

# PUBLIC EXPENDITURE ON CHILDREN IN KARNATAKA

2001-02 to 2017-18

A POLICY BRIEF







# ANALYSIS

## Scope and Limitations

This Brief offers a Public Expenditure Analysis of expenditures and allocations for children for the last 17 years i.e. 2001 to 2017 (2017-18 Budget estimates) in Karnataka. The discussion is based entirely on the analysis of budget documents of the Government of Karnataka taking into account budget allocations for the present year (2017-18), revised estimates for the previous year (2016-17) and the actual expenditure for all earlier years (2001-2015). This analysis, therefore, does not go into the issues of fund releases and flows that a typical budget tracking exercise undertakes.

Here, Child refers to any individual below the age of 18. To understand what constitutes expenditure on the child, the social protection framework is used, taking both risk prevention and coping as important. We, therefore, look at not just the basic rights of the child (education, health and nutrition) but also enabling programmes, legal and institutional provisions and other child protection schemes.

Approximately 7,200 unique line items of the budget documents are studied. Budget documents include not just state budget documents but also 'Budget Allotment for Zilla Panchayats' commonly referred to as the 'Link documents' in Karnataka. In order to make the analysis more informative, expenditures are placed in two categories: Core and Core Plus. Core expenditure is defined as expenditures considered essential for children. Core Plus expenditure took into account components of programmes which are important but perhaps not as essential e.g. medical expenses, travel allowances of certain schemes, in addition to core expenditure.

We have taken all direct expenditure on schools, teachers, cash and non-cash transfers, teaching-learning materials and measures for inclusive education under core estimates for education while expenditure on public sports, teacher education, public libraries etc. have been added to the core estimates to arrive at the core plus. Similarly, for health, we have included direct expenditure on the child and maternal health and disease control under core whereas those on water and sanitation, health insurance, public health care facilities etc., as additional. Under food security, we have taken the midday meal and all other food distribution programmes for schools and anganwadis as core; expenditure on provisioning of food through the public distribution system has been added to the core plus estimate. For social protection and welfare, we have included expenditure with direct relevance for children's protection, including those meant for promoting girls' survival rates, under core estimates while expenditure incurred on the Department of women and child welfare

and those for protection of various specific groups that include children such as beedi workers, etc. have been included under core plus estimates. Similarly, under legal and institutional measures, all expenditure related to juvenile justice, legal aid, institutional support for protection and care etc. are included in core estimates whereas those for family courts, bonded labour etc. are placed as additional for arriving at core plus estimates.

We provide disaggregated data by sector, age group, gender, social groups and disadvantaged groups, including children with special needs. However, the results here provide only sectoral analysis as the data was not amenable for the rest of the variables. The routing of funds from the GOI changed from the year 2014-15 and occurs through the state budget now. Prior to 2014-15, the funds were routed directly to state-level societies and the analysis has added these funds to both total expenditure and the expenditure on children in Karnataka.

Under food security, we have taken the midday meal and all other food distribution programmes for schools and anganwadis as core; expenditure on provisioning of food through public distribution system has been added to the core plus estimate.





# Main Trends

## 1. Public expenditure on children high and has increased gradually

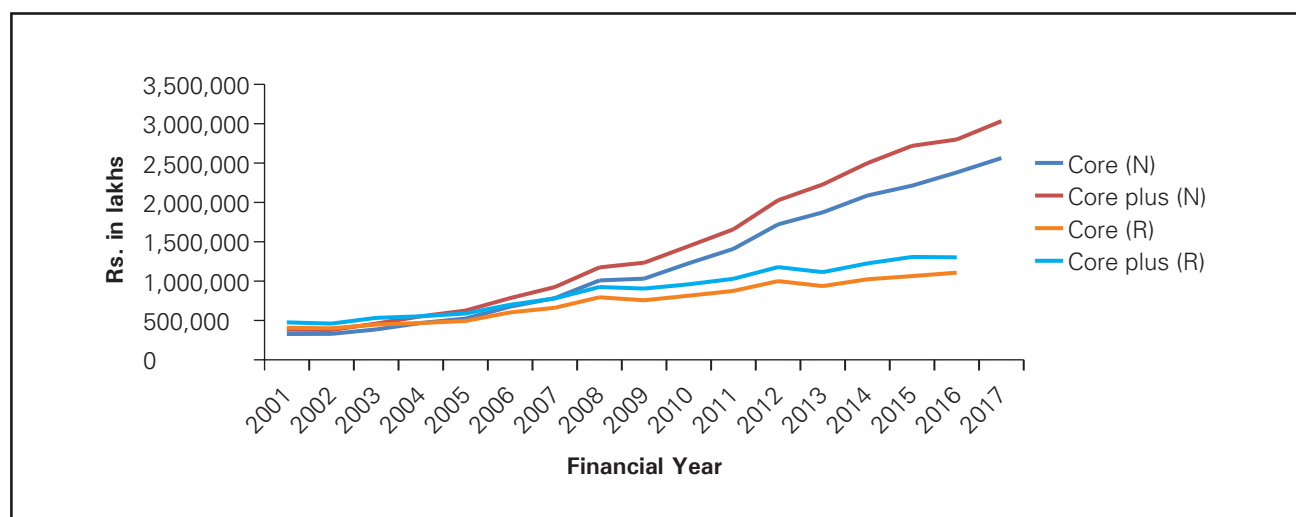
Total expenditure on children has gone up within the state over the years, albeit gradually (Figure 1). The core expenditure on children has increased from Rs. 327,787 lakhs (509 million USD)<sup>1</sup> in 2001-02 to Rs. 2,563,231 lakhs (3,982 million USD) during 2017-18. Similarly, core plus expenditures have increased from Rs. 382,500 lakhs (594 million USD) to Rs. 3,032,522 lakhs (4,711 million USD). In terms of real prices, Karnataka has increased its spending on children (core estimates) from Rs. 407,634 lakhs (633 million USD) in 2001-02 to Rs. 1,107,339 lakhs (1,720 million USD) in 2016-17. What is remarkable is that there has been a consistent rise in terms of real spending and not only in nominal expenditure. In terms of real prices, Karnataka has increased its spending on children (core plus estimates) from Rs. 475,676 lakhs (738

million USD) in 2001-02 to Rs. 1,302,051 lakhs (2023 million USD) in 2016-17.

