Provide codes)	Whether sufficient(Yes/No)?	If not, what amount?
	When?	How Much?	When?	How Much?			
Classroom							
Major Repair							
School Grant	June 2008	3000	Up to March 2009	3000		No	12000
Maintenance Grant	June 2008	7000	Up to March 2009	7000		No	15000
Teacher Grant	June 2008	2000	July 2008	2000		No	6000(Per Teacher 2000)
Furniture Grant							
Girl's Toilet							

Grant Information – Bihar: Patna district, Fatuhan Block (Transfer through Cheque)

Type	Receipts (Month)		Expenditure (Month)		If unspent, why? (Provide codes)	Whether sufficient (Yes/No)?	If not, what amount?
	When?	How Much?	When?	How Much?			
Classroom	.....	.....			
Major Repair	.....	.....			
School Grant	.....	.....			
Maintenance Grant	29-01-2009	17,000 (gate)	.....	00	03	NO	50,000
Teacher Grant	29-01-2009	3,500	.....	00	03	NO	1000/- Per Teacher
Furniture Grant	.....	.....			
Girl's Toilet	.....	.....			

Code: 1. money reached late; 2. no information on money transfer; 3. difficulty in withdrawing money from bank account; 4. no knowledge of type of grant for which money is transferred; 5. others

One Lakh Question – Madhya Pradesh: Bhopal district, Fanda block

Type	How Much ?	How would you spend it?
Textbooks		
Classrooms		
Teachers	7200	Two para teacher for one year
Computers		
Learning Materials		
Furniture	40000	Two Student One desk & One Bench.
Girl's Toilet		
Any other:	63000	Buy one dress per boy, Per child one pen, pencil & Book, Wall painting (Education slogan, Barakhadi, Number etc.)

One Lakh Question – Bihar: Patna district, Fatuhan block, Ward No.22 (municipality)

Type	How Much?	How would you spend it?
Textbooks	.....
Classrooms	.....
Teachers	.....
Computers	.....
Learning Materials	.....
Furniture	50,000	There were no any furniture for the children in the school. So furniture is first priority.
Girl's Toilet+Boys	10,000	There were no any toilet , so it is also very important.
Any other:		
Kitchen shed	20,000	There were no kitchen sheds.
Tube well	10,000	Tube well is most important for drinking water.
Repairing of building roof.	10,000	The school has no own building, it is running on the rent and the roof of this building is made by "khapra"

Some thoughts on the data

- Quantum of grants reaching schools is between 12 to 15 thousand per year
- In Bihar, unutilized grants difficulty in withdrawing money from banks
- Lack of information about type and amount of grant
- Fund flows through cheque in Q4
- In MP, grants come in first half and is fully spent

Some thoughts on the data

In the 'One-lakh Question':

- Bihar schools focus on infrastructure (building, kitchen shed, tubewell etc.)
- MP schools focus on students (furniture, uniform, story books, pen and pencil)
- Both states say furniture is important

Where do we go from here?

- Should there be more flexibility in SSA (and other CSS) norms depending on how states are able to plan and implement the scheme?
- What can be done to improve fund flows – can switching to bank advice instead of cheque help?
- Can absorptive capacity be improved by knowing what schools need and devolving grants accordingly?
- Final point:
Understanding the processes provides clues to achievement of outcomes