

Social Sector Outlays-An Assessment

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Indian leaders refer to India's growing population as "demographic dividend", which presents the country with a challenge and an opportunity. In order to make good on this demographic dividend, there is a need for higher public spend in the social sector, especially key areas of education, health and sanitation

A COUNTRY'S most important resource are its people", Finance Minister P Chidambaram said quoting Joseph Stiglitz, and through his Budget speech the finance minister spoke of the need to pay "special attention" to the sections that had been left behind. Yet when it came to making good on the talk, the government fell short. Social sector—education, health, sanitation, welfare, rural development—allocations in Budget 2013-14 fails to convince anyone that the government is seized of the importance and urgent need to invest in the people.

This year, the total budget outlay for the social sector, excluding the non-Plan spending, saw a modest increase in its share of the GDP—from 1.7% in 2012-13 revised estimates to 1.9% in 2013-14 budget estimates. Going by past records, it is likely that total social sector spending will see a downward revision by the time the 2013-14 revised estimates are worked out.

Many will argue that social sector's demand for higher allocations is something of a fetish.

It will be argued that budgetary allocation for the social sector increased from Rs 39,123 crore in 2004-05 to Rs 2,13,689 crore in 2013-14. And that public spending (both centre and state) in the social sector increased from 5.3 per cent of GDP in 2004-05 to 6.7 percent in 2011-12, and is around 7 percent of GDP in 2013-14. While that might appear impressive, the fact is that between 2001 and 2011, India added as many as 1.81 crore persons to its population, and this number is likely to have gone up the last few years. Another fact that needs to be kept in mind is that this spending of Rs 2,13,689 crore accounts for expenditure on education, youth affairs and sports, art & culture, health & family welfare, water supply and sanitation, housing and urban development, information and broadcasting, welfare of scheduled castes, scheduled tribes, and other backward classes, labour and labour welfare, social welfare and nutrition, women and child development and other social services.

India's spending on social sector, given the magnitude of the need, has been consistently low. After adjusting for inflation and taking

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into account existing deficiencies in the social sector, it becomes clear that budgetary allocations for key areas such as education, health, sanitation, nutrition, rural development has not gone up over the last few years. The average social sector spending in developed countries is to the tune of 14% of GDP.

In budget 2013-14, the two key development indicators—education and health—did not fare too well. Total central government allocation for education is at 0.70 percent of the GDP, marginally up from 0.67 percent in 2012-13 (revised estimates) and down from 0.74 percent in last year's budget. The spend on health is a cause for concern—this year the health budget increased by only Rs 2,842 crore over last year's budget estimates. Central government spend on health is at 0.33 percent of GDP compared to 0.29 percent in 2012-13 revised estimates and down from 0.34 percent in the budget estimate for 2012-13. The marginal increase in allocation is far too small to address the large need in the two crucial sectors.

An important issue with direct feedback effect on health—drinking water and sanitation—saw a modest hike of Rs 2,260 crore in budgetary allocations over the 2012-13 revised estimate of Rs 13,005.3 crore. The increased allocation is nowhere what is required—only 43.5 percent of the population gets tap water supply and 53.1 percent of households have no access to toilets and defecate in the open. The health hazard—both in the short and long-term—that this situation presents is far from being addressed. Given the state of healthcare, with its

overdependence on private out of pocket expenditure by households, the lack of basic sanitation presents a serious problem. Not only does it contribute to rural indebtedness, but affects the productivity of human capital so central for sustained economic growth.

There has been no move towards the promised 6 percent of GDP for education; total public spending is yet to cross the 3.7 percent mark. According to the Economic Survey, outlays on education was at 3.31 percent of GDP in the 2012-13 budget estimates. Given the downward revision, the outlay is about 3.2 percent of GDP. Finance minister P Chidambaram provided for Rs 27,258 crore for implementing the Right to Education through the Sarva Shiksha Abhiyan. Allocation is up by 6.6 percent over 25,555 crore provided last year, which had been revised to Rs 23,645 crore. This year's budgetary allocation is nowhere near the Rs 39,115 crore that ministry for human resource development had sought.