The decline in 2015-16, though small, is worrying as it reflects the lowering of expenditure on the social sector and its possible reflection on public spending on children. Whether this is just a passing phase or a more stable feature in the post 14<sup>th</sup> Finance Commission scenario needs to be closely watched.

This trend continues for the per capita spending on children as well but for the last one year. From Rs. 1,646 (USD 26) per child in 2001-02, Karnataka has increased its spending and allocation to Rs. 12,470 (USD 194) per child in 2016-17 in nominal terms and to Rs. 5,800 (USD 90) per child in real terms (core expenditure). Similarly, the spending had increased from Rs. 1,921 (USD 30) per child during 2001-02 to Rs. 14,663 (USD 228) during 2016-17 in nominal terms and Rs. 6,820 (USD 106) in real prices (core plus expenditure).

Figure 1: Total Expenditure Incurred by Karnataka on Children<sup>2</sup>

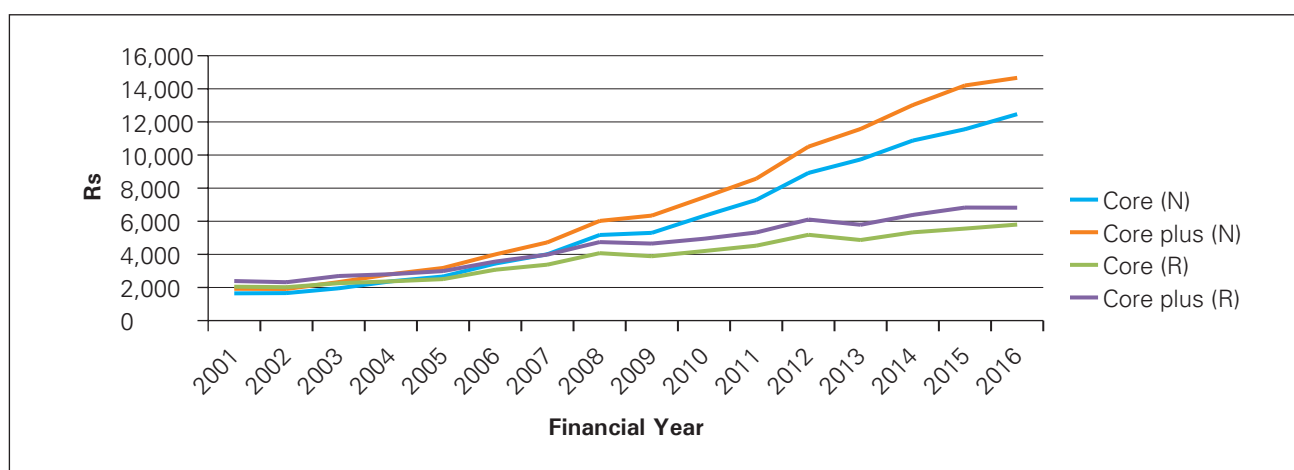


N: Nominal; R: Real

<sup>1</sup> @ Rs.64.375 / USD.

<sup>2</sup> N denotes Nominal and R denotes Real expenditure at 2004-05 prices in all the diagrams.

**Figure 2: Per Capita Total Expenditure on Children (Rs.)**



N: Nominal; R: Real

However, the year-to-year growth rates have not remained consistent: the rate of growth showed a decline during the period 2015-16 (from 11.7 percent to 6.3 percent when compared to the previous year) but has again picked up slowly to 7.96 percent during 2017-18, taking BE for nominal expenditure into consideration.

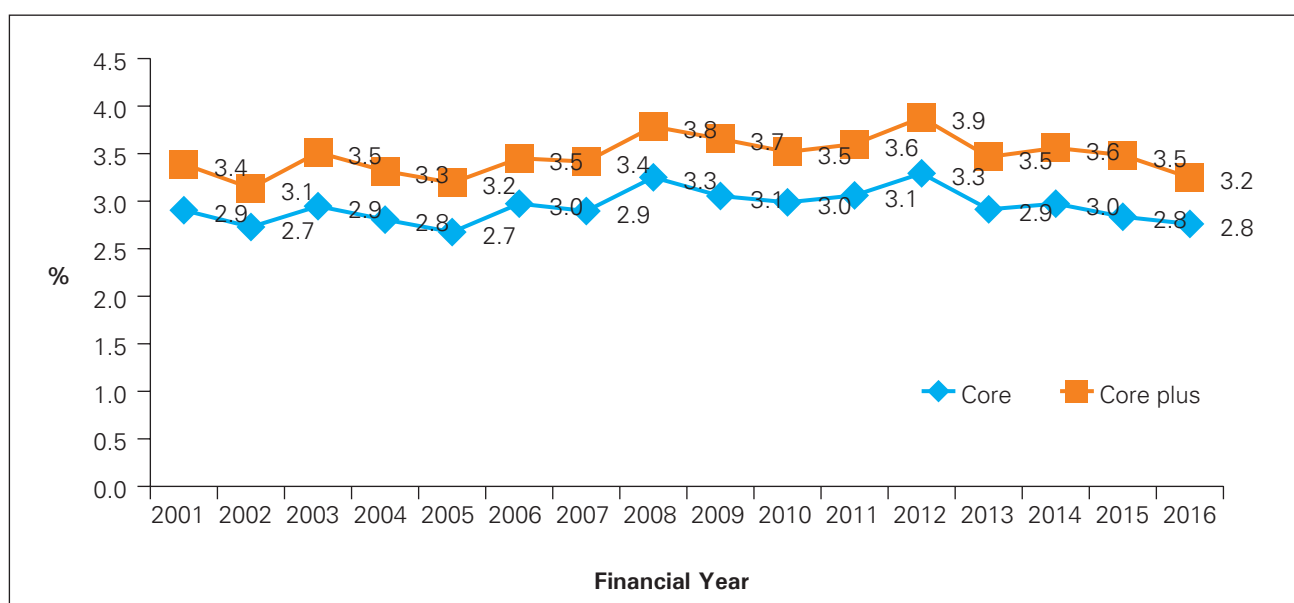
The decline in growth for expenditure on children in 2015-16 can be explained by the fact that the 14<sup>th</sup> Finance Commission recommendations were implemented from 2015-16 which reduced the transfers from the

GOI. However, the 14<sup>th</sup> Finance Commission recommendations also increased the tax share of states but, it appears that the increased fiscal leeway by way of enhanced tax receipts shared from the centre has not yet translated into a consistently high increase in the public expenditure on children.

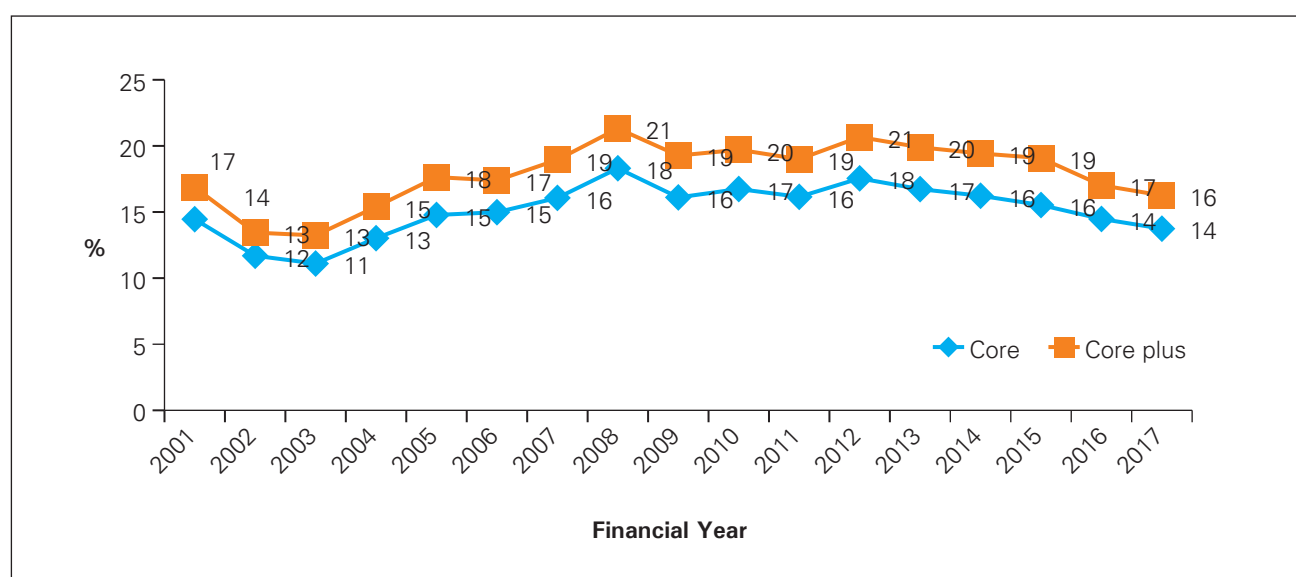
## 2. Is public spending on children a priority? Mixed signals

In order to understand whether children are a priority, we first looked at total expenditure as a

**Figure 3: Total Expenditure in Children as a Proportion of the GDP**



**Figure 4: Total Expenditure on Children as a Proportion of Total State Spending**



proportion of the Gross State Domestic Product (GSDP). The expenditure as a proportion of GSDP fluctuated between 2.7% to 3.4% during 2001-17. Core plus expenditure has been calculated as 3.2% of the state's GSDP in 2016-17 (advanced estimates), which has been reducing since 2014-15. The expenditure as proportion of the GSDP for core estimates has reduced to 2.8 percent of the GSDP during 2016-17. This means that though the state is increasing its expenditure on children, the rate of growth has not kept pace with the rate of growth for GSDP. Considering that there still exist unfilled needs, this is reflective of the fact that the state is not necessarily prioritising children's needs for public investment.

The same trend and inference remains true when the expenditure on children is viewed as a share of total state expenditure in the state. The total expenditure on children as a proportion of the state's total expenditure saw an increasing trend up to 2007-08 and remained largely around 20 percent for the period up to 2014-15. The trend changed from 2015-16 and the proportion of expenditure on children to total expenditure has reduced to 16 percent and 14 percent respectively during

2017-18 for core plus and core estimates. This trend is worrisome since it was expected that the states would prioritise better if given the freedom to allocate their increased resources after the 14<sup>th</sup> Finance Commission.

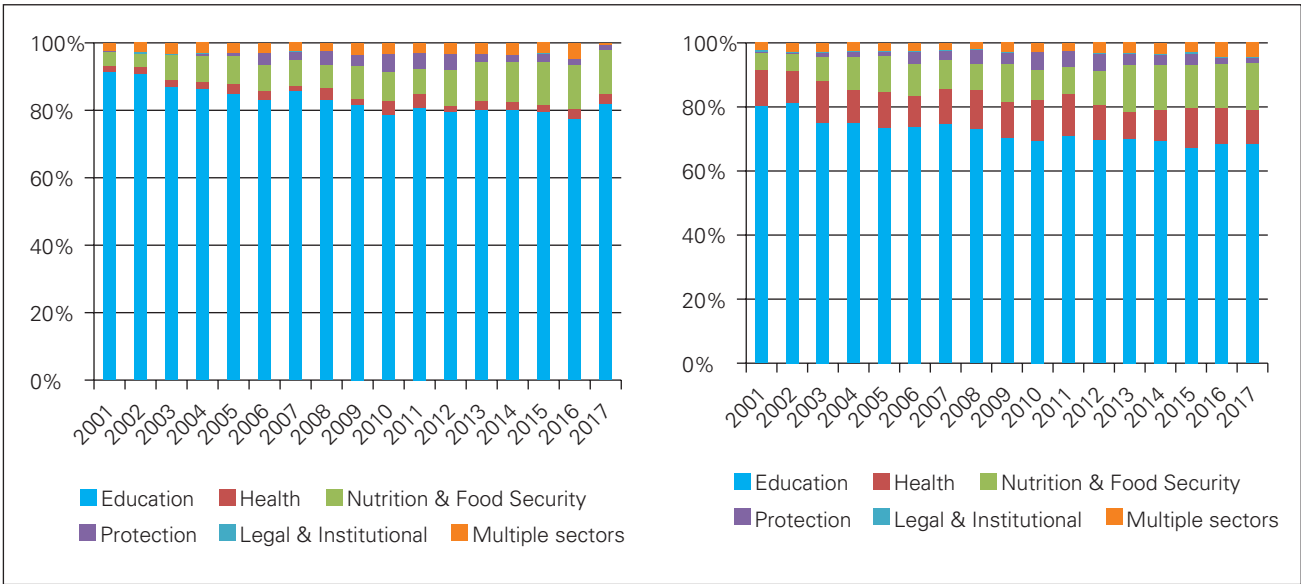
### 3. Education gets the largest share still

Education gets the giant share of the public spending on children. This is despite the fact that education's share has declined over the years from about 90 to little below 80 percent in recent years (core estimates). However, if one takes the core plus estimates, education's share goes down to about 70 percent in recent years.

Health and nutrition are other important segments where the expenditure on children turns out to be low. The expenditure on education increased from Rs. 299,788 lakhs (466 million USD) in 2001-02 to Rs. 2,009,635 lakhs (3122 million USD) during 2017-18. Similarly, nutrition expenditure increased from 13,047 lakhs (20 million USD) to Rs. 316,939 lakhs (492 million USD) during the same period. The health expenditure increased from Rs. 6,056 lakhs (9 million USD) in 2001-02 to Rs. 71,089 lakhs (110 million USD) during 2017-18. (Figure 5a).

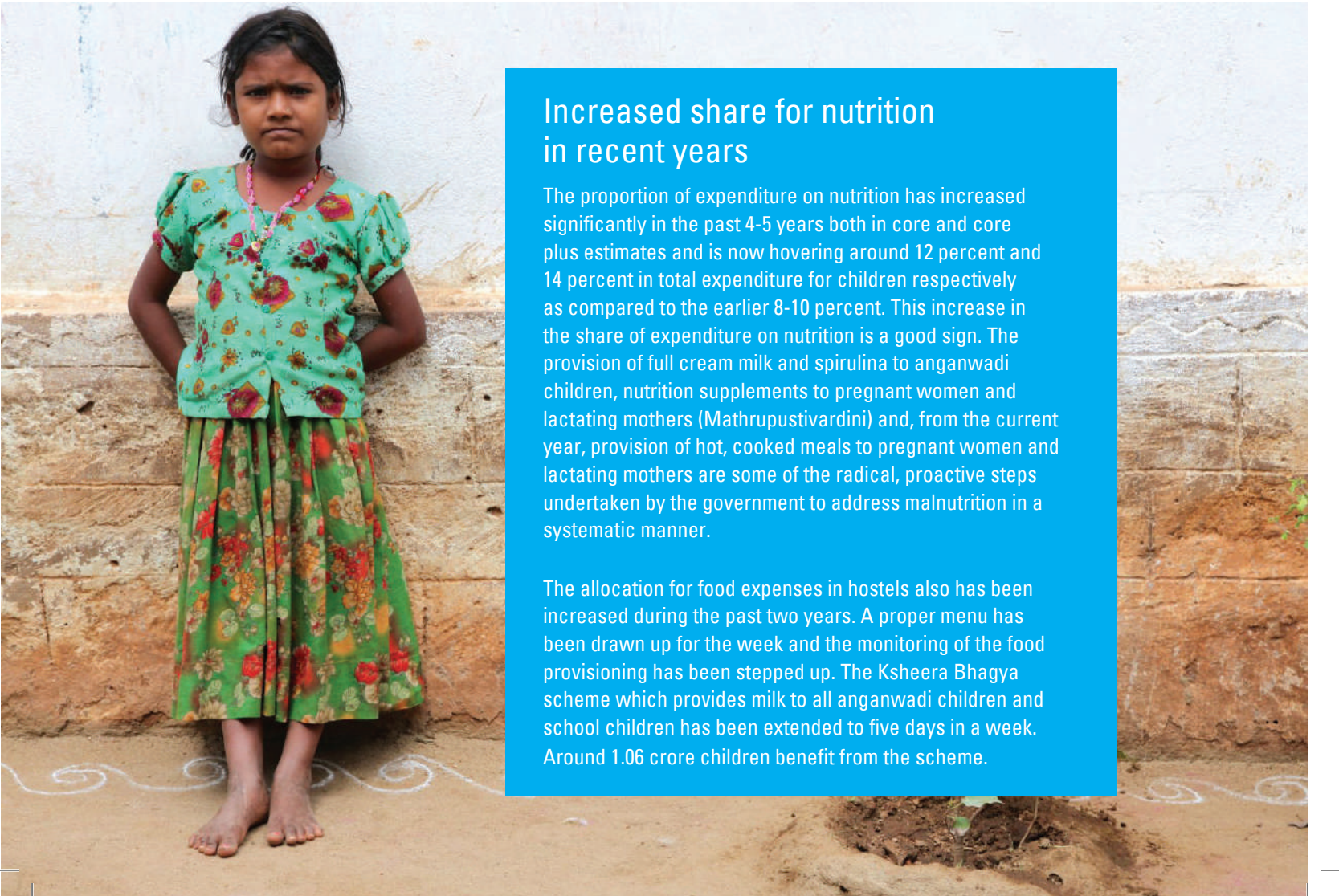
**Figure 5: Sector- Wise Percentage Distribution of Total Expenditure on Children (core estimates)**

