

ASER 2008: FINANCING UNIVERSAL ELEMENTARY EDUCATION

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India's universal elementary education initiative known as Sarva Shikha Abhiyan (SSA) is one of the largest such programs anywhere in the world. Started in 2001-02, SSA has marked a watershed in publicly funded basic education in the country. During the first five years of SSA until 2006-07, the total expenditure in the program was around Rs.36,000 crore, shared by the Centre and State governments. Considering that there are nearly 21 crore children in the elementary school age, the expenditure per child works out to be just over Rs.1700 over five years in addition to the expenditure that the states have been incurring annually.

These numbers must be looked at in its proper context. Before SSA came into existence, elementary education was predominantly financed by State governments. Even with the substantial expenditure through SSA, only 20 percent of the total public expenditure on elementary education is being spent by the Central government. What the extra resources of SSA has done, however, is to increase the level of spending in school infrastructure, appointment and training of teachers, and inputs for enhancing learning outcomes. These are the very areas where the State governments were not being able to provide enough resources in the decade of the 1990.

Financing a program of the size of SSA requires both revenue mobilization and implementation capacity. During the first phase of SSA, the Central government contributed 75 percent of the total releases, while the State government filled in the rest 25 percent. Resources from lenders and donors such as the World Bank, DFID and European Union (EU) were pooled with the budgetary support from the Central government. Allocations were made on the basis of annual plans drawn up by the States. These were supposed to be the outcome of a planning exercise starting from the school and local community at the bottom and worked upwards as per the needs of the block and district levels. Finally, the UPA government imposed an education cess of 2% on all taxes in the 2004-05 budget as additional revenue mobilization to fund both SSA and the mid-day meal (MDM) programs.

Figure 1: Progress in SSA expenditure

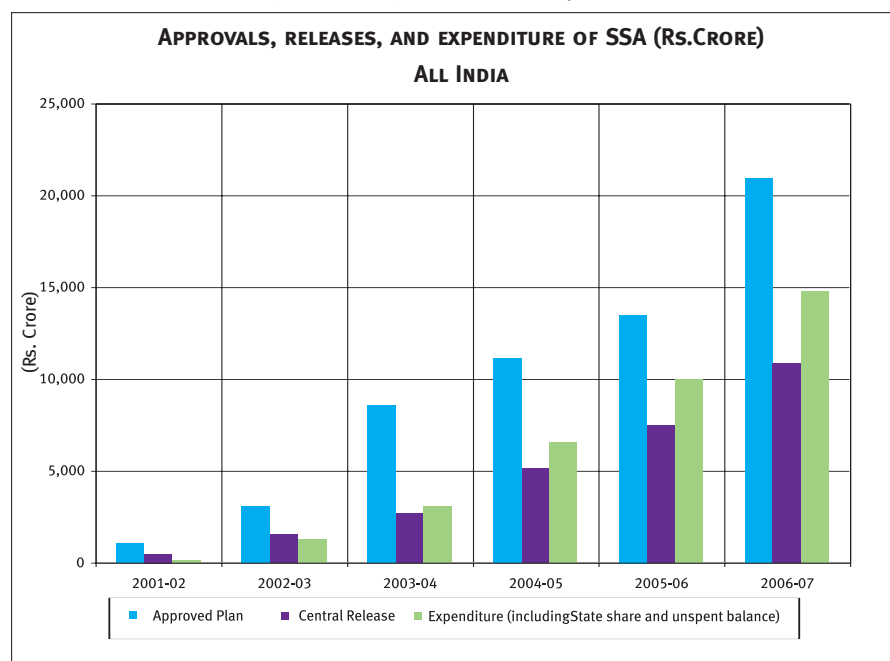
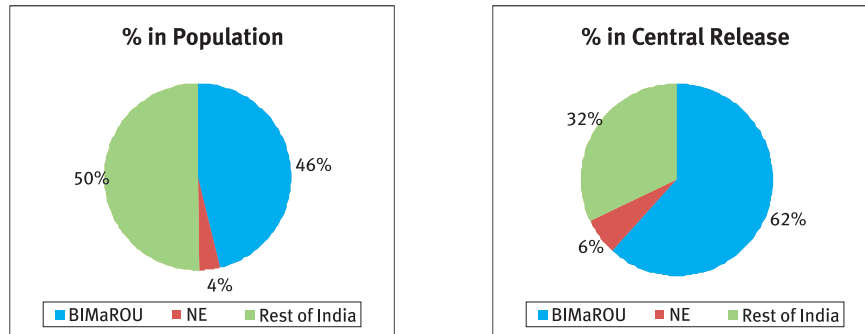


Figure 1 shows the progress of resources released by the Central government from 2001-02 to 2006-07. The expenditure to approval ratio increased steadily from 15% in 2001-02 to just over 70% in 2006-07. Moreover, the contribution of the State governments has also increased to the requisite 25% of total SSA funding, denoted by the excess of expenditure over releases by the Centre. Looking at the figures from the other side, 30% of the approved budget of SSA is not being utilized. This indicates that the size of the annual work plans submitted by most state governments is beyond their implementation capacity.