The Right to Education makes it compulsory for the government to provide education to all children between 6 and 14 years. Key standards—classrooms, provisioning of drinking water and toilets, teachers in accordance to the pupil-teacher ratio—set out in the Act have to met by March 31 this year. The drastic cut in outlay for the Sarva Shiksha Abhiyan for 2012-13, and the failure to step up allocation in 2013-14 will present a problem. Meeting and sustaining these requirements will entail a higher outlay of funds. Failure to provide adequate funds in the early years of implementation is likely to endanger the effectiveness of the

quality interventions that the Right to Education proposes. With more than 70 percent of the population dependent on government-funded schooling, it is essential to ensure that adequate funds are implemented the Right to Education this year. These two factors would push up the demand for funds. Not providing the required financial support could stunt the goal of universalizing elementary education and affecting the quality of human capital which would have deleterious effect on growth.

There has been an increased dependence of this elementary education programme on the 2 percent cess levied in 2004-05. The share of cess in financing the Sarva Shiksha Abhiyan has been going up.. For 2013-14, the budget estimates set the share of the education cess at 60.35 percent or Rs 16,453 crore, of the total allocation of Rs 27,258 crore. The increased share of the cess in financing elementary education presents a concern, as it is not accompanied by a commensurate increase in budgetary support, which has been steadily declining. With the expenditure on elementary education not showing signs of stabilizing, the dependence on the levy to ensure that the government can meet its constitutional commitment should raise concerns. This over reliance on the education cess along with an increased push for private participation through the public-private participation raises an important question. This could be argued as signs of withdrawal by the government from provisioning for a key development indicator. This needs to be checked. Outsourcing the provision of education will not help; public funding of education needs to be

sustained. Inclusive and sustained growth that the government is pushing on paper can only be actualized if spending in education, a key development indicator, is increased substantially.

Another key area, which requires further investment, especially in light of the Right to Education Act, is teacher training. The Act mandates all teachers need to complete and meet training requirements within five years of the legislation being force. However, budgetary allocation for strengthening teacher-training institutes is constant at Rs 450 crore. It needs to be said though in the current year, the ministry was able to utilize only Rs 249 crore of the allocated Rs 450. The low level of spend could explain the finance minister allocation in Budget 2013-14. On the other hand, in the higher education segment, there has been a substantial increase in allocation for National Mission on Teachers and Teaching—from Rs5.27 crore in 2012-13 to Rs 217 crore in 2013-14. This is a welcome step. Though teachers are a weak and crucial link in the elementary education segment, it would heartening to see a higher allocation and a roadmap for improving both quality and quantity of teachers in the Budget.

Equally worrying is the fact that allocations for several schemes that sought to address exclusion have not risen, effectively meaning lower allocation. Schemes like inclusive education for the disabled, appointment of language teachers, women's hostels in polytechnics and vocationalisation of education have been affected.

The small but determined beginning has been made in the

higher education sector--Rs 400 crore has been allocated for the Rashtriya Uccha Shiksha Abhiyan, a scheme geared at strengthening the state universities and colleges. There has been a significant scaling up of the funding for the Rashtriya Madhyamik Shiksha abhiyan or the universalisation of secondary schooling—Rs 3,983 crore have been provided, a 25.6 percent hike over the revised estimates for 2012-13.

What makes Budget 2013-14 unsettling for the education sector is that it fails to address critical concerns of inadequate outlays in the elementary school segment, unclear prioritization of sectors, under utilization of funds in certain cases, and the apparent withdrawal of the government. These are issues that the government needs to address and provide some clarity.

The picture is dismal when it comes to provisioning for the health sector. The combined, centre and states, public spend remained at around 1 percent of GDP in 2012-13. India's public provisioning for health falls far behind that of other countries in the neighbourhood like China and Sri Lanka. In China, healthcare accounted for 10.3 percent of total public spending in 2009, and spend on health was at 2.3 percent of GDP.

The country's total expenditure on health amounts to about 5 percent of GDP, which would be comparable with other developing countries at the same level of per capita income. The lion share of the spending on health is borne by private households' out of pocket expenditure, roughly between 70 to 80 per cent of total expenditure on health care. The low level of

public spending means that a large part of the expenditure on health is borne by households from their private resources—income and savings. This affects the poor most adversely.

The low spend on health has serious repercussions. A study in Indian poverty by Anirudh Krishna of Duke University found that rural expenditure on health is the primary reason for families decline into poverty. The inability to spend on health and the debts incurred for it are factors that push families into poverty.