**Core and Core Plus Estimates**



The expenditure on education increased from Rs. 307,977 lakhs (478 million USD) in 2001-02 to Rs. 2,078,094 lakhs (3228 million USD) during 2017-18. Similarly, the nutrition expenditure increased from Rs. 20,747 lakhs

(32 million USD) to Rs. 443,052 lakhs (688 million USD) during the same period. The health expenditure increased from Rs. 41,945 lakhs (65 million USD) in 2001-02 to Rs. 318,373 lakhs (494 million USD) during 2017-18.





#### 4. Allocations lowest for 0-6 year olds

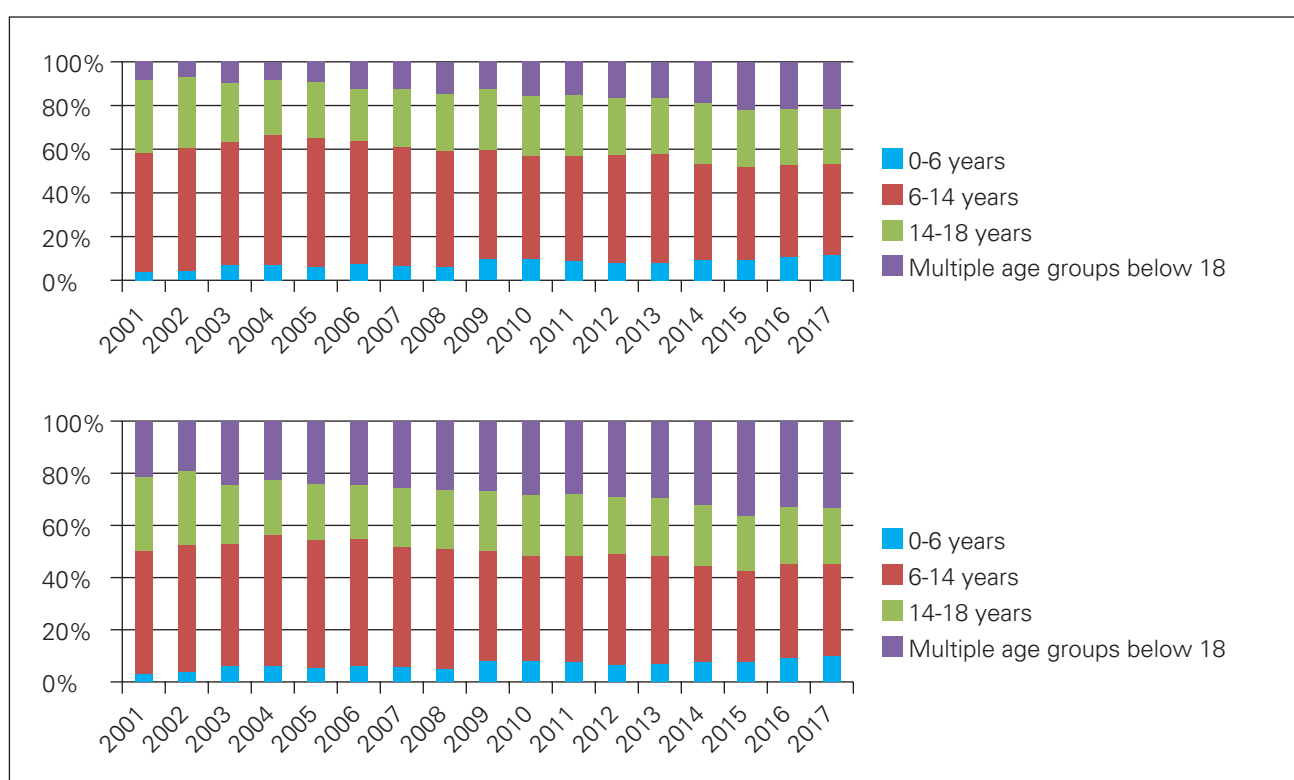
The age group distribution shows that children in 6-14 year age bracket receive the largest share of public spending on children over the last 17 years. They have received approximately 45-50 percent of the total allocations to

children as per the core estimates and about 35-40 percent of the core plus estimates. The expenditure on children of multiple age groups has been increasing both in core and core plus estimates. This means that most of the elements in the core plus estimates are meant for this age group.

**Table 1: Proportional Share in Child Population and in Total Expenditure on Children in Karnataka for 2015-16 (Actual Expenditure)**

Age group	% share in child population	% share in total expenditure on children (Core)	% share in total expenditure on children (Core Plus)
0-6 year	32	9	8
6-14 year	44	43	35
14-18 year	24	26	21
Multiple age	-	22	36

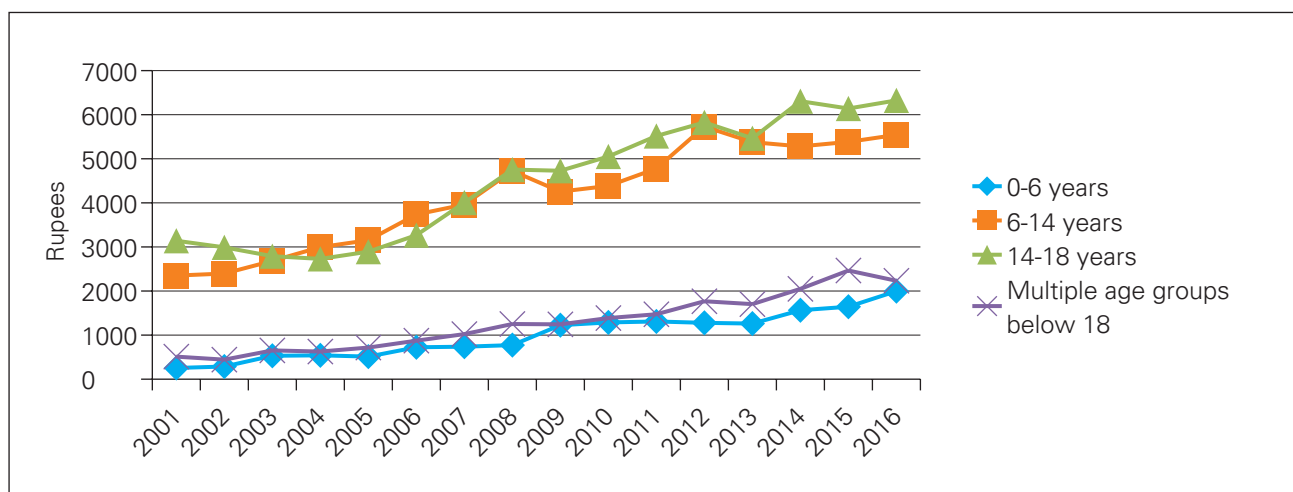
**Figure 6: Percentage Distribution by Age Groups (Total Expenditure on Children- core and core plus estimates)**



Low allocation for the 0-6 age group translates itself into the lowest per capita expenditure: Rs.1,997 (USD 31) in 2015-16, as compared to Rs.6,324 (USD 98) per child in the 14-18 year group and Rs.5,542 (USD 86) for the 6-14 age

group in the same year. Considering that the state still has high levels of malnutrition and only partial coverage of children in the early childhood care and education centres among children in 0-6 age-group, relatively lower size

**Figure 7: Per Capita Total Expenditure on Children (Real Prices, Core Plus) Across Age Groups**



of public expenditure for this age group has been a cause of concern. However, since then there has been an increase in the share for this group and what is important to note is that

the per capita real expenditure for the 0-6 age group has witnessed a consistent increase in recent years.

## Silver Lining: Increase in the share of Public Expenditure on 0-6 year olds

Although the 0-6 year age-group who are about one third of the child population continue to receive the least (less than 10 percent) of the total expenditure on children in Karnataka, a slight improvement is visible in the last two financial years: 2014-15 and 2015-16. The share has increased from 9 to 10 percent in total expenditure on children in the state. The state government has affirmed its clear intent to increase expenditure on nutrition, construction of anganwadis and honoraria of the anganwadi workers.

The nutrition expenditure on children has been stepped up especially for anganwadi children, schemes like Mathru Pustivardini and Matrupoorna aimed at improving the nutritional status of pregnant women and lactating mothers has contributed to an increase in the share of expenditure among 0-6 year old children.

Efforts to construct new anganwadi buildings have been stepped up. Anganwadi buildings are being built with NABARD assistance, MGNREGA as well as under the Special Development Programme (SDP), which focuses on backward taluks. The allocations for the upgradation and maintenance of anganwadis also have been increased consistently. Anganwadi workers and helpers have been given pay hikes twice in the last four years.

It is important to note that UNICEF and several civil society organisations working on various issues around children in the state have positively influenced policy decisions through evidence-generation, technical support and sustained advocacy, especially for the children in the 0-6 year age group. The improvement in allocations and expenditure is indeed a sign of a positive response to that advocacy.

CBPS conducted and published an analysis of public expenditure on children in 2013-14. CBPS updates that analysis every year. CBPS also organised pre-budget consultations with experts and CSOs for presenting a charter of demands to the state government on enhanced budgetary allocation for children, particularly for the 0-6 age group, focusing on Early Childhood Care and Education (ECCE).

CBPS also joined hands with Child Rights Trust (CRT) and Karnataka Child Rights Observatory (KCRO) who focus on child rights issues and have been communicating with the Karnataka Legislators' Forum for Children's Rights. CBPS also presented the case for improving the status of anganwadis before the Karnataka State Legislators Forum for Child Rights, an effort widely covered in popular media.







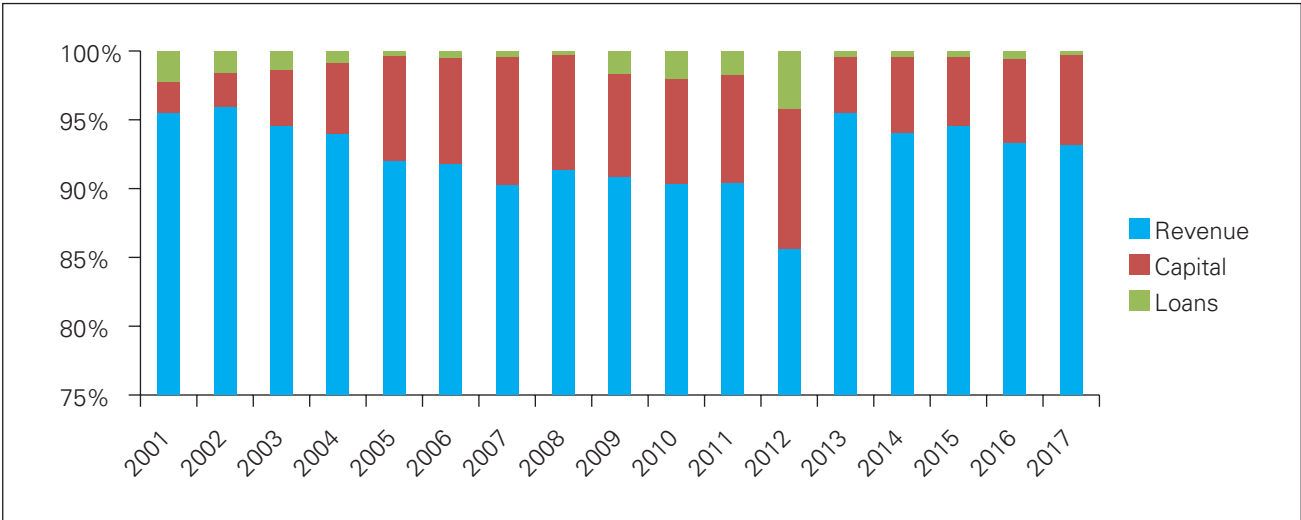
5. Expenditure on children continues to be largely under revenue heads

Traditionally, expenditure has largely been revenue-based and that trend continues till today. Revenue-based expenditures accounted for approximately 93% of the total state expenditure on children during 2016-17. The share of revenue expenditure increased during 2013-14 and has been hovering around 94 percent. The share of capital expenditure has been around six percent over the last five

years. This partially implies that expenditures on children are largely going toward human resources, which mainly include salaries.

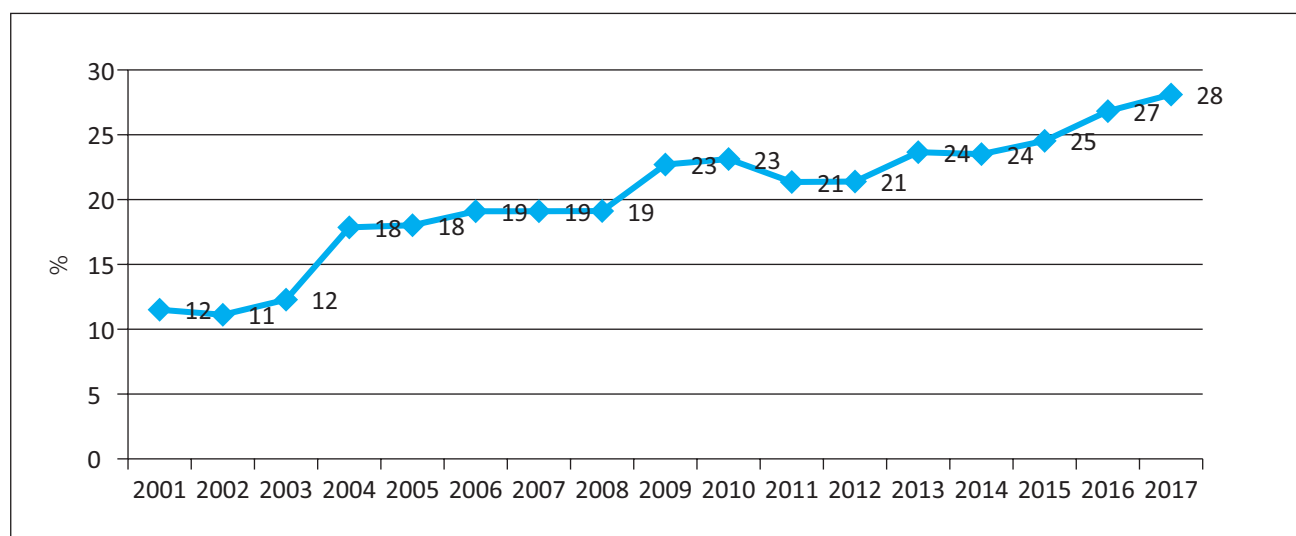
It is very difficult to specify a norm for the ratio between revenue and capital expenditures for that depends entirely on how the state’s infrastructure is set up. If a state has already made good investments in infrastructure, capital expenditures are likely to come down while expenditures related to human capital may be on the rise and vice-versa.

Figure 8: Percentage shares of revenue, capital and loans and advances components within the total expenditure on children (Core Plus estimates)





**Figure 9: Proportion of direct transfers in total public expenditure on children**



## 6. Proportion of direct transfers have been increasing slowly but significantly

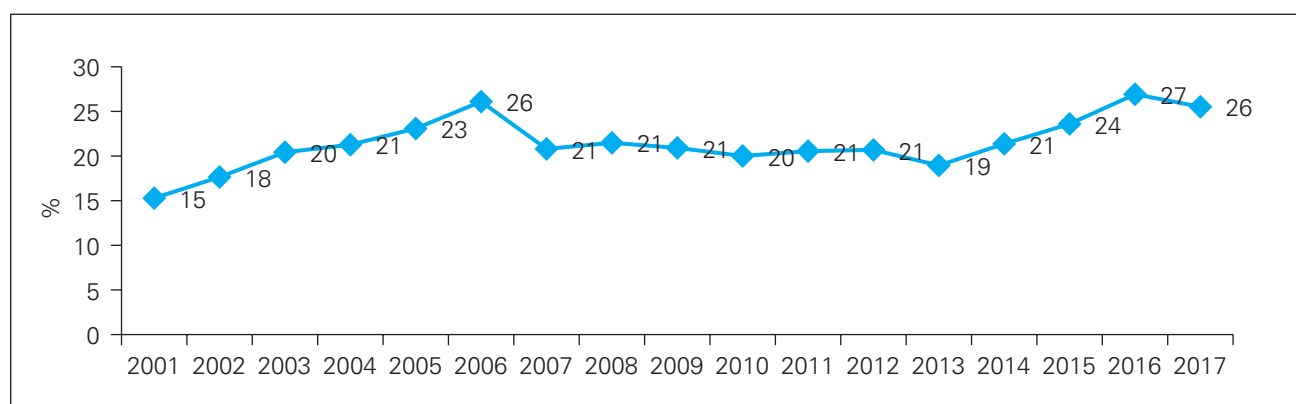
Direct cash transfers to the poor have been successful as they have helped groups gain greater access to educational and health care services, both public and private. Direct transfers for children are mainly for scholarships, uniforms, textbooks etc. and have seen a gradual rise from roughly 12% of total expenditure on children in 2001-02 to 28% in 2017-18.

## 7. A significant share of spending comes from the Union Government

Funding for various centrally sponsored schemes such as Sarva Shiksha Abhiyan and

the National Rural Health Mission involve funds from both union and state governments. The analysis revealed that approximately 26% of the total allocated expenditure for 2017-18 came from the Centre. This figure has gone up from 2001-02 and decreased during 2007-08 and again during 2013-14. From 2014-15, it has increased to reach 27 percent of the expenditure on children during 2016-17 and again declined to 26 percent in 2017-18. This decline can be attributed to the implementation of the 14<sup>th</sup> Finance Commission recommendations which led to an increase in discretionary funds and a decrease in funds linked to centrally sponsored schemes to states.

**Figure 10: Union Government's share of the total expenditure**



## 8. Conclusions and Recommendations

### **Public Expenditure on children is high in Karnataka but still not enough**

Karnataka spends relatively higher amounts on children than other states but the question as to whether it is high enough cannot be answered confidently. Karnataka spends approximately 15% - 20% of its total expenditure on children. This amount, however, is a meagre 3% when looking at it as a proportion of the state's GSDP. Hence, one must wonder whether the amount spent by the state is enough for each and every child to attend school, access health care facilities, be served nutritious food and be protected throughout childhood. It is here that the answer is not an unambiguous yes.

### **Early years need much greater attention and investment; Slow yet consistent increase in recent years**

The earliest years of a child's life are the most important. This is the period during which a child undergoes the most rapid development in physical and cognitive aspects. It is, therefore, surprising that programmes for this group of children receive the least funding from the government. In order for children to grow healthily, they must receive proper nutrition, health care and must have access to good pre-school education. A per capita expenditure of approximately Rs.2,000 (USD 31.07) is unlikely to be enough for children of this young age. Efforts have been stepped up to include provision of milk for children and providing hot, cooked meals for the pregnant women and lactating mothers. The increasing expenditure on this age group during the past three years is a welcome trend.

### **Health, Nutrition and Protection demand greater attention; enhanced expenditure on nutrition a welcome trend**

It has been stated earlier that education takes the bulk of the expenditure on programmes

targeting/impacting children. While this is welcome, it is slightly worrying that other sectors do not receive anything close to the attention they should. What is noteworthy is that a special programme to address the quality of education in schools has been started from the current year 2017-18. The share of nutrition in spending has increased in recent years mainly perhaps due to the provision of milk for both anganwadi and school students and this is indeed a welcome trend.

However, legal, institutional and protection schemes receive hardly any funding. It is beyond the scope of the present work to answer whether or not the allocations for these services are enough but this certainly needs to be looked at. Legal and protection schemes need to focus on matters holistically, from awareness to infrastructure development, while sensitising, training and developing skills of all involved.<sup>3</sup> This is especially important in view of the fact that despite being one of the best performers on the economic front, Karnataka continues to report unfavourably when it comes to sex ratio, maternal mortality rates and child marriage.

### **Measures to address and monitor inequalities need greater attention**

We deliberately excluded the inequality-related analysis for gender and social groups from the budget and expenditure analysis, as present accounting practices made it difficult to carry out any meaningful distinctions and arrive at useful inferences. However, several other small studies as well as benefit incidence analyses reveal the presence of inequalities across gender and socio-economic groups. It is important that institutional mechanisms are developed for better monitoring of use by different groups so that the state is aware of where the money is going. Separate budget allocations and reporting (such as the gender budget and the Scheduled Caste Plan (SCP) and

<sup>3</sup> Child Line India <http://www.childlineindia.org.in/child-protection-child-rights-india.htm>

Tribal Sub Plan (TSP) currently do not inform much on the actual expenditure and utilisation.

### **Child budget to go beyond budget analysis**

Child budgeting needs to go beyond budget analysis. Budget analysis encompasses a plethora of issues which include analysis of allocations and expenditures but needs to attempt to understand the impact on the ground of policies and programmes. It is important to utilise different tools like expenditure, impact and benefit incidence analyses to truly comprehend whether policies have been effective on the ground or not. Here, the responsibility lies on Academic and civil society institutions need to use a variety of tools for more holistic analysis.

### **The post-14th Finance Commission phase**

The 14<sup>th</sup> Finance Commission recommended increasing the central transfer from 32 to 42% of the divisible pool of taxes. Subsequently, the union government increased this share while simultaneously reducing the allocations to a number of centrally sponsored schemes with direct relevance for public spending on children. This came into effect from 2015-16. This implies that the state needs to direct its own discretionary funds towards meeting the needs of children if that has to be a priority. This trend is not clearly visible as the analysis reveals that, barring some areas, the growth rate for public expenditure on children has seen a decline in this phase.

## Explanatory Note

CBPS with funding support from Policy, Planning and Evaluation Programme, UNICEF Hyderabad Field undertook this analysis of public expenditure on children covering a 13 year period (2001-2013) in Karnataka in 2014. The analysis was subsequently updated in 2015-16 to include two more years and this policy brief has been prepared after further updating the analysis by including the latest data using 2017-18 budgets.

## Research Team

Jyotsna Jha, Divya Krishnaswamy, Varun Sharma, Nakul Nagaraj, Madhusudhan Rao B.V., Srinivas Kumar Alamuru, Pankaj Jawrajka and Lakshmi Parvathy formed the core team leading the conceptualisation as well as the writing of the first report. Siddharth Sarbapriya and Rahul Pal contributed in updating the analysis for subsequent years. The team received support from CBPS colleagues including Shreekanth Mahendiran, Puja Minni and Neha Ghatak.

## Acknowledgements

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