One rationale for the Central government financing is to ensure equity in elementary education provision across states. The objective of putting all children in school means that those states with high proportion of out-of-school children would require higher resources than others. In terms of financing, the difficulty in India is that the states that are most populous have the highest proportion of out-of-school children.

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As per an MHRD-sponsored study, 70 percent of out-of-school children in 2005 were concentrated in five states – UP, Bihar, Madhya Pradesh, Rajasthan and West Bengal. In 2006-07, the share of these states in Central allocations for SSA just exceeded 50 percent. On the whole, therefore, SSA resources have been allocated to those States that needed it the most to ensure that all children are in school. The following pie chart also shows that the BiMaROU states (including Orissa, Jharkhand, and Chattisgarh) obtained 62 percent of Central releases compared to their population share of around 46 percent.



The per-child expenditure in various states shows a mixed picture, presented in Table 1. Although UP has the highest share of the Central releases, its per child expenditure in SSA is less than that of Haryana. On the other hand, Chattisgarh's per child SSA expenditure is more than double that of West Bengal. Bihar's per child SSA expenditure is nearly the same as Tamil Nadu, which has about one-third of Bihar's share in Central releases. This essentially means that even with increased resource transfers from the Centre through SSA, the gap in per child expenditure in educationally backward states still exists.

Table 1: Central Releases and Per Child Expenditure in SSA: 2006-07

State	Centre's Release (Rs.Crore)	Centre+State Expenditure (Rs.Crore)	Share in total out-of-school children (2005)	% of Centre's Release	Per child SSA spending (Rs.)
Uttar Pradesh	2066.54	2829.13	22.53	19.25	770
Madhya Pradesh	1108.80	1345.76	8.16	10.33	1071
Bihar	1081.73	802.22	23.89	10.08	429
Rajasthan	758.10	1057.29	5.98	7.06	918
West Bengal	639.12	932.60	9.12	5.95	666
Karnataka	542.06	525.77	0.90	5.05	623
Maharashtra	521.59	1026.73	3.98	4.86	615
Jharkhand	520.86	504.04	4.67	4.85	883
Assam	514.18	439.27	4.03	4.79	730
Chhattisgarh	511.82	653.92	1.92	4.77	1554
Orissa	440.11	637.54	4.08	4.10	1030
Andhra Pradesh	388.61	599.44	2.50	3.62	474
Tamil Nadu	363.29	411.19	1.45	3.38	455
Haryana	256.47	274.80	1.31	2.39	712
Jammu & Kashmir	220.83	198.12	0.04	2.06	1211
Uttaranchal	169.34	188.94	0.88	1.58	1209
Gujarat	148.07	280.30	2.86	1.38	292
Punjab	128.80	157.70	0.82	1.20	416
Arunachal Pradesh	89.85	101.40	0.17	0.84	3379
Himachal Pradesh	62.51	104.21	0.17	0.58	1137
Tripura	53.30	76.98	0.04	0.50	1869
Kerala	43.82	99.99	0.04	0.41	235
Meghalaya	42.94	42.91	0.17	0.40	725
Mizoram	34.45	46.63	0.01	0.32	2194
Nagaland	23.15	38.45	0.24	0.22	994
Manipur	18.90	21.54	0.51	0.18	471
Goa	7.24	11.08	0.01	0.07	695
Sikkim	4.62	8.36	0.03	0.04	647

Going forward, the next phase of SSA will see the share of the States increasing progressively to 50 percent at the end of the 11th Plan in 2011-12. In case additional Central transfers do not increase, states like UP, Bihar, West Bengal and Assam will need to mobilize their own revenues to sustain the expansion in annual SSA plan size. However, the ultimate outcome of increased expenditure is reflected in better infrastructure and improved learning achievement. As ASER 2008 shows, some states have performed admirably, while others have not. The crucial question is how to eliminate the inequities in quality of learning across the country. The SSA financing architecture may need to be re-evaluated keeping this goal in mind.