In its Twelfth Plan document, the government has stated its intention to raise public expenditure to 2.5 per cent of GDP by 2017, when the plan period comes to a close. Budget 2013-14 appears to do little to achieve this goal. Spend on health accounts for 2.24 percent of the Budget. Extreme under provisioning for health has somewhat become a standard. Centre's total expenditure on health as a proportion of GDP has only marginally increased from 0.25 percent in 2003-04 to 0.33 percent in 2013-14. For a country with a vast population, and a high level of people who can be adjudged as poor, such paltry spending on health is a cause of serious concern.

In 2012-13, then finance minister Pranab Mukherjee announced the launch of the National Urban Health Mission to encompass the primary healthcare needs of people in the urban areas, but no allocation was made. This year the government has moved towards universalisation of healthcare—P Chidambaram has allocated Rs 21,239 crore for the new health

mission, which merges the existing National Rural Health Mission with the National Urban Health Mission. Despite the expansion in beneficiaries, the share of the mission in the total budget shows a decline; the National Rural Health Mission had an allocation of Rs 20,822 crore in 2012-13.

The budget has allocated Rs 4,727 crore for medical education, training and research and Rs 150 crore for the National Programme for the Health Care of Elderly and eight geriatric centres for the development in the area of geriatric medicine. It has also set aside Rs 1,650 crore for six AIIMS like institutions

The gap in health personnel and inequity in health infrastructure continues to be critical. Vacancies and shortfall plague the system. Vacancies of doctors at the primary healthcare system rose from 17.5 percent in 2005 to 24.1 percent in 2011, while shortfall of specialists rose from 45.7 percent in 2005 to 63.9 percent in 2011. An allocation of Rs 1023 crore has been made for human resources in healthcare, but the contours of the spending are not clear.

The low level of funds for public health is an indicator for another pillar of the government's "sustainable and sustained" growth aim. Environment is a key public health concern. The lack of investment in public health rollout whether it is through key programmes or health infrastructure will also hinder the need for greater environmental accountability from the people. Unlike last year there has been no windfall for sanitation, this would further hamper efforts to improve public health.

The inadequate provisioning for the social sector, particularly education and health, needs to be seen in the context of concerns about the resource mobilization efforts of the government. In real terms, it means that public provisioning for the social sector, which is key for ensuring inclusive and sustainable development, are likely to come under pressure. Unfortunately, the Budget fails to provide any concrete proposals for the addressing revenues foregone due to tax exemptions. In his Budget Speech, the finance minister acknowledged that India has a low tax to GDP ratio. That acknowledgement notwithstanding, there appears to be little in the Budget by way of substantive proposals to increase the tax-GDP ratio. The ratio of government's gross tax receipts is projected to increase from 10.4 percent of GDP in the 2012-13 revised estimates to 10.9 percent of GDP in 2013-14. The proposed income tax surcharge on the super rich works out to a increase of 3 percent on the peak tax rate, and doesn't do much to fill the gap.

Projections are that in 2025, over 70 percent of the country's population will be of working age. More often than not, Indian leaders refer to India's growing population as "demographic dividend", which presents the country with a challenge and an opportunity. In order to make good on this demographic dividend, there is a need for higher public spend in the social sector, especially key areas of education, health and sanitation.

If the government is really interested in leveraging this demographic dividend it needs

to move beyond rhetoric. A higher spend in the social sector, particularly on both education and health, is absolutely essential if the government is serious about inclusive and sustained growth. Improving the quality of the two key development indicators will create the requisite pressure to ensure that the high economic growth is both inclusive and sustainable. A better-educated and healthy populace will mean improved productivity. There is a tendency to view social sector spending as an outflow of resources—especially when it comes to providing education or healthcare. A part of this push for limiting public spend in these sectors comes from those who call for greater privatization of health and education. It would be a big mistake if the government retreats any further from these sectors. Investing in social sector segments like health and education is key to growth.

Nearly 170 years ago, Russian thinker Alexander Herzen asked "If progress is the end, for whom are we working? ... Do you truly wish to condemn all human beings alive to-day to the sad role of caryatids supporting a floor for others some day to dance on. . . or of wretched galley slaves, up to their knees in mud, dragging a barge filled with some mysterious treasure and with the humble words "progress in the future" inscribed on its bows?" Herzen's query is relevant after all these years, and if the government really wants to ensure that growth should be "faster, sustainable and more inclusive" becomes more than just a pretty slogan, it will do well to invest in its people by focusing on the social sector. □